REPUBLIC OF ESTONIA
TAX AND CUSTOMS BOARD

Taxation of services

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Carriage of passengers

Passenger carriage services are taxed in Estonia if the service is provided in full in Estonia. Passenger carriage services that are wholly provided in a foreign country are taxed at a 0% tax rate. With regard to the taxation of passenger carriage services at a rate of 0%, it is irrelevant whether the transport service is provided in a Member State or in a third country. If the carriage of passengers in Estonia constitutes a part of international transport of passengers, the entire service is taxed at a 0% tax rate (clause 13 of subsection 4 of § 15 of the VAT Act). For the taxation of passenger carriage services at a 0% tax rate, it is important that the place of departure and destination of the service are located in the territories of different countries. Transport services related to the carriage of passengers includes the transport of their personal luggage and personal means of transport.

Example
Person X has purchased a travel service from travel company Y on the route Tartu-Riga. The travel service starts in Tartu and also includes X's trip to Pärnu, where she transfers to the Pärnu–Riga bus on the same day. Travel company Y that sold the trip to her, had purchased the passenger transport service between Tartu and Pärnu from travel company A and the transport service between Pärnu and Riga from travel company B. The service sold by travel company Y to person X is taxed at a 0% rate because it sold the trip on its own behalf as a direct trip and the place of departure and destination indicated on the ticket is in different countries. The trip sold to travel company Y by travel company A between Tartu and Pärnu is domestic supply taxable at 24% and the travel service sold by travel company B from Pärnu to Riga is a direct trip without intermediate stops and is taxable at 0%

In the case of passenger services, the country of departure and the country of destination will be determined according to the information indicated on the ticket. If an international trip is interrupted for technical reasons, such as failure of the means of transport, this does not make the trip taxable at a rate of 24%.

If during the carriage of passengers within the territory of the Community, restaurant or catering services are provided on board a vessel, aircraft or train departing from Estonia on an international route, the place of supply is Estonia.

According to clause 2 of subsection 4 of § 15 of the VAT Act, the service necessary for the trip (including catering) provided to a passenger during an international trip on board of a ship or aircraft is taxed at a 0% rate — thus restaurant and catering services are taxable at a 0% rate.

Restaurant or catering services provided on the basis of train passenger transport in the Community territory are taxable at a rate of 24%. Outside the territory of the Community, the service is taxable at a rate of 0%.

If, during passenger transport on the territory of the Community, a restaurant or catering service is provided on board a vessel or aircraft or on a train departing from another Member State on an international route, the place of supply is not Estonia, regardless of the recipient of the service.

On the basis of clause 1 of subsection 4 of § 15 of the VAT Act, a service the place of supply of which is not Estonia is taxed at a rate of 0%.

Handbook Article last update 03.07.2025