

Changes in the Value Added Tax Act

On 01.01.2010 new changes to the Value Added Tax Act (VAT Act) entered into force, passed at Riigikogu on 11.11.2009.

Directives 2008/8/EC, 2008/9/EC and 2008/9/EC that amend the European Union VAT Directive 2006/112/EC caused the need to make amendments to the VAT Act.

The changes affect three topics in the VAT Act:

- 1) determining the place of supply of services
- 2) procedure of refunding VAT to non-residents
- 3) reporting intra-Community supply

1. Place of supply of services

The main rule for the place of supply of services is that the place of supply is the location of the taxable person recipient of the service. If the recipient of service is a person from non-Community country, then is important that he/she is a person engaged in business. On the provision of services to taxable person of Member State or to non-Community person engaged in business, the tax rate is 0%.

Exceptions have been established for the **lease of means of transport**. There are two kinds of leases: **short-term** (up to 30 days) and **long-term** lease. Long-term lease is taxed in accordance with the main rule i.e. if the recipient of services is a Member State taxable person or non-Community person engaged in business, then the tax rate is 0%. In case of short-term lease, the tax rate is 20%.

2. Applying for VAT refunding

Taxable persons of Member States file an application for the refunding of VAT paid in Estonia electronically to **tax authority of home country**, who forwards the application to Estonian Tax and Customs Board, after checking the information filed.

Estonian taxable persons file an application for the refund of VAT paid in other Member States, electronically to Estonian Tax and Customs Board, and the tax authority of the country where the VAT refund is applied form, is marked as the addressee. Applications must be filed by September 30th of the year following the refund period the latest.

3. Reporting intra-Community supply

As of 2010 the report VD in addition to the goods it must also include the supply of services provided to taxable persons of other Member States, if the receiver of services is liable to pay reverse charge VAT. Report VD is filed quarterly. From 01.01.2011 the report VD must be filed monthly together with the VAT return.

According to the amendments to the VAT return format KMD, **from year 2010 monthly** the line 3.1 must include, in addition to intra-Community supply, also the supply of services to taxable persons of other Member States.