

MS I	RIIGIKOGU KANTSELEI Majandus- ja sotsiaalinfoosakond CHANCELLERY OF THE RIIGIKOGU Department of Economic and Social Information
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17.04.2003 6-5/46

VALUE ADDED TAX RATES

According to the Value Added Tax Act the value added tax rates are as follows.

Present situation

General rate of value added tax is **18 %** of the taxable value, except in the cases provided as follows:

- The rate of value added tax on the following goods and services is **5 %** of the taxable value:

- 1) **books**, excluding textbooks, work exercise-books and workbooks specified in the list of textbooks, work exercise-books and workbooks conforming to the national curriculum approved by a regulation of the Minister of Education on the basis of the Basic Schools and Upper Secondary Schools Act;
- 2) **medicinal products, medical equipment or medical devices** within the meaning of the Social Welfare Act or the Health Insurance Act and specified in the list established by a regulation of the Government of the Republic or, on the authorisation thereof, the Minister of Social Affairs;
- 3) **chemical pest control agents** (biocides) registered with the Health Protection Inspectorate, specified in the list established by a regulation of the Government of the Republic or, on the authorisation thereof, the Minister of Social Affairs, if the purchaser is a social welfare institution or health care provider;
- 4) **handling of hazardous waste**;
- 5) **funeral items and services** specified in the list established by a regulation of the Government of the Republic or, on the authorisation thereof, the Minister of Finance;
- 6) **organisation of performances or concerts** by a state, municipal or private performing arts institution or the national opera on the condition that, according to the information available in the taxable period, the organiser of the performance or concert has not incurred tax arrears during the same calendar year and that the funds received by the organiser from the state, rural municipality or city budget or the Cultural Endowment of Estonia amount to at least 10 % of its budget revenue for the calendar year;
- 7) **heat** sold to natural persons, housing associations, apartment associations, churches, congregations, or bodies or organisations financed from the state budget or a rural municipality or city budget, and peat, fuel briquettes, coal or firewood sold to natural persons.

-The rate of value added tax on the following goods and services is **0 %** of the taxable value:

- 1) exported goods or services, including cases where the supply of goods or services is exempt from tax;
- 2) sea-going vessels used for navigation on the high seas, and equipment transferred together with the vessel;
- 3) aircraft operating on international routes, and equipment transferred together with the aircraft;
- 4) electricity generated by wind, and hydro-electricity;
- 5) periodicals sold under a subscription;
- 6) textbooks, work exercise-books and workbooks specified in the list of textbooks, work exercise-books and workbooks conforming to the national curriculum approved by a regulation of the Minister of Education on the basis of the Basic Schools and Upper Secondary Schools Act.

-Tax exemption is applied instead of the 0 % value added tax rate in the following cases:

- 1) export of similar goods replacing goods which were returned (within the meaning of the Customs Code) after export if the goods to be replaced were returned to Estonia under a tax exemption;
- 2) export of goods imported into Estonia with the 0 % value added tax rate or under a tax exemption.

Future changes

As of 1 July 2005, the value added tax rate for heat sold to natural persons, housing associations, apartment associations, churches, congregations, and bodies or organisations financed from the state budget or a rural municipality or city budget, and for peat, fuel briquettes, coal and firewood sold to natural persons shall be 18 %.

As of 1 January 2007, the rate of value added tax on electricity generated by wind and on hydro-electricity shall be 18 %.

As of Estonia's accession to the European Union, the rate of value added tax on periodicals sold under a subscription and on textbooks, work exercise-books and workbooks specified in the list of textbooks, work exercise-books and workbooks conforming to the national curriculum approved by a regulation of the Minister of Education on the basis of the Basic Schools and Upper Secondary Schools Act shall be 5 %.

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