

AS PricewaterhouseCoopers in Estonia helps clients in finding tax efficient business solutions and managing tax risks.

We work together with our colleagues in other PricewaterhouseCoopers' offices world-wide and use our access to international know-how and long-term experience to quickly and efficiently solve tax issues that arise both locally and in foreign jurisdictions. For more information, please see our contact details below.

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Tax alert

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Legal acts

Changes in VAT treatment of company passenger cars enforced from 1 December 2014

As from 1.1.2014, VAT treatment of company passenger cars that are in mixed use (business and private) has significantly changed. The monthly VAT charges on the taxable value of private use have been replaced by a new general rule under which 50% of input VAT on costs related to a car can be recovered.

The Council of the European Union decided the Republic of Estonia may implement the intended amendments derogating from the EU VAT Directive until 31.12.2017. Thereafter it is possible to apply for an extended permit. However, along with the respective application it is required Estonia submits a report demonstrating whether the 50%-limit on VAT deductibility reflects the actual proportions of the mixed use of company passenger cars. If not, the 50%-limit should be revised and replaced with a more accurate one.

For further information on the changes in VAT treatment of company passenger cars, please follow the link to our October issue where this topic was discussed in more detail:
<http://www.pwc.com/ee/en/insights/maksuteade.jhtml>

Comments on VAT Act are up to date

The Ministry of Finance has updated the comments on VAT Act in the light of the recent changes in VAT, including the changes in VAT treatment of the costs related to company passenger cars. The comments are available in Estonian on the website of the Ministry of Finance and can be downloaded as a Word document at:

<http://www.fin.ee/280/>

Amendments in VAT forms and regulations

The VAT return form KMD includes new fields 5.3 and 5.4 for reporting the number of company owned passenger cars (except those purchased for resale or rented out under a lease agreement) and amounts of deducted input VAT. The fields previously used for reporting private use of passenger cars (1.1 and 2.1) have been excluded from KMD form.

The VAT return form KMD INF part B where information on incoming invoices must be reported has been also amended. If restrictions apply on deductibility of input VAT paid on costs related to a passenger car, a distinction code '11' should be inserted in column 9 of the part B.

As for the amendments made in Regulation 39 of the Minister of Finance (30.03.2004), it is important to notice that the company passenger cars purchased before 1.12.2014 are subject to the new VAT treatment starting from 1.12.2014. This means that no retroactive adjustments in input VAT are required from the taxpayers.

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