

# Estonia Blocks EU VAT Agreement on Platform Services

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Estonia recently vetoed an EU proposal to introduce value-added tax (VAT) on services provided through platforms like Bolt and Airbnb, halting an agreement at the European Union's Council of Finance Ministers. The EU's plan, part of a broader package aimed at tackling VAT fraud and supporting digitalization, sought to make platform services register for VAT, potentially increasing costs for consumers by up to 25%.

## EU Proposal: Aiming for Fairer Taxation

The European Commission proposed that platforms like Airbnb and Bolt collect VAT on behalf of individuals and small businesses using their services. This change aimed to level the playing field by ensuring the sharing economy contributes fairly to the tax system. Countries like Spain, Italy, and France backed the initiative, arguing that digital services should not enjoy an unfair advantage over traditional businesses by avoiding VAT obligations.

## Estonia's Objection: Impact on Small Businesses

Estonia opposed the plan, with Finance Minister Mart Vörklaev arguing it would disproportionately impact small businesses and individuals, many of whom earn less than the 40 000 EUR VAT threshold. Under the new rule, these service providers would still face VAT charges if they used platforms, while those offering similar services outside of platforms would remain exempt. Vörklaev emphasized this would distort competition and burden consumers with higher costs.

## Double Taxation Concerns

The Estonian government is particularly concerned about double taxation. Small businesses using platforms would be liable for VAT but unable to deduct input VAT, placing them at a disadvantage compared to larger businesses. Estonia views the proposal as an unfair tax on small enterprises, which make up the bulk of those using platforms in the country.

## Lobbying Allegations and Broader EU Tensions

Estonia's position has faced criticism, with some accusing the government of being influenced by platform companies like Bolt. However, Vörklaev denied this, stating the opposition is based on protecting small businesses. Industry groups in Estonia, such as the Hotels and Restaurants Association, support the EU proposal, arguing it levels the playing field for traditional businesses.

## A Path Forward: Seeking Compromise

Vörklaev suggested making the VAT requirement optional for member states, allowing countries to opt out if the tax would disproportionately affect small businesses. While this was rejected by the Belgian presidency leading negotiations, the upcoming Hungarian presidency will take up the issue. Vörklaev remains optimistic, noting that several other member states acknowledged Estonia's concerns.

## Conclusion

Estonia's veto underscores the challenge of creating fair taxation in the digital economy. While the EU aims to close tax loopholes for platform services, Estonia's stance highlights the need to balance fairness with the potential burden on small businesses and consumers. As negotiations continue, the EU must find a solution that addresses these concerns without stifling innovation or competition.