

Calculation of taxable gains at exchange of property

FORMULA FOR CALCULATING TAXABLE GAINS DERIVED FROM EXCHANGE OF PROPERTY

market price of the property received by exchange – acquisition cost of the property exchanged – costs directly related to the exchange of property = gains taxable with income tax

EXAMPLE

Years ago, a person purchased a two-room apartment for 55,000 euros, which he did not use as his residence, but hired out.

Now he is making an exchange transaction to swap his two-room apartment for a three-room apartment. The market price of both apartments at the time of the exchange, i.e. at the time of the transaction, is 90,000 euros. The costs related to the conclusion of the exchange agreement, including the state fee and notary fees, are 340 euros.

The gain subject to income tax received from the exchange of the apartment is calculated as follows:
 $90,000 - 55,000 - 340 = \mathbf{34,660 \text{ euros.}}$

In the case of this example, it should be taken into account that the provisions of the contract of sale apply to the exchange contract and that both parties to the contract are both the seller and the buyer at the same time. In general, the prices of exchanged properties are equal.

Last updated on 08.01.2025