



MAKSU- JA TOLLIAMET

Transfer of immovable property

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Introduction

Gains derived from the transfer of immovable property are, as a rule, subject to income tax. Gains derived from the intermediation of immovable property and from the transfer or intermediation of real estate reservations are also taxed. Certain immovable property transactions are exempt from income tax.

Definitions

- ✘ **Transfer** is a transaction as a result of which the property changes owner, such as purchase and sale, gift, exchange, etc.
- ✘ **An item of immovable property** is a delimited area of land (plot of land). The integral parts of an item of immovable property are the items of property that are permanently attached to it such as construction works, standing wood, other vegetation and unharvested fruit. The integral parts of immovable property together with the land form a registered immovable.
- ✘ **A movable** is a thing that is not immovable.

Act

Income Tax Act

Last updated on 08.01.2025

Calculation of taxable gains

- ✘ Before taxation with income tax, **documented expenses directly related to the acquisition and transfer of property may be deducted** from the income received from the sale or exchange of property. In the absence of documentary evidence, the expenses made cannot be taken into account for tax purposes.
- ✘ General expenses related to the management of the property (for example, administrative expenses,

- ✘ utility costs, electricity bills, etc. of an apartment to be transferred) cannot be deducted from the gains.

The gains or loss from the transfer of property mean:

- ✓ in case of sale – the difference between the sales price of the property and the acquisition cost, from which expenses directly related to the sale of the property have been deducted;
- ✓ in case of exchange – the difference between the market price of the property received by exchange and the acquisition cost of the property exchanged, from which expenses directly related to the exchange of property have been deducted.

The acquisition cost of property is:

- ✓ the expenses made for the acquisition of property (e.g., purchase price);
- ✓ the expenses made to improve (e.g., renovate a house) or supplement property (e.g., repair, built-in furniture);
- ✓ brokerage fees and levies paid on acquisition of property (for example, notary fee paid by the buyer, state fee, or other cost included in the contract and related to the contract);
- ✓ in the case of property acquired under a finance lease (leasing), the total amount of lease or down payments actually paid, excluding interest;
- ✓ in the case of a self-manufactured item, the total amount of costs incurred in manufacturing the item (for example, the construction cost of a building);
- ✓ the amount added to business income in the event that a person transfers property that has previously been taxed as property taken into personal consumption by him or her as a self-employed person;
- ✓ documented monetary compensation paid by a successor to the other successors under a notarial agreement on division of an estate ([subsection 4 of § 159 of the Law of Succession Act](#)), provided that it has been paid from the payer's personal funds and not out of the estate.

Expenses directly related to the transfer of property are:

- ✓ expenses inevitable for concluding a transaction of transfer of property (for example, the notary fee paid by the seller, state fee, or other fee related to the contract);
- ✓ expenses for the purpose of making the transaction more successful (e.g. a broker's fee, property valuation fee);
- ✓ in case of the right to cut standing crop and felled timber, expenses relating to forest management;
- ✓ in case of the sale of felled timber, service fees paid for harvesting the forest and transportation of timber.

Last updated on 26.08.2026

At sale of property

Formula for calculating taxable gains derived from sale of property in accordance with the subsection 1 of § 37 of the Income Tax Act:

sales price – acquisition cost – costs directly related to sale = gains taxable with income tax

NB! Pursuant to subsection 1 of § 38 of the Income Tax Act, acquisition cost is all the certified expenses incurred, including the commissions and fees paid, by a taxpayer for obtaining, improving and supplementing property.

Example

A person bought an apartment for 625,864 Estonian kroons (acquisition cost) and sold it in 2025 for 60,000 euros (sales price).

The apartment was not used as the person's actual place of residence. The expenses directly related to the sale (property valuation, costs related to the sales contract, etc.) were 3,000 euros, which can be deducted from the income.

When declaring income, the acquisition cost must be converted into euros: $625,864 \div 15.6466 = 40,000$.

The gain from the sale of the apartment subject to income tax is calculated as follows:

$60,000 - 40,000 - 3,000 = 17,000$ euros.

The income tax rate is 22% in the 2025 income tax return.

The income tax amount is calculated as follows: $17,000 \times 0.22 = 3,740$ euros.

Examples of how to declare income from the sale of property (in Estonian)

Last updated on 17.03.2026

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:
 $90,000 - 55,000 - 340 = 34,660$ 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

Upon transfer of membership of a building association

FORMULA FOR CALCULATING TAXABLE GAINS UPON TRANSFER OF MEMBERSHIP OF A BUILDING ASSOCIATION

sales price – acquisition cost – costs directly related to sale = gains taxable with income tax

The Income Tax Act does not provide tax exemptions for the gains derived from the transfer of membership of a building association (including garages).

As with other immovable property transactions, only gains are taxed when transferring membership, i.e. the difference between the selling price and the acquisition cost. The acquisition cost also includes the money actually paid by a member of the former garage cooperative for the acquisition of shares and the construction of the garage box.

Last updated on 08.01.2025

Declaration of income and payment of income tax

Taxable period

- ✘ Gains derived from the **sale of property** are taxed in the taxable period (calendar year) in which **money is received from the sales transaction**.
- ✘ Gains derived from the **exchange of property** are taxed in the taxable period in which **the ownership is transferred according to the record of the land register**.

Declaring income

Income from the transfer of property, intermediation of immovable property and transfer of immovable property reservations is declared in the income tax return of a resident natural person. The income tax return has to be submitted to the Tax and Customs Board **no later than April 30 of the year following the year in which the gain was derived**.

Read more: [Where and how to submit the income tax return](#)

Payment of income tax

Income tax has to be paid to the bank account of the Tax and Customs Board **no later than 1 October of the year of submission of the tax return**.

Read more: [Tax payment options](#)

How to declare



GAINS DERIVED FROM TRANSFER OF PROPERTY

Gains derived from the transfer of property are declared in the **income tax return form A** of a resident natural person.

If the seller of the property receives the money **during several different taxable periods**, the acquisition cost and the costs directly related to the sale are taken into account when calculating the gains of different periods according to the proportion of money received during that taxable period.

At the taxpayer's request, it is also possible to take into account the acquisition cost and the costs related to the sale to the extent of the money received during the taxable period, i.e. the gains are taxed if the income received exceeds the acquisition cost and the costs related to the transfer.

If the transfer of property is a taxable transaction, but during the taxable period no gain is derived when taking account of the acquisition cost, such transaction must still be declared in order to take the acquisition cost into account.

✂ INCOME RECEIVED FROM INTERMEDIATION OF IMMOVABLE PROPERTY

Income from intermediation of immovable property is generally declared and taxed as business income of a natural person. If the intermediation of immovable property is the business of a natural person, the income received must be declared in the business income declaration form E. A sole proprietor entered in the commercial register can deduct business-related expenses from income. Both income and social tax must be paid on business income.

If the activity of intermediation of immovable property does not correspond to the characteristics of business activity, the income received is declared in the income tax return form A. Income tax is paid on the income, no social tax must be paid.

✂ INCOME RECEIVED FROM TRANSFER OR INTERMEDIATION OF REAL ESTATE RESERVATIONS

Income received from the transfer or intermediation of real estate reservations is taxed:

- ✓ as business income (declared on form E) or
- ✓ gains from transfer of property (declared on form A) or
- ✓ as other income (declared on form A).

Last updated on 08.01.2025

Transfer of immovable property located in a foreign country

The gains from the transfer of immovable property located in a foreign country to an Estonian resident natural person is subject to income tax in Estonia even if the gains from the transfer of immovable

property was subject to income tax in the foreign country.

An Estonian resident natural person declares the mentioned gains and the income tax paid in the country where the immovable property is located in **table 8.3 of the Estonian income tax return**.

Double taxation is avoided in the income tax return of an Estonian resident natural person in Estonia by reducing the income tax calculated in Estonia with the certified income tax of a foreign country, if the income tax was paid according to the rules of the country where the immovable property was located.

Immovable property received as estate

When calculating the taxable income in Estonia, the mandatory certified inheritance tax paid in a foreign country on immovable property located in a foreign country can be added to the acquisition cost to calculate the gain from the transfer of the immovable property. This means that foreign inheritance tax reduces the amount of taxable income in Estonia.

In order to avoid double taxation in Estonia, we subtract the mandatory income tax paid in a foreign country from the income tax calculated based on Estonian rules.

If the transferred immovable property was located in one of the countries with which Estonia has concluded a valid tax treaty with the tax exemption method (Albania, United Arab Emirates, Bahrain, Bulgaria, Georgia, Guernsey, Netherlands, Hong Kong, Israel, India, Japan, Jersey, South Korea, Kyrgyzstan, Cyprus, Lithuania, Luxembourg, Macedonia, Isle of Man, Mauritius, Mexico, Serbia, Switzerland, Thailand, Turkmenistan, Uzbekistan, Vietnam), then the gain from the transfer of immovable property is exempt from income tax in Estonia based on the tax treaty. However, an Estonian resident natural person must declare the gains in **table 8.8 of the Estonian income tax return**.

The transfer of residence is exempt from income tax in Estonia, regardless of whether the residence was in a foreign country or in Estonia, in this case the gain does not have to be declared in Estonia.

Last updated on 08.01.2025

Transfer of the place of residence

If a person transfers a dwelling, which he or she **used until the transfer as his or her place of residence**, the gains derived from the transfer are exempt from tax and income tax is not charged.

The Income Tax Act does not specify how many days a year a dwelling must be used in order to be called a place of residence. A person may have two or more places of residence at the same time. According to the guidelines of the Supreme Court, the actual place of residence of a person is the determining factor in the application of the tax exemption. The determination of the actual place of residence is therefore a matter of proving a fact in each case of tax exemption.

The tax exemption can only be applied to one sales transaction within two years. The two years between transactions are counted from the day following the date of entry of the sales transaction in the land register.

EXAMPLE 1

In January 2022, a person sold her apartment, which she had been using as her place of residence. The notarial purchase and sale contract was signed on 23 January 2022 and the entry in the land register was made on 26 January 2022.

The person sold her new place of residence in January 2024. The notarial purchase and sale contract was signed on 15 January 2024 and the entry in the land register was made on 18 January 2024.

The period between the sale of the first and second place of residence is shorter than two years, so the sale of the second residence must be declared in the income tax return of 2024. In this example, the two-year period starts on 27 January 2022.

If a loss arises from the sale of the second place of residence, such a transaction is not taken into account at taxation and does not have to be declared, but the documents of the transaction (concerning costs of acquisition and sale) must be kept for at least five years.

Since the transfer of residence is exempt from income tax, it does not matter how the dwelling was acquired - whether inherited, gifted, purchased, returned or privatised with the right of pre-emption.

EXAMPLE 2

A private person has two houses that he uses as places of residence.

He sells his house in Pärnu, where he lives mostly in summer and occasionally at other times. He inherited the house and is the sole owner of it. His second house is in Tallinn, where his registered place of residence is. The house in Tallinn is used as a place of residence primarily in winter.

Can the person apply tax exemption to the transfer of his Pärnu house?

The person can have two places of residence and he can choose on the sale of which he applies the tax exemption. **NB!** The tax exemption can be applied on the sale of one place of residence within two years.

The use of a dwelling as a place of residence can be proved in various ways, e.g. explanations from the taxpayer, testimony of witnesses, including neighbours, bills of paid utilities, contracts for communications services, etc.

The fact that the person has a registered place of residence in Tallinn is not decisive in this case.

In order to apply the tax exemption, it is important that the Pärnu house is used as his place of residence before it is sold and that the house is not partly used as an office (e.g. there are no rooms rented to a company) or rented out to somebody else. Using the house as a home office does not affect or annul the tax exemption of the sale of a place of residence.

The sale of the Pärnu house is exempt from tax and does not have to be declared in the income tax return.

EXAMPLE 3

A private individual uses one room in their home as a home office. The company compensates for the costs associated with the office.

If a private individual decides to sell their place of residence, what does this mean for them in terms of taxation?

If an employer has reimbursed an employee for electricity or internet expenses in connection with a home office (pursuant to **subsection 3 of § 12 of the Income Tax Act**), this does not affect the tax exemption on the sale of the residence.

However, if the immovable property, building, or apartment was used for other purposes (e.g. business, separate massage room, etc.) at the same time as it was used as a place of residence, the tax exemption is applied proportionally to the ratio of the area used as a residence to the area used for other purposes.

EXAMPLE 4

A married couple is getting divorced. They own a home together. After the divorce, the woman will continue to live in the couple's shared apartment, while the man will move into an apartment he purchased before the marriage, which had been rented out in the meantime. After some time, the man sells his new residence, which belongs solely to him, and uses the tax exemption for the sale of a place of residence pursuant to **clause 1 of subsection 5 of § 15 of the Income Tax Act**. The man then buys a new apartment.

If the man and woman wish to sell their jointly owned apartment at a later date, can they claim the income tax exemption applicable to their place of residence, or does the man have to pay income tax on his share of the proceeds from the sale?

According to **clause 1 of subsection 5** and **subsection 6 of § 15 of the Income Tax Act**, it is possible to apply for income tax exemption once every two years when selling your place of residence. This applies if the taxpayer uses the apartment as their place of residence until the sale. Therefore, when selling their shared apartment, the woman can apply the income tax exemption to her share, but the man must pay income tax on his share of the gains. The reason for this is that the man no longer uses the apartment as his place of residence and is selling his second home within two years.

EXAMPLE 5

Until transfer, a sole proprietor used 70% of her apartment with the total surface area of 100 m² as a residence and 30% for entrepreneurship. Acquisition and improvement costs of the apartment have not been deducted from business income.

The sales price of the apartment is 100,000 euros. 30%, i.e. 30,000 euros, of it is the taxable part.

The acquisition cost is 70,000 euros, 30% of it, i.e. 21,000 euros, is taken into account.

The expenses related to the transfer make up 10,000 euros, 30% of this amount, 3,000 euros, is taken into account.

Gain is declared as follows: $30,000 - 21,000 - 3,000 = 6,000$ euros.

Last updated on 27.03.2026

A dwelling with a storage room and parking space

The Estonian Tax and Customs Board treats these situations of transferring housings equally in taxation where:

- ✓ a dwelling with a storage room and a parking space which belong to the dwelling, are entered in the land register as **one apartment ownership**; and
- ✓ a dwelling with a storage room (non-residential premise) and a parking space (non-residential premise) are entered in the land register as **independent apartment ownerships**.

If a dwelling with a storage room and parking space registered as independent apartment ownerships are transferred by one sales transaction, the transaction will be subject to the tax exemption of the transfer of dwelling. With reference to the two-year-rule, it is considered as one sales transaction as well.

If a storage room or a parking space is transferred separately from the dwelling by another sales transaction (e.g. before or after the sale of the dwelling), or if the storage room or parking space were not used as parts of the dwelling but for commercial purposes (e.g. rented out or used for business), the sale will be subject to income tax.

EXAMPLE

A person owned an apartment with a parking space and a storage room. He decided to give up the

parking space and sold it in January 2024. The purchase price of the parking space was 10,000 euros and the sales price was 12,500 euros.

There were no costs related to the transfer.

In March 2024, the person decided to move to a larger apartment and sold the apartment used as a residence. Together with the apartment, the storage room was also sold.

Since the parking space was transferred two months earlier than the residence, the gain from the sale of the parking space must be declared and income tax must be paid. However, the sale of the residence and the storage room is exempt from tax.

Last updated on 08.01.2025

A part of the legal share belonging to the physical share of the apartment ownership

If a part of the legal share which belongs to the physical share of a separate apartment ownership is transferred (e.g. with the aim of increasing the physical share of an apartment ownership or creating a new apartment ownership at the expense of the basement or attic), such an assignment for charge will be subject to taxation. This is because a legal share in a plot of land or parts and equipment of a building is not individually considered as a dwelling of a taxpayer.

The mentioned parts of apartment ownership do not belong to the physical part of apartment ownership (taxpayer's dwelling), instead, these are legal shares of common ownership of the apartment house which belong to the physical share (**subsection 1 of § 1 of the Apartment Ownership and Apartment Associations Act**).

Last updated on 08.01.2025

A visitor's apartment located in business premises with

visitors' apartments and on commercial land

Visitor's apartment means an accommodation establishment that is rented out entirely (**subsection 8 of § 18 of the Tourism Act**).

A visitor's apartment/holiday apartment is used for commercial purposes and therefore it is not exempt from income tax. The Law of Obligations Act distinguishes dwellings from business premises and practically rules out the possibility to use dwellings as business premises, and vice versa. Within the meaning of the Law of Obligations Act, a dwelling is a residential building or apartment that is used for permanent habitation. Business premises are premises used in economic or professional activities (**§ 272 of the Law of Obligations Act**).

The Supreme Court has agreed in its judgement that it is reasonable to assume that a building will be used for the purposes specified in the detailed spatial plan or building permit. At the same time, it is important to know that the classification of purpose for use of construction works which distinguishes residential buildings from non-residential buildings in construction law differs from the classification between dwellings and business premises within the meaning of subsection 1 of § 272 of the Law of Obligations Act. Thus, the legislative or regulatory provisions of construction law do not forbid the usage of residential building or an apartment that is located in a residential building for temporary residence. Likewise, an apartment that is located in a residential building may be used for providing accommodation services, i.e. in economic activity (**RKHK 3-3-1-47-15**, in Estonian).

Unlike ordinary apartments that are meant for use as places of residence, the purpose for use of holiday apartments is business activity. If a taxpayer has really been using a holiday apartment as his or her place of residence until its transfer and it is proven, the application for tax exemption to the sale of such an apartment may be justified in exceptional cases.

Last updated on 08.01.2025

Inherited immovable property

- ✘ If a person inherits an apartment or a house and decides to transfer (sell or exchange) it promptly, the gain received is subject to income tax.
- ✘ The acquisition cost of property received by succession, which may be deducted from taxable gains, is limited to the expenses incurred by the successor (**subsection 1¹ of § 38 of the Income Tax Act**), for example, monetary compensation paid by a successor to the other successors from personal

- ✘ funds (rather than out of the estate) under a notarial agreement on division of an estate.
- ✘ If a person uses the inherited apartment as their permanent and main residence until the transfer, the gains from its transfer are not subject to income tax.

Last updated on 26.08.2026

Transfer of a dwelling formed by merging several apartment ownerships

If a person transfers a dwelling used as a place of residence until the transfer, income tax is not charged on the gains derived from the transfer pursuant to **clause 1 of subsection 5 of § 15 of the Income Tax Act**. **Subsection 6** of the same section specifies that the exemption can be applied to one transfer within two years.

If several apartment ownerships have been merged into a single dwelling in the course of building work, the tax exemption applies to the dwelling provided that all of the following conditions are met:

1. the legal merger of the apartment ownerships has been completed;
2. according to an entry in the land register, there is a single apartment ownership;
3. the dwelling was used as the taxpayer's place of residence until the transfer;
4. the taxpayer uses the exemption for dwellings for the first time in two years.

If the conditions set out in points 1 and 2 are not met, the exemption from income tax provided for in clause 1 of subsection 5 of § 15 of the Income Tax Act applies to only one apartment (**subsection 1 of § 15, clause 1 of subsection 5 of § 15 and subsection 6 of § 15**), even if the apartment ownerships cannot be used as separate dwellings. However, the taxpayer has the right to decide to which apartment ownership the exemption applies.

According to subsection 1 of § 15 of the Income Tax Act, the income tax treatment of gains from the transfer of property is "object-based", that is to say, each sale of property (including each apartment ownership) is treated as a separate transaction for tax purposes. Accordingly, clause 1 of subsection 5 and subsection 6 of § 15 of the Income Tax Act must be interpreted to mean that gains derived from the transfer of an apartment ownership that constitutes a dwelling are exempt from tax; however, the exemption may be applied **only** to the transfer of **one apartment ownership** within a two-year period. If two apartments have been merged but this change is not reflected in the register data, the transaction

may appear to be a transfer of one apartment; however, for the purposes of civil law and tax law, it remains a transfer of two apartment ownerships.

Therefore, the transfer of two apartment ownerships within a two-year period, even if carried out at the same time, constitutes “more than one transfer” for the purposes of § 15 of the Income Tax Act. As a result, the transfer of the second apartment ownership is excluded from the tax exemption under subsection 6 and must be declared on the income tax return.

In 2025, the Estonian Tax and Customs Board issued a **binding preliminary tax ruling** on the same matter.

Last updated on 16.01.2026

Transfer of property returned in the course of the ownership reform

Gains derived from the **first transfer** of property returned in the course of the ownership reform (incl. returned forest land), is exempt from income tax. This is also the case if the property (plot of land) is divided into several parts and transferred as separate plots.

NB! However, gains from the transfer of standing crop of the returned forest land is taxed.

Transfer of property returned in the course of the ownership reform, if...

...THE LAND IS INHERITED

In the case of inheritance, it is legal succession arising from the law and the tax exemption can be used by the person **who transfers the land returned in the course of the ownership reform for the first time**. If the owner of the property returned in the course of the ownership reform bequeaths the property to a successor and the successor transfers it, he or she does not have to pay income tax on the gains received.

...THE LAND IS RECEIVED AS A GIFT

Gifts are a transfer transaction and the tax exemption cannot be used upon transfer of land returned in the course of the ownership reform, which has been received as a gift.

If the owner of the land returned in the course of the ownership reform gives the land away as a gift and the recipient of the gift transfers it, then income tax must be paid on the gains received.

...THE LAND IS RECEIVED AS A LEGACY

If the property returned in the course of the ownership reform has been obtained by a contract for the transfer of a legacy, it is deemed to be the first transfer transaction.

If the legatee transfers the immovable property returned in the course of ownership reform, income tax must be paid on the gains received.

Last updated on 08.01.2025

Transfer of inherited property returned in the course of the ownership reform

Pursuant to clause 5 of subsection 4 of § 15 of the Income Tax Act, income tax is not charged on the income from the transfer of land returned in the course of ownership reform. In the opinion of the tax authority, the wording of subsection 4 of § 15 of the Income Tax Act supports the application of the tax exemption with respect to the successor on the ground that clause 5 of the provision does not make the exemption conditional on a particular person, but is based solely on the means of acquisition of the land. Therefore, it can be concluded that the tax exemption applies to the first transfer of the land returned in the course of the ownership reform. According to the guidelines of the Supreme Court, succession does not constitute a transfer transaction but is a legal succession arising from the law, so the exemption applies to the person who transfers the land returned in the course of the ownership reform for the first time. In the opinion of the tax authority, it is not a proprietary right inseparably related to the person of the bequeather.

A legacy is a right of claim against successors and arises automatically on the basis of a will if the right is not waived within three months. A notarised contract for the transfer of a legacy is entered into for the transfer of a legacy. If the legatee is a legal successor at the same time, tax exemptions apply to the transfer of the property received as a legacy, which would have applied to the bequeather. If the legatee is not the legal successor, the tax exemptions of the bequeather do not apply to the transfer of the property received as a legacy.

In the opinion of the tax authority, according to the guidelines issued by the Administrative Law Chamber of the Supreme Court in the **judgment of 25 May 2018 (administrative matter No. 3-16-903)**, the transfer of the tax exemptions provided for in clauses 2 and 5 of subsection 5 of § 15 of the Income Tax

Act to the successors is possible, as the legislator has not at present restricted the transfer of the tax exemption to the successors. Thus, it is possible for successors to apply the above tax exemption upon the first transfer of immovable property, if the property transferred for the first time has become the property of the bequeather by returning the unlawfully expropriated property.

Please note that for the application of the tax exemption provided for in clauses 3 and 5 of subsection 5 of § 15 of the Income Tax Act, there is a prerequisite that the immovable property has become the property of the taxpayer by **privatisation with the right of pre-emption**. Thus, if the person who acquired the property by way of privatisation with the right of pre-emption does not use the tax incentive granted to him or her, but decides to bequeath it, his or her successors cannot benefit from the tax incentive provided for in clauses 3 and 5 of subsection 5 of § 15 of the Income Tax Act (**administrative matter No. 3-14-50711**).

Last updated on 16.01.2026

Transfer of property restituted after being unlawfully expropriated

If an immovable has been transferred into the ownership of the taxpayer through return of unlawfully expropriated property and an essential part of the immovable or the object of an apartment ownership or of a right of superficies in an apartment is a **dwelling** (for example, a residential building returned as a movable, which is later registered and sold as an immovable), then the income from the transfer of such immovable is not subject to income tax.

This tax incentive does not apply to the transfer of business premises (such as offices, shops or production facilities) even if they were obtained by way of return.

If a person has been restituted a plot of land larger than the part of the right of claim, then the income from the sale of this plot of land is also exempt from tax.

However, gains from the transfer of standing crop of the restituted forest land **is taxed with income tax**.

Transfer of property restituted after being unlawfully expropriated if:

THE PROPERTY IS INHERITED

In the case of inheritance, it is legal succession arising from the law and the tax exemption can be used by the person who transfers the land for the **first time**. If the owner of the property restituted after being unlawfully expropriated bequeaths the property to a successor and the successor transfers it, he or she does not have to pay income tax on the gains received.

THE PROPERTY IS RECEIVED AS A GIFT

Gifting is a transfer transaction and the tax exemption cannot be used upon transfer of property, which has been restituted after being unlawfully expropriated and received as a gift. If the owner of property restituted after being unlawfully expropriated gives this property as a gift and the recipient of the gift sells it, then he or she must pay income tax on the gain received.

THE PROPERTY IS RECEIVED AS A LEGACY

If the property restituted after being unlawfully expropriated has been obtained by a contract for the transfer of a legacy, it is deemed to be the first transfer transaction. If the legatee transfers the property, he or she must pay income tax on the gains received.

Last updated on 08.01.2025

Transfer of inherited property restituted after being unlawfully expropriated

Pursuant to clause 5 of subsection 4 of § 15 of the Income Tax Act, income tax is not charged on the income from the transfer of land returned in the course of ownership reform. In the opinion of the tax authority, the wording clause 5 of subsection 4 of § 15 of the Income Tax Act allows the application of the tax exemption with respect to the successor on the ground that it does not make the exemption conditional on a particular person, but is based solely on the means of acquisition of the land. Therefore, it can be concluded that the tax exemption applies to the first transfer of the land returned in the course of the ownership reform. According to the guidelines of the Supreme Court, succession does not constitute a transfer transaction but is a legal succession arising from the law, so the exemption applies to the person who transfers the land returned in the course of the ownership reform for the first time. In the opinion of the tax authority, it is not a proprietary right inseparably related to the person of the bequeather.

A legacy is a right of claim against successors and arises automatically on the basis of a will if the right

is not waived within three months. A notarised contract for the transfer of a legacy is entered into for the transfer of a legacy. If the legatee is a legal successor at the same time, tax exemptions apply to the transfer of the property received as a legacy, which would have applied to the bequeather. If the legatee is not the legal successor, the tax exemptions of the bequeather do not apply to the transfer of the property received as a legacy.

In the opinion of the tax authority, according to the guidelines issued by the **Administrative Law Chamber of the Supreme Court in the judgment of 25 May 2018 (administrative matter No. 3-16-903)**, the transfer of the tax exemptions provided for in clauses 2 and 5 of subsection 5 of § 15 of the Income Tax Act to the successors is possible, as the legislator has not at present restricted the transfer of the tax exemption to the successors. Thus, it is possible for successors to apply the above tax exemption upon the first transfer of immovable property, if the property transferred for the first time has become the property of the bequeather by returning the unlawfully expropriated property.

Please note that for the application of the tax exemption provided for in clauses 3 and 5 of subsection 5 of § 15 of the Income Tax Act, there is a prerequisite that the immovable property has become the property of the taxpayer by **privatisation with the right of pre-emption**. Thus, if the person who acquired the property by way of privatisation with the right of pre-emption does not use the tax incentive granted to him or her, but decides to bequeath it, his or her successors cannot benefit from the tax incentive provided for in clauses 3 and 5 of subsection 5 of § 15 of the Income Tax Act (**administrative matter No. 3-14-50711**).

Last updated on 16.01.2026

Transfer of property privatised with the right of pre-emption

Gains from the transfer of immovable property are **not subject to income tax** if the essential part of the immovable or the object of apartment ownership or the right of superficies is a dwelling and all the following three conditions are met:

1. the dwelling has been transferred to the taxpayer's ownership through privatisation with the right of pre-emption
2. the land adjacent to the dwelling has been transferred to the taxpayer's ownership through privatisation with the right of pre-emption

3. the size of the registered immovable property does not exceed 2 hectares.

EXAMPLE

The dwelling house was inherited; 0.6 hectares of land was privatised with the right of pre-emption, and the owner did not use the house as a residence.

The total costs related to the inheritance process and improving or upgrading the dwelling were 19,670 euros.

The costs of privatising the land with the right of pre-emption were 1,800 euros. The registered immovable was sold for 70,000 euros.

Taxable income is calculated as follows: $70,000 - 19,670 - 1,800 = \mathbf{48,530 \text{ euros}}$.

Since one of the above-mentioned conditions is not met in this example (the dwelling is not privatised with the right of pre-emption), the income tax exemption cannot be applied and the income received is taxed.

Transfer of property restituted after being unlawfully expropriated if...

...THE PROPERTY IS INHERITED

If a person inherits and transfers a property privatised with the right of pre-emption, he or she cannot benefit from the tax incentive and income tax is payable on the gains received, unless he or she used the property (dwelling) as his or her place of residence. Only the costs incurred by the successor are the acquisition costs of the property, which may be deducted from the taxable gains (subsection 1¹ of § 38 of the Income Tax Act).

...THE PROPERTY IS RECEIVED AS A GIFT

Gifting is a transfer transaction and the tax exemption cannot be used upon transfer of property privatised with the right of pre-emption and received as a gift. If the owner of such property gives this property as a gift and the recipient of the gift transfers it, then he or she must pay income tax on the gains received.

...THE PROPERTY IS RECEIVED AS A LEGACY

If the property privatised with the right of pre-emption has been obtained by a contract for the transfer of a legacy, it is deemed to be the first transfer transaction. If the legatee transfers the property, he or she must pay income tax on the gains received.

Last updated on 08.01.2025

Transfer of a summer cottage or garden house

Income tax is not charged on the income derived from the transfer of a summer cottage or garden house if the following conditions are met:

1. the summer cottage or the garden house has been in the taxpayer's ownership as a movable or an essential part of an immovable for more than two years;
2. the size of the registered immovable does not exceed 0.25 hectares (i.e. 2,500 m²), and
3. according to the land register entry, this is a summer cottage or garden house.

If the summer cottage or garden house has been acquired by a leasing contract, the beginning date of the ownership is the date on which the leasing contract was concluded.

EXAMPLE 1

A person bought a garden house for 15,000 euros. 10 years later, only the foundation remained of the garden house. She decided to sell the empty plot and sold it for 30,000 euros. Since at the time of sale an essential part of the immovable, i.e. the garden house, no longer existed and it is not a sale transaction of a garden house but of land, this transaction is not exempt from tax. Although the accuracy of the land register data is assumed, factual circumstances must also be taken into account.

Transfer of a summer cottage or garden house if...

...THE SUMMER COTTAGE OR GARDEN HOUSE IS INHERITED

The successor can only sell the inherited cottage or garden house exempt from tax if the following conditions are met: **the summer cottage or garden house has been in the successor's ownership as a movable or an essential part of an immovable for more than two years, the size of the registered immovable does not exceed 0.25 hectares** (i.e. 2,500 m²) and according to the land register entry, this is a summer cottage or garden house.

If at least one of the conditions is not met, the sale of a cottage or garden house must be declared and income tax must be paid on the gains received. Only the costs incurred by the successor are the acquisition costs of the property, which may be deducted from the taxable gains (**subsection 1¹ of § 38 of the Income Tax Act**), for example, monetary compensation paid by a successor to the other successors from personal funds (rather than out of the estate) under a notarial agreement on division of an estate.

...THE SUMMER COTTAGE OR GARDEN HOUSE IS RECEIVED AS A GIFT

The recipient of the gift can only sell the cottage or garden house received as a gift exempt from tax if the following conditions are met: **the summer cottage or garden house has been in the person's ownership as a movable or an essential part of an immovable for more than two years, the size of the registered immovable does not exceed 0.25 hectares** (i.e. 2,500 m²) and according to the land register entry, this is a summer cottage or garden house.

EXAMPLE 2

In 2023, grandmother gave her granddaughter a summer cottage with the land belonging to it as a gift. In 2024, the granddaughter sold the cottage. Since the cottage was owned by the granddaughter for only one year, she must pay income tax on the gains received.

The acquisition cost and the recipient's documented expenses can be deducted from the income.

Last updated on 26.08.2026

Expropriation payment and compensation for expropriation

The following are not taxed with income tax:

- ✘ the consideration and compensation paid for acquisition, including expropriation, and the establishment of compulsory possession (pursuant to the Acquisition of Immovable in Public Interest Act), and
- ✘ the received income and compensation from the exchange of immovable property and land management carried out under the Acquisition of Immovable in Public Interest Act.

Last updated on 08.01.2025

Acquisition of immovable property by inheritance or gift

Property received by succession or as a gift (e.g. land, house, apartment etc. inherited or received as a gift in Estonia or abroad) is **not subject to income tax at the moment of acquisition**.

However, if you transfer the immovable property received by succession or as a gift, income tax is payable on the gains received, **unless the property is exempt from income tax**. Income tax exemption applies if the property has been returned in the course of ownership reform or it has been used as a place of residence until the transfer. It is important to remember that a place of residence can be transferred exempt from income tax once within two years.

The acquisition cost of the immovable property received by succession or as a gift, which may be deducted from taxable gains, is limited to the expenses incurred by the successor or the recipient of the gift.

Such an expense may be, for example, monetary compensation paid by a successor to the other successors from personal funds (rather than out of the estate) under a notarial agreement on division of an estate.

Last updated on 26.08.2026

Transfer of movable property in personal consumption

Income derived from the transfer of consumer goods, which have been in personal use, is exempt from tax.

Last updated on 08.01.2025