MAKSU- JA TOLLIAMET

Transfer of immovable property

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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.

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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 ÷ 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 × 0.22 = **3,740 euros**.

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

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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.

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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.

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