Transfer of property used in business

TAXATION OF INCOME RECEIVED FROM TRANSFER OF PROPERTY USED IN BUSINESS

If sole proprietors transfer their business-related property the acquisition cost of which has previously been entered in the expenses either partly or in full, the selling price (or the market price of some other property received through the exchange of property) of this property is considered business income and is subject to income tax.

Example
A sole proprietor sold a drill acquired for business purposes for the amount of 192 euros, which he had purchased for 3500 kroons in 2010 (223.69 euros). He had entered the purchase price of the drill in the expenses related to business. He indicated the amount received from the sale (192 euros) in the expenses related to business (line 1.1.4 on Form E).

If the acquisition cost of assets or goods are entered in expenses partially, the income received from the transfer or the return on sales should be indicated in the sole proprietor's income in the same proportion as the acquisition cost entered in the expenses.

Example
A sole proprietor acquired a smoke oven for 1278 euros. Being aware that the oven will be used for own personal use as well, the proportion of the use in business was determined as 75 per cent, so 75 per cent (958.50 euros) of the acquisition cost was entered in the expenses related to business.
The same oven was then sold for 1182 euros. 75 per cent of the sales revenue received (in the same proportion as used on purchasing), i.e. 886.50 euros (1182 x 75 ÷ 100) was added to the business income.

Likewise, based on **subsections 48 and 49 of the Income Tax Act**, sole proprietors may increase the acquisition cost of the taxed property by the amount subject to income tax during the taxable period when the property is transferred or put into use for own consumption.

Example
A sole proprietor buys a printing press for a market price, i.e. 15 000 euros from a legal person and pays for it 5 000 euros. The company has paid 20/80 income tax on the remaining 10 000 euros. Later, the sole proprietor decides to sell this asset for 30 000 euros. The taxable income upon transfer or use for personal consumption of such an asset is found as follows.
Upon the acquisition of the asset, the sole proprietor entered 5 000 euros in business-related expenses. In the event of transfer (or putting into use for personal consumption) of the asset, the selling/market price would be decreased by 10 000 euros and 20 000 euros (30 000 – 10 000) would be entered in the expenses related to business.