

For information to the transferor

Upon transfer of the assets, it should be taken into account that in the case of the assets entered in the registry, such as immovable property, a motor vehicle, etc., persons may incur additional expenses and actions in relation to necessary documentation and re-registration required for the transference of ownership. All leasing contracts concluded for the acquisition of business assets, under which deductions of business expenses had been made previously, must be re-registered in the name of the transferee so that the transferor will not have a situation of putting the property into use for personal consumption.

- ✘ If the activity of an enterprise is terminated after the transfer of property, non-transferred assets the acquisition cost of which has previously been entered in business expenses are declared on form E in line 1.1.5 – market price of property taken into personal use.
- ✘ If the transferor has received any charge for the property upon transfer, this is considered the sale of property and declared in line 1.1.4 of form E.
- ✘ Any income related to business which is received after the transfer and termination of business must be declared on form E as business income, on which income tax as well as social tax must be paid.

Example

The self-employed person Allan is a farmer, who has entered the acquisition cost of his property acquired within years and used in business into the expenses related to business (including building of the cowhouse with the value of 1.5 million kroons, a used tractor with the purchase price of 50,000 kroons, the hundred-headed dairy cattle with the purchase price of 500,000 kroons, 10,000 euros in the special account collected for future investments, etc.). Now, Allan wishes to stop his engagement in business and decides to transfer his business to his daughter Milvi, who is ready to continue the business as a company. OÜ Kodukana established by Milvi and the self-employed person Allan conclude a contract under the law of obligations on the transfer of the assets and prepare a list of the assets transferred (e.g. as an annex to the contract). Both of them are accounting entities, thus the assets transferred (the money as well) are recorded in accounts by both parties. Allan must also submit an income tax return together with the annex to form E by 30 April of the year following the transfer of the assets.