Maksu- ja Tolliamet

Transfer of immovable property

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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 m^2 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.

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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 1[1] 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.

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