MAKSU- JA TOLLIAMET

Transfer of immovable property

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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 m^2), 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 m^2) 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 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.

...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 m^2) 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