§ 54 “Exit income tax” of the Income Tax Act

If a taxpayer moves property or its residence out of the tax jurisdiction of a country, that country will tax the economic value of any capital gains generated in its territory, even if these gains have not yet been realized at the time of leaving the country. In other words, the taxpayer is subject to income tax upon departure and its unrealized capital gain, which is part of the moved property, is taxed.

Income tax is charged on the amount that is equal to the difference between the market value and carrying amount of the assets to be taken out at the time of exit of the assets from Estonia if a resident company takes assets to a permanent establishment in another Member State of the European Union or in a third country. (**Subsection 1 of § 54^5 of the Income Tax Act**)

Income tax is not applied to taking out assets in connection with financing securities, assets posted as collateral or where the assets are taken out in order to meet prudential capital requirements or for the purpose of liquidity management if the assets are set to revert to Estonia within a period of 12 months. (**Subsection 2 of § 54^5 of the Income Tax Act**)

Income tax may be paid in instalments over up to five years if:

1. a resident company takes out assets to a permanent establishment in a Contracting State
2. a resident company becomes a resident of another Contracting State. (**Subsection 3 of § 54^5 of the Income Tax Act**)

The conditions of payments in instalments are stipulated **in sections 4–7 of § 54^5 of the Income Tax Act**.

DECLARATION AND PAYMENT OF INCOME TAX

Exit income tax, i.e. assets taken out (§ 54^5 of the Income Tax Act) are subject to declaration in Annex 7 of the tax declaration form TSD with the code “7014”.

The TSD declaration is submitted and the tax liability is paid by the 10th day of the month following the taxable period.

Last updated on 08.01.2025