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## Real Estate Purchase in Finland

**Transferring real estate is burdened with less formality in Finland than in many other countries. Buyer and seller may draft a written contract themselves, with or without the help of an estate agent or legal adviser. This article offers a survey of some important issues concerning real estate purchases and their tax consequences.**

by  
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Date  
**September 2007**

When drafting the contract, you should be careful to describe the object to be transferred accurately. Finnish law allows a building to be owned by someone other than the owner of the land on which it is built. Therefore, it is prudent to note explicitly that the land is sold with buildings and, as the case may be, furnishings and equipment.

### Pre-contract scrutiny

Before entering into the purchase contract, you should check the land register. The seller must be registered as the owner of the property. While in Finland registration is not legally necessary for the acquisition of ownership, you as the buyer of a property need the seller to be registered in order to be able to rely on his or her status as the rightful owner. Any charges and encumbrances affecting the property, in particular mortgages and related rights, are also shown on the register.

Unless the intended transaction is small in scale, it is usually advisable to check the condition of the real estate you are planning to purchase, with the help of appropriate experts, before making

a final decision. The results of such inspection can offer valuable hints with respect to possible additional guarantees to be included in the contract. In Finland, there are numerous professionals who specialise in such inspections. If in addition to the usual utility delivery contracts (such as gas or electricity), there are other contracts affecting the property – e.g. rental contracts with third parties – then in many cases it will be advisable to subject such contracts to legal scrutiny.

When the purchase decision has been made and the contract has been negotiated, a notary public must be used as a witness when signing the contract. The notary is usually an officer of the municipality, but many Finnish consulates in other countries may fulfil this function as well. The notary's services involve a fee, which is currently 77 euros.

### Tax aspects

Persons owning real estate in Finland will also have to familiarise themselves with the Finnish tax system.

Real estate in Finland is subject to the yearly *real estate tax*. The tax rate varies from municipality to municipality. For properties not used for permanent housing, the rate is 0.5 to 1 per cent of the tax value of the property.

The general *property tax* was abolished in Finland in 2006. However, ownership of real estate in Finland incurs liability to pay *inheritance tax* in Finland when the property becomes part of a person's estate on death. A substantial amount of inheritance tax must be paid even for relatively small properties, since the tax-free threshold is generally only 3,400 euros. The tax rate depends on the relationship between the deceased and the heirs: while children and grandchildren pay taxes of 10 to 16 per cent, the tax rate for legally non-related persons, including those engaged to be married, is between 30 to 48 per cent. It is sensible to consider the tax consequences of inheritance prior to acquiring the real estate.

Tax liability usually arises also when the property is sold. The difference between the sale price



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and the original purchase price is subject to a special *sales profit tax* that is part of Finnish income taxation. The applicable tax rate is 28 per cent of the sale profit. Under certain circumstances, some deductions can be made from this tax. Therefore, depending on the situation, transferring the property to the next generation in time by way of sale may be an effective way to avoid an unnecessary tax liability.