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International Leasing of Vehicles, Transport Equipment and Building Machines

During recent years, the building and the logistics sectors have grown faster on average than the domestic economy in general. Enterprises involved in the leasing of transport and building equipment have performed even better. At the same time, there is potential for further growth since the Finnish equipment leasing sector is not yet as developed as it is in other European countries. Unsatisfied demand together with a high market concentration on the service provision side indicates high prices and promises interesting perspectives for newcomers to the market.

Public discussion about the importation of motor vehicles for personal use and the slow pace of deregulation in this respect has obviously created the impression that foreign car-leasing companies would find it difficult to break into the Finnish market. However, this is not the case. The difficulty is restricted to the leasing of motor vehicles on which the car tax is levied. With regard to the leasing of motor vehicles for transport services heavier than 3.5 tonnes, as well as the leasing of other transport or building equipment, there is no legislation in Finland which could be considered a significant hindrance to entry into the Finnish market.

Registration and insurances

Motor vehicles have to be registered in Finland, save for very short-term use on Finnish public roads. However, the related costs and effort are insignificant, with the possible exception of the requirement of showing that one has compulsory traffic insurance in place that meets Finnish standards. However, some foreign

insurance companies from other EU Member States have already become members of the Finnish Central Traffic Insurer Organisation and are licensed to offer traffic insurance for the Finnish market to their customers.

The registration of a vehicle does not depend on the owner being domiciled in Finland or having nominated a Finnish representative. The foreign owner is registered as such in addition to the Finnish user.

No local registration is needed for most building machines and transport containers such as containers or trailers, if they are registered in another EU Member State. If Finnish registration is not required there is also no need for a Finnish insurance.

Collateral

Naturally, it is an important prerequisite for the lease of motor vehicles and machines that the owner has the benefit of security against the loss of the property in situations such as unauthorised acts, or in debt collection and

bankruptcy procedures against the user.

If a vehicle or machine is registered in Finland, the additional registration of the Finnish user does not endanger the owner's position. As a potential buyer could be expected to check the authority of the seller at the public registry, the former is not protected when buying a vehicle from an unauthorised user.

In execution proceedings, property manifestly belonging to a third party may not be seized. There is no doubt about the ownership where this is registered in a public registry. Property, which cannot be seized in an execution procedure does not belong to the bankruptcy estate either.

Collateral can be arranged also in case of motor vehicles and machines which do not have to be registered. Voluntary registrations and filings of vehicle mortgages are possible in some cases also for equipment and machines which are not used on public roads, such as motorised machines in storage and building.

by

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If registration is not possible, it is necessary to decide on a case-by-case basis whether it is possible to make the owner's rights sufficiently visible by appropriate markings. If this is not an option, alternative security measures must be considered.

Income taxation of commercial leasing

In its ruling of 24 January 2001 (KVL 2001/4), the Central Finnish Tax Board stated that the commercial leasing of vehicles as such by a foreign service-provider does not constitute a permanent establishment in Finland unless the services are administered by a permanent office in Finland owned by the foreign service provider in question. In the case at hand, a German leasing enterprise used the services of an independent agent in order to find customers in Finland. However, the negotiation and administration of contracts was handled directly from Germany.

Of course, increases in the volume of business might make it advisable for a foreign company to set up a permanent office in Finland at a certain point. It should be borne in mind that a permanent establishment may be created even without a formal act of registration (see article "*Taxation of Foreign Transport and Logistics Services*").