



## ISSUES IN OWNERSHIP OF REAL ESTATE

### FINLAND

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**1. Is perpetual fee simple ownership of real property permitted? If not, what are the principal forms of ownership, or other principal form of ownership, of real property?**

Yes, perpetual fee simple property ownership is permitted in Finland.

In addition, a significant part of real estates are owned / possessed through (i) real estate companies ("REC") and (ii) mutual real estate companies ("MREC")

REC is a limited liability holding company, the assets of which comprise mainly (i) freehold or leasehold of land plot and (ii) one or several buildings located on the land plot. The respective rental income shall be paid to the REC in its capacity as a landlord.

MREC is also a limited liability company, the assets of which comprise mainly of (i) freehold or leasehold of land plot and (ii) one or several buildings located on the land plot. A noteworthy detail is that, despite the fact that MREC owns the building(s), MREC's shareholders have a direct control of the building(s); MREC's shares entitle the respective shareholder to possess a *specific* part of the building(s), as set forth in the MREC's articles of association. Accordingly, the shareholders are entitled to lease the premises controlled by them and consequently, the respective rental income shall be paid directly to the shareholders in their capacity as landlords. The said does not, however, prevent MRECs from also having

direct control over some specific premises, e.g. hallways and other premises generally designated for common use.

**2. What instruments are used to convey fee simple ownership, or other principal form of ownership, of real estate?**

A sale of fee simple ownership of a real property has to be concluded in accordance with mandatory provisions set forth in the Finnish Code of Real Estate (the “Code”), i.e. the transfer deed shall be made in writing, it shall indicate the intent to convey, the real estate to be conveyed, the seller and the buyer and the transfer price and/or other consideration. Finally, the deed must be notarized.

Transfer of ownership of a register unit of land, a share of a register unit or a parcel thereof obliges the new owner to register its ownership with the Land Register. According to the Code, a registration of title shall be applied for within six months of the drawing up of the deed of conveyance.

Conveyance of ownership of shares in an REC/MREC is primarily regulated by the Sale of Goods Act and is further not subject to said mandatory transfer deed provisions. Save for the notarization, the transfer deed, nevertheless, generally follows the same substance format as with conveyance of fee simple ownership. When shares in REC or MREC are conveyed, no registration of title of real estate needs to be done because the REC or the MREC remains as the owner of the real estate.

**3. How in this jurisdiction is the ownership of real property recorded or searched? Who generally performs the search?**

The ownership of real property is recorded through a registration of title with the Finnish Land Register. Also certain leaseholds are registered. The District Court in whose jurisdiction the real estate is located is the competent register authority. The Land Register is public and anyone can have access to it and perform a search. The search can be done either with the respective District Court or by using an online database.

**4. What assurances of ownership are available to purchasers of real property (e.g., title insurance or title opinions)? What is the cost of obtaining such assurances?**

An extract from the Land Register indicating the holder of the title can be obtained from the District Court or online for a minor fee.

The Land Register and *i.a.* the extracts of title obtained therefrom are subject to “public reliability”. Consequently, individuals who have suffered a loss of a right in reliance upon information contained in the Land Register may, under certain circumstances, have a right to compensation from the state (in its capacity of the administration of the Land Register), regardless of whether the state has acted negligently or not. The state is also strictly liable for damages caused by erroneous register entries.

No title insurances are generally used in Finland.

**5. What are the most common forms of investment vehicles? What are the most common entities employed to own investment real estate in a tax efficient manner?**

A majority of real estate investment is carried out through REC/MREC structures. A commonly used investment structure includes one-two REC/MREC holding structures ultimately owned by an entity domiciled in a tax favorable jurisdiction, e.g. Luxembourg.

Another, yet rather scarcely used structure is a limited partnership in connection with real estate investments.

**6. Has this jurisdiction adopted, or is it considering, legislation permitting the creation of real estate investment trusts or similar entities?**

A motion is pending in the parliament regarding real estate investment trusts (REITs). Thus it is premature to predict the outcome and the effects of the prospective legislation.

**7. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the direct transfer of real estate?**

A transfer tax of 4 % of the purchase price is levied on the transferee.

**8. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the transfer of interests in entities which own real estate?**

A transfer tax of 1.6 % of the purchase price (not the aggregate transaction value) is imposed on a transfer of shares in a REC/MREC.

**9. How significant is local regulation and taxation of real estate? How significant is the variation of real estate law among political subdivisions of this jurisdiction?**

Not significant. The legislation regulating real estates is nationwide and there is a nationwide tax rate for capital gains and rental incomes. However, property tax rates vary in different municipalities between 0.5% and 1.0 % of the tax value of a real estate.

**10. Must ultimate beneficial owners of entities which own real estate be disclosed as a matter of public record?**

No, but the share and shareholder's register of a REC/MREC is in principle public and attainable from the respective REC/MREC.