



ISSUES RELATING TO COMMERCIAL LEASING

FINLAND

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- 1. Describe [National][state][territorial][provincial] or local transfer taxes payable on creation or assignment of a lease.**

The creation of a leasehold right (i.e. a lease of land) for commercial purposes (hereinafter referred to as a "Land Lease") or a business lease (i.e. a lease of a building or part thereof) (hereinafter referred to as a "Business Lease") does not trigger any transfer taxes and neither does assignment of a Business Lease. However, assignment of a Land Lease triggers a transfer tax of 4% of the transfer price (including the price of any buildings located on the real property).

- 2. Describe any legal restrictions limiting the maximum term of a lease (including renewals).**

The maximum term of a Land Lease is one hundred (100) years (including renewals); a Land Lease can be made either for until further notice or for a fixed period.

There are no statutory limitations on the maximum term of a Business Lease; a Business Lease can be made either for until further notice or for a fixed period.

- 3. Describe any laws requiring landlords to allow a tenant to renew its lease.**

There are no express statutory provisions which require landlords to allow tenants to renew

their lease. Any renewal rights should be explicitly included to the lease agreement.

4. Describe any restrictions on rent that may be charged for to a tenant.

Finnish legislation does not explicitly restrict the rent that may be charged from a tenant. However, due consideration should be paid to the provisions of the Index Act.. The lease agreement may contain an arrangement for linking the rent to an index if the agreement is in force for an indefinite period until terminated by a notice or for fixed period of a minimum of three (3) years.

Further both the Finnish Lease on Business Premises Act (applicable to Business Leases) and Land Lease Act (applicable to Land Leases) contain a general principle of fairness, according to which any provision in a lease agreement, including one concerning the rent, considered not to be in accordance with good practice or considered to be otherwise unreasonable may be altered or terminated. The landlord or the tenant may submit the fairness of the rent for consideration by a court of law.

5. Describe any laws permitting tenants to terminate a lease prior to its stated expiration date.

Generally, if a Land Lease or Business Lease is entered into for a fixed term, the lease agreement will be binding upon the parties until the expiration date, unless otherwise agreed. However, under certain circumstances, such as material breach by the landlord or if the tenant forfeits possession of the lease object, the tenant may cancel the lease agreement prior to its stated expiration date.

6. Describe any laws allowing tenants to assign or sublease without landlord's consent.

A tenant may not assign a Business Lease (save for an assignment in connection with the transfer of a business to which the landlord has no reasonable grounds to object) or relet the premises without landlord's consent, unless otherwise agreed. However, the tenant is entitled to sublet half of the premises if this does not cause the landlord significant inconvenience or disturbance.

With respect to Land Leases a tenant may assign a Land Lease without landlord's consent. However, subletting is not allowed without landlord's consent.

7. Describe any laws allowing landlord to restrict assignments or subleases by tenants.

The laws applicable to Land Leases and Business Leases allow landlords to restrict assignment and subleasing by tenants.

8. What is the common form of eviction proceeding? What is the customary length of time for that proceeding?

Chapter 7 of the Finnish Execution Code is applicable to eviction proceedings concerning both Land Leases and Business Leases.

If the tenant does not vacate the lease object voluntarily, the landlord must first seek a formal eviction judgment from a court of law before it may commence formal eviction proceedings.



Once the eviction judgment has been rendered by the court of law the landlord may apply for the commencement of formal eviction proceedings to the execution officer. The execution officer shall then serve an order to vacate on the tenant, and, if the tenant does not comply with the order, the execution officer may remove tenant and its belongings from the lease object.

As a result of this process, there is no customary length of time for eviction proceedings, however, usually the eviction process generally takes 4-10 weeks.

9. Are there any legal restrictions on pledging a leasehold interest as security for a financing?

A tenure created by a Business Lease may not be pledged as security for financing. However, it is rather general that the bank account to which the rents are paid is pledged as security for financing.

By contrast, a leasehold interest created by a Land Lease can be freely pledged as security for financing, provided that the land lease agreement fulfils the following criteria: (i) it is for a fixed term, (ii) the leasehold right is freely assignable and (iii) the tenant either (a) owns building(s) located on the leased land or (b) has a right to erect building(s) on the leased land.

10. Describe any requirements for landlords to hold security deposits in separate accounts and, if such requirements exist, describe if there can be one separate account for all tenant security deposits or whether each security deposit must be held in its own separate security deposit.

There is no requirement for landlords to hold security deposits in separate accounts.

11. Describe any required statutory or other legal disclosures to be made to all tenants.

There are no express statutory or legal disclosures with respect to Land Leases or Business Leases which must be made to all tenants. However, if the lease object is not in condition required or agreed on (including hidden defects if the lease object has been leased in a condition as they are), the tenant has the right to rescind the lease agreement. Therefore, the landlord should disclose the condition of the lease object to the tenant.

12. Describe all taxes on rent or other taxes that landlord are required to collect from tenants.

For the purposes of both Land Leases and Business Leases, provided a landlord has been duly VAT registered for letting out the leasable premises, they are required to collect VAT of 22% from their tenants, unless the tenants are VAT exempt (e.g. banks) or not VAT registered.

13. Describe any limitations on the ability of landlords to exercise self-help.

Landlords may not exercise self-help; they are obliged to follow the formal eviction and collection proceedings.

14. Describe whether remedies such as acceleration of rent must be expressly stated or whether they are implied.

Remedies such as acceleration of rent (i.e. where total amount of rent outstanding under the lease becomes immediately due and payable) are not customarily used in Finland. For such

remedies to be available they should be expressly included in the lease agreement. Such provision would, naturally, be subject to the fairness principle.

15. Describe whether there are any expedited remedies for tenant default and, if so, what lease provisions (such as waiver of jury trial, for example) would be required for a landlord to seek expedited remedies.

Collection of rent is typically a remedy which can be enforced against tenants in an expedited manner through court proceedings and an order to pay is enforceable (e.g. through execution proceedings) even though it is not final and binding.

16. Describe any formal requirements for the execution of a lease.

A Land Lease must be in written form in order for it to be binding upon the landlord and the tenant, whereas a Business Lease need not fulfil any formal requirements in order for it to be enforceable between the landlord and the tenant.

17. Describe whether a memorandum of lease or other document would need to be recorded for the lease to be enforceable against third parties.

Neither a Business Lease nor a Land Lease needs to be registered in order to be enforceable against third parties, provided that the tenant has the possession of the lease object and the third party did not know (and he/she could not reasonably have known) about the Land Lease or Business Lease. Please see also our reply to question number 18.

18. Describe any restrictions on the transfer of ownership of real properties subject to a lease. Does such a transfer affect the tenant's rights or obligations?

There are no statutory restrictions on the transfer of ownership of real property which is subject to a Land Lease or Business Lease.

The main rule under Finnish law is that transfer of ownership of a real property does not affect the tenant's rights or obligations under the Land Lease or Business Lease and that the lease remains in force. However, if the tenant does not yet have possession of the lease object and the new owner of the real property did not know (and he/she could not reasonably have known) about the Land Lease or Business Lease, the new owner may terminate the Land Lease or Business Lease.