



QUICK OVERVIEW OF FINNISH REAL ESTATE

Rental income and capital gains of Finnish real estate

Taxpayer	Basis of tax	Tax levied	Tax rates (2020)
Resident individual	<i>Rental income</i>	Individual income tax	30/34%
	Capital gains	Individual income tax	30/34%
Non-resident individual	<i>Rental income</i>	Individual income tax	30/34%
	Capital gains	Individual income tax	30/34%
Resident company	<i>Rental income</i>	Corporate Income tax	20%
	Capital gains	Corporate Income tax	20%
Non-Resident company	<i>Rental income</i>	Corporate Income tax	20%
	Capital gains	Corporate Income tax	20%

Rental income

Individuals

Introduction

Rental income is taxed as capital income.

Liability to tax

Rental income received by individuals is subject to individual income tax.

Basis to tax

Capital gains up to EUR 30,000 are taxed against a tax rate of 30%. For profits of more than EUR 30,000 are taxed against a tax rate of 34%.

Companies

Introduction

The corporate income tax rate is 20%. The corporate income tax rate of 20% applies also to capital gains and rental income.

Liability to tax

Rental income earned by companies is subject to corporate income tax as business income.

Basis to tax

The corporate income tax on the rental income is based on the difference between the net sales proceeds and tax depreciation basis value.

Capital gains

Individuals

Introduction

Capital gains are taxed as capital income.

Liability to tax

Capital gains received by individuals are subject to individual income tax

Basis of tax

Capital gains up to EUR 30,000 are taxed against a tax rate of 30%. For profits of more than EUR 30,000 are taxed against a tax rate of 34%.

Companies

Introduction

The corporate income tax rate is 20%. The corporate income tax rate of 20% applies also to capital gains and rental income.

Liability to tax

Capital gains are subject to corporate income tax.

Basis to tax

The corporate income tax on capital gains is based on the difference between the net sales proceeds and tax depreciation basis value.

Exemptions

Not applicable

Finnish VAT & transfer taxes

Taxpayer	Basis of tax	Tax levied	Tax rates (2020)
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Resident individual	Rental income	Value-Added Tax	0/24%
	Transfer of real estate	Transfer Taxes	2/4%
Non-Resident individual	Rental income	Value-Added Tax	0/24%
	Transfer of real estate	Transfer Taxes	2/4%
Resident company	Rental income	Value-Added Tax	0/24%
	Transfer of real estate	Transfer Taxes	2/4%
Non-resident company	Rental income	Value-Added Tax	0/24%
	Transfer of real estate	Transfer Taxes	2/4%

Value-Added Tax

Individuals

Introduction

If an individual performs commercial or professional activities in Finland, it will be in principle subject to the VAT.

Liability to tax

According to the article 27 of the Value-Added Tax Act, tax is not payable on the sale of immovable property or on the transfer of leasing rights to land, of tenancy rights, of rights to easements, or of comparable rights in respect of the immovable property. However, VAT is charged if the individual applies to be liable for VAT on the transfer of immovable property.

Basis of tax

The applicable VAT rate is 24%.

Companies

Same principles apply as to individuals.

Transfer Taxes

Individuals

Introduction

Transfer tax applies to the transfer of real estate from one person or company to another. Rights of immovable property or shares in a housing company can qualify as real estate. Transfer tax is usually paid by the buyer.

Liability to tax

A purchaser of real property situated in Finland is liable to pay transfer tax on the purchase price.

Basis of tax

Transfer tax on real estate and buildings: 4%

Examples of 'real estate' include a specific lot, and any house or other building located there – and a subdivision of land with a summer house located on it, or just a building without the land.

Transfer tax at 2% applies on shares in a housing company or a real estate company

This includes companies which hold an apartment in a residential building, an office, a parking space, a storage space, a golf course membership, a timeshare ownership, or a mooring for a boat.

Exemptions

If a foreign individual or company acquires Finnish real estate, the liability falls on the seller.

You do not need to pay transfer tax on:

- The first apartment or house if certain conditions are met
- Shares and other securities sold on the Stock Exchange
- Items, assets, and property that had been given as a gift, by inheritance, will, or division of matrimonial property (if other than distributable assets have not been used)

Companies

Same rules as to individuals apply.

Finnish Local taxes

Taxpayer	Basis of tax	Tax levied	Tax rates
Resident individual	Replacement value	Real estate tax	Depend on the municipality
Non-Resident individual	Replacement value	Real estate tax	Depend on the municipality
Resident company	Replacement value	Real estate tax	Depend on the municipality
Non-resident company	Replacement value	Real estate tax	Depend on the municipality

Individuals

Introduction

Every municipality levies an annual municipal real estate tax on owned real estate. The real estate tax is deducted from the income that the property has generated.

Liability to tax

The owner of the real estate is liable to local municipal real estate tax.

Basis of tax

Calculation of the taxable value of a real estate unit is based on the Act on Assessment of Assets in Taxation. If the market value of a piece of real estate is lower than its assessed value, the market value is to be applied when determining the tax. Each municipality annually determines at least two tax rates that are levied on the taxable value of the property. Municipalities can set their own tax rates within the ranges:

0.93% – 2.00% for general real estate tax

0.41% – 1.00% for permanent residences

0.93% – 2.00% for other residences

2.00% – 6.00% for unbuilt sites

Companies

The same applicable rules apply as for individuals.

Commonly used vehicles

Limited liability company

A limited liability company is considered to be a separate entity from its shareholders. Accordingly, the income of a limited company does not affect the taxation of a single shareholder.

A limited liability company pays 20% tax on its profits.

Cooperative

A cooperative is a separate taxable entity. The income of a cooperative does not affect the taxation of a member of the cooperative.

A cooperative pays 20% tax on its profits.

General partnership and limited partnership

General partnerships and limited partnerships are not separate taxpayers from their partners for income tax purposes. The income of a partnership is shared between the partners, who are liable for the tax arising. A partner's share of the income is divided between capital income and earned income.

For the capital income: 30% tax. When the capital income exceeds EUR 30,000, the tax rate for the exceeding share is 34%.

For earned income: tax according to a progressive tax schedule.