

Jointly owned forest

for the good of forest owners and forests

Jointly owned forest belongs jointly to two or more property units and it is used for sustainable forestry. It is a good and profitable way to own forests. It is possible to establish a jointly owned forest using forest land owned by the family. If you own forest land, it can be incorporated into an existing jointly owned forest. Through jointly owned forests, it is possible to decrease the fragmentation of forests and to establish larger, more efficient forested areas to increase the profitability of forestry.

The owners of real properties that own shares in a jointly owned forest are shareholders in the jointly owned forest and constitute its partnership. Practical operations are handled by an agent or an administrative board, whose members are selected by the shareholders among themselves. The operations of a jointly owned forest are regulated by the Act on Jointly Owned Forests.

Encouraged by society

There is a wish to prevent the fragmentation of forests. This is why there are various means of supporting the establishment of jointly owned forests and the joining of new shareholders into jointly owned forests. The establishment of a jointly owned forest and joining a jointly owned forest as a shareholder are not costly actions, as they are exempt of transfer tax and capital gains tax, for example. There is also no cadastral survey charge for the establishment of a jointly owned forest or the incorporation of a property unit into a jointly owned forest.

A jointly owned forest is maintained and used in accordance with a forest plan, unless there is a specific reason for diverging from it. Logging and other forest management operations in accordance with the forest plan ensure sustainable and profitable forestry.

Jointly owned forests offer many advantages

The tax rate for a jointly owned forest is lower than the forest income tax rate of private individuals. The capital gains tax for timber sales for a jointly owned forest is 26.5% and for a private individual 30% or 34% (in 2019). The annual surplus paid out to shareholders is tax free income.

A jointly owned forest is maintained according to a forest plan. Maintaining forests according to a forest plan guarantees an even and continuous return on investment. Regular logging means that a jointly owned forest does not provide a momentary large income from timber sales.

When a forest is maintained as a larger unit, the timber

can be sold at a better price and the unit costs of acquisitions are lower. This means that forestry is very profitable in a jointly owned forest. There are more opportunities for using a large jointly owned forest for hunting and recreation.

Owning a share in a jointly owned forest is a simple way to own forest. The management model is functional and very similar to those used in housing companies or jointly owned area partnerships. Decisions are made by majority rule.

Distributing the estate of a deceased person is easier when the property is in the form of shares in a jointly owned forest rather than in forest land that has to be split into smaller parcels.

How is a jointly owned forest established?

1. Shareholders draft and sign an establishment contract, where the distribution of shares in the jointly owned forest are agreed. The drafting of the rules of conduct of the jointly owned forest starts.
2. Shareholders apply for establishment of a jointly owned forest at the National Land Survey.
3. Shareholders complete the rules of conduct of the jointly owned forest. Templates for rules of conduct (in Finnish) <https://www.metsakeskus.fi/yhteismetsan-materiaalipankki>.
4. A cadastral surveyor holds a cadastral survey for the establishment of a jointly owned forest, following which the jointly owned forest has been officially set up. Most cadastral survey charges are paid by the State.
5. The Forest Centre organises the first meeting of the shareholders of the jointly owned forest, to elect the people responsible for the administration of the jointly owned forest (administrative board or agent).
6. The Forest Centre certifies the rules of conduct and the partnership makes an announcement to this effect to the jointly owned forest register maintained by the Forest Centre. In addition, a forest plan is drafted if it has not yet been done.
7. Forestry operations of the jointly owned forest can be initiated in accordance with the forest plan.



Becoming a shareholder of a jointly owned forest

It is possible to become a shareholder of a jointly owned forest by buying shares or by buying a property unit that includes shares in a jointly owned forest. Today, there are no limits to selling shares in a jointly owned forest, but because they are so popular, they are rarely for sale.

A real property or a part of one can be incorporated into a jointly owned forest in exchange for shares in it. It is another way of becoming a shareholder. In such cases, the property owner and partnership sign a contract to incorporate the property or a part of it into the jointly owned forest. The property receives shares in the jointly owned forest corresponding to its area.

When drafting an incorporation agreement, the parties will evaluate both the land areas and other assets of the jointly owned forest and the value of the property to be incorporated. Incorporation and the number of shares are ratified in a cadastral survey mainly financed by the State. Incorporation is exempt from transfer tax and capital gains tax.

Who benefits from owning shares in a jointly owned forest

A jointly owned forest is a simple and profitable way of owning forest land suitable to almost all forest owners. As the shareholder in a jointly owned forest, the forest owner continues in the forestry field, but he or she has transferred all tasks related to forest management, timber sales and administration to jointly elected trustees and forestry professionals. In return, the shareholder receives a good return on investment and a guaranteed and stable annual income.

For a forest owner who is planning a transfer of property to the next generation, a jointly owned forest is an option worth considering, because transferring shares to heirs is a simple procedure. This also ensures that the forest property is not parcelled out and that family ties to the forest property are maintained.

Special characteristics

A jointly owned forest differs from ordinary forest ownership in the following ways:

- A jointly owned forest is a separate taxpayer. The distributive shares paid out from the surplus of the jointly owned forest are tax exempt income for the shareholders, who do not need to pay taxes on it.
- The tax rate for capital gains is 26.5%.
- Advance tax and monthly value-added tax payments apply.
- A jointly owned forest has a legal obligation to keep books. If its volume of business or the equivalent return exceed 200,000 euros, it is subject to an audit of the accounts.
- Shares can be sold or mortgaged freely, although the partnership may have a pre-emption right in the rules of conduct of the jointly owned forest.
- The rules of conduct usually stipulate a minimum share limit to ensure that shares in the jointly owned forest remain a minimum size.
- Votes have a cut-off point in partnership elections to ensure that small shareholders have an influence on decisions.

More information

- Forest Centre, www.metsakeskus.fi
- National Land Survey, www.maanmittauslaitos.fi
- Act on Jointly Owned Forests (109/2003), www.finlex.fi

More information www.maanmittauslaitos.fi

We perform cadastral surveys, maintain information about properties and dwellings, handle registrations of title and mortgages, produce map data and promote the research of spatial data.