

# Acquiring real property and housing units in Finland

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### Introduction

In 2008, Finnish and Russian authorities jointly published brochures concerning the acquisition of real property in Finland and in Russia.

The text of “Kiinteistön ja asunnon hankinta Suomessa” (Acquiring real property and housing units in Finland) was reviewed and revised in September 2015.

### General

#### Can a foreign person acquire real property or a housing unit in Finland?

Foreign individuals can freely acquire real property or a housing unit in Finland. The property or housing unit can be either purchased or leased according to the laws of Finland.

Foreign individuals may also become owners of real property through inheritance or exchange or as a gift.

#### Is an intermediary needed to acquire real property?

The form of the property transaction is prescribed by laws. A transaction is not valid if legal provisions have not been followed.

The use of an intermediary is not a statutory requirement. Legal provisions have been prepared to be as understandable as possible so that parties to the transaction are able to complete the transaction without any intermediaries.

The only external party required is a public purchase witness who confirms the transaction. If a transaction is completed in the online real property transaction service maintained by the National Land Survey of Finland, public purchase witness will be needed. (More information about public purchase witnesses and the online real property transaction service is presented later under Property transaction process.)

Furthermore, the acquisition of a housing unit other than real property does not require an intermediary.

#### Should a real estate broker's service be used?

When selling real property or a housing unit (participations in a housing company), the process is often assisted by a real estate broker who is usually selected by the seller. The buyer does not normally use any intermediary. However, it is possible that the buyer also signs an agreement with a real estate broker. According to the legislation, real estate brokers are obligated to supervise the interests of both the seller and the buyer, regardless of the assigning party.

The use of a real estate broker is justified because the activities of real estate brokers are supervised, which usually guarantees their expertise. Real estate brokers must ensure, on behalf of the seller, that all documents and

information required to complete the transaction are presented to the buyer. Therefore, they also protect the rights of the buyer.

Furthermore, real estate brokers generally prepare the documents required for the transaction and offer other assistance, for example, in legal questions related to the transaction.

### Key concepts related to real property

#### What does real property mean in Finland?

In legislation, “real property” refers to an independent land ownership unit which must be entered in the cadastre as real property. A real property consists of the area of the property, participations in jointly-owned areas and the property’s encumbrance, such as the right to use a road.

In practice, real property comprises a land or water area; however, a single property may include both land and water. Land may consist of a farm, forest or construction site. In addition, a real property may consist of several separate areas, or lots. Real properties are provided with an individual identification number, such as 091-4-72-12 or 342-407-2-59. In addition, a real property usually consists of the buildings, trees and plants located in the area, as well as other objects and equipment that form a fixed part of the area.

In Finland, property can either be movable or fixed. For example, a participation in a housing company is regarded as movable property, whereas a real property and the housing unit located therein comprise fixed property. In other words, a housing unit or building alone is not legally regarded as real property. A single real property may include several buildings and housing units. A real property consisting of several buildings or housing units is usually owned by a housing company.

#### What types of different properties can be acquired in Finland?

Property transactions usually concern estates and plots. Transactions may also involve other types of real properties, such as redeemed units, but they do not hold any significant position in trading. The majority of Finland’s land area consists of estates. Plots are located in local plan areas.

If a transaction concerns a building located on leased land, the transaction is made on the building and the right to lease the property.

An apartment or commercial premises can be acquired by purchasing participations in the specific housing or real estate company. They entitle their owner to control specific residential or commercial premises. This is the typical way of acquiring residential or commercial premises, especially in urban areas and towns.



### What do unseparated parcel and designated share mean?

Unseparated parcel refers to an area to be separated from a real property which has not been set up as real property, i.e. estate or plot, during the parcelling process. The boundaries of a parcel are usually defined by the owner of the real property, for example, when selling a specific part (unseparated parcel) of the real property owned.

The ownership of an unseparated parcel is considered to be equal, in every way, to the ownership of real property. Therefore, the object of a transaction concerning a parcel (title) requires a title registration, and the transaction must be performed following the formal requirements set for property transactions.

Similarly, a designated share of a real property comprises a specific part of the specific real property. However, parcel and designated share are two different concepts with different legal definitions. "Designated share" refers to a specific share of a real property, such as half (1/2) or one thirds (1/3). Without a joint ownership agreement, a designated share is not allocated to a specific area of the real property. Currently, owners of a designated share can sign a joint ownership agreement, on the basis of which each owner of the designated share controls a specific part of the real property.

The ownership of a designated share is established, for example, through inheritance or through the co-ownership of marital couples. In this case, the title is registered equally between both parties, i.e. both will own half of the designated share of the real property.

If the owner of a designated share is to separate their share into a separate property, they can apply for a separate property procedure, referred to as partitioning. Alternatively, the owners of designated shares can prepare an agreement on the division of the real property owned as designated shares in place of the partitioning procedure. When a title has been granted for an area obtained through an agreement, the separation of the area into a separate property will be started through a property procedure, referred to as parcelling (more information about partitioning and parcelling later). If a real property cannot be divided or this caused significant costs or significantly reduced the value of the property, a court may order the property to be sold upon the requirement of an owner of a designated share. If required, a court may appoint an executor to sell the property and divide the purchase price.

### Acquisition through purchase or lease

A real property or housing unit can be acquired through purchase or lease. The parties can freely decide on the method of acquisition following the freedom of agreement principle.

If a real estate or housing unit is purchased, the buyer becomes the owner. In Finland, the right of ownership is protected by the constitution, and it can only be taken away from the owner or their heirs following procedures defined specifically in the legislation. In practice, this may take place if a real property is redeemed by the state or municipality for full compensation.

Leasing is always a fixed-term process and, therefore, not a permanent solution. However, lessees of real properties or housing units are also covered by legal protection, and their rights and obligations are also prescribed by laws.

A lease agreement is binding on the contracting parties, but it may also be binding on a third party. Therefore, the right to lease land, for example, is also binding on the new owner of the real property if the real property is sold. A lease agreement on a housing unit is also binding on the new owner of the unit until the owner terminates the lease agreement.

## Taxes related to the acquisition and ownership of real property

### Transfer tax on property transactions

Transfer tax must be paid on property transactions. The buyer pays the tax. When registering the transfer of title or right to lease, a receipt of the paid transfer tax must be presented. Transfer tax must be paid and the registration of the transfer of title or right to lease must be applied for within six months after signing the deed of sale.

If the previous owner of the real property has failed to register the title or transfer, the buyer will be responsible for transfer tax and penalties regarding any previous transfers over the past ten years.

### Property tax

The owner of real property is obligated to pay property tax annually to the municipality in which the property is located. The tax comprises a portion of the value of the property defined by the property tax rate. Property tax is imposed on the party which owns the real property at the beginning of each calendar year.

For co-owned properties, the tax is imposed on the owners according to the ratio of their ownership. For properties owned jointly by marital couples, the tax is imposed separately on both parties according to the ratio of their ownership. For buildings and structures located on a leased plot, the tax is imposed on the owner of each building and the lessor of the plot.

Property tax decisions are mailed to customers in March. If a property owner does not receive any decision, they should contact the tax authority to check that the Tax Authority has the correct address details.



### Acquiring real property

#### Preparing for a property transaction

A successful property transaction is based on thorough preparations. An agreement must be negotiated, not only on the purchase price, but also on other terms and conditions of the transaction. It is particularly important to inspect the property being sold as thoroughly as possible. In practice, most property transactions are completed via real estate brokers. They also offer information about properties available for sale.

#### The seller's obligation to provide information about the property

Before the transaction, the seller must notify the buyer of all factors affecting the use and value of the property. The level of significance of information depends on the quality and purpose of use of the property. While the buyer of a detached house may be interested in the building method and materials of the house, permitted building rights and the quality of the water system may be key factors in the purchase of a summer cottage lot.

The seller must provide the buyer with the following information:

- the property area and any buildings therein. Any defects and damage, such as water damage, must be reported.
- official decisions (e.g. local plans or building bans) that restrict the use of the property
- rights of lien and other rights encumbering the property, such as rights of lease

The seller must provide this information voluntarily.

The seller is responsible for the correctness of the information.

#### The buyer's obligation to inspect the property

The buyer must inspect the property before concluding the transaction. The inspection must be thorough. All premises that are freely accessible must be inspected. The buyer cannot later present any claims based on a defect which could have been identified during a thorough inspection.

The buyer should also inspect the most recent information from title and mortgage registers.

If the seller is not the holder of the title, the buyer may face difficulties when registering the title and, in the worst case, be unable to obtain the right of ownership. The party which has most recently applied for the registration of title may also need to cover transfer taxes on any previous unregistered transactions in full.

#### Useful documents

When completing a transaction, the buyer should have access to the following documents:

- certificate of title, in which the seller indicates to be the owner of the property

- certificate of encumbrances, which indicates mortgages and rights of lease
- extract from the cadastral register, which indicates road encumbrances, among other things
- cadastral index map
- copy of the local plan governing the area or a coastal master plan
- building permits and plans

Certificates of title and encumbrances are available from the National Land Survey of Finland, municipal real estate offices and local register offices. Extracts from the cadastral register and cadastral index maps can be obtained from the National Land Survey of Finland and municipal real estate offices. Information about local and other plans and construction processes is available from municipal real estate offices and building inspectors.

### Property transaction process

#### Deed of sale

Property transactions must always be made in writing. The seller and buyer or their representatives must sign a deed of sale. A public purchase witness must confirm the transaction while all parties who have signed the deed of sale are present. Otherwise, the transaction will not be binding.

An intermediary can be used in the process. The intermediary must be provided with a written authorisation. In the authorisation provided for the intermediary, the seller must indicate the name of the intermediary and information about the object of the sale. Furthermore, the buyer must issue their authorisation in writing.

Property transactions can also be completed in the online real property transaction service maintained by the National Land Survey of Finland. Transactions completed in the online service are binding similarly to transactions made in writing. When completing the transaction in electronic format, no public purchase witness will be required.

The deed of sale is prepared using the electronic template confirmed by the National Land Survey of Finland. The transaction is completed once the buyer and seller have approved the deed of sale with identical content. The buyer or seller can authorise an intermediary to act on their behalf in the online service. Users can log in to the online service using their banking identifiers or another reliable identification method.

The online real property transaction service performs various advance checks concerning the object of the sale and the parties to the transaction from different official registers before the transaction can be approved. As a result, completing an online transaction requires that the buyer and seller are registered in the Finnish Population Information System, the Trade Register or another similar official register. Therefore, foreign parties usually need to complete their transactions traditionally in writing using a public purchase witness.



The transaction also requires the written consent of the seller's spouse if the object of the sale is a house which is co-owned by a marital couple. If the transaction is completed in the online service, the spouse may give their consent in electronic format. If the seller or buyer is a company or another organisation, the right of the representative to complete the transaction on behalf of the company must be identified.

The deed of sale must include information about the real property, the contracting parties and the purchase price or another compensation, as well as any terms and conditions that cancel or postpone the transaction.

The object of the sale must be presented in detail in the deed of sale. As real property is presented using the identification number, it must be ensured that the number is correct. When the object of the sale is a parcel, the deed of sale should include a map in which the boundaries of the area are clearly marked. An up-to-date cadastral index map should be used as a template.

The seller and buyer are identified using their official names and personal identity numbers of other similar identifiers.

### Other terms and conditions of the transaction

Other terms and conditions of the transaction can be agreed upon freely. However, it is in the best interests of the parties that all agreed terms and conditions are entered in the deed of sale.

Regular terms and conditions of deeds of sale on real property include provisions on the date of the transfer of title, the transfer of electricity and other such contracts, and the payment of various taxes and fees.

The usual custom is that the purchase price is paid in cash or as a bank transfer when closing the transaction. In addition, other payment arrangements are possible and common.

It is often defined in the deed of sale that the seller retains the right of ownership to the real property until the purchase price has been paid. The provision on the transfer of the right of ownership can be valid for a maximum of five years from the transaction date.

### Transaction concerning mortgaged property

If the certificate of encumbrances indicates that the property has been mortgaged, the buyer should demand that they have possession of all mortgage deeds when closing the transaction. Otherwise, the buyer should understand that the property remains collateral for a loan of the seller or another party.

It may be agreed during the transaction process that the responsibility for paying the seller's loan is transferred to the buyer. Such an arrangement requires the debtor's consent. Negotiations with the bank should be completed before the transaction.

When the object of the sale is a parcel, the buyer cannot rely on a condition whereby the designated share is sold free of all encumbrances of the original property unit because release from the liability for pledge and the annulment of mortgaging require the debtor's consent. The buyer should always agree with the seller and debtor upon release from the liability for pledge and the annulment of mortgaging regarding the parcel before closing the transaction.

### Preliminary property transaction agreement

The parties can prepare a preliminary agreement on the property transaction. It must be made in writing with an attesting notary being present. A preliminary agreement can also be made in electronic format in the online real property transaction service, in which case no public purchase witness will be needed.

### Public purchase witnesses

A public purchase witness acts as a witness to a transaction made in writing and verifies the identity of the parties and the formal validity of the transaction. The public purchase witness can also provide an up-to-date certificate of title and encumbrances and an extract from the cadastral register.

Specific officials of certain authorities, such as local register offices and the National Land Survey of Finland, and attesting notaries appointed separately by the National Land Survey of Finland can act as public purchase witnesses. Official attesting notaries often include bank officials who have obtained specific rights through a decision issued by the National Land Survey of Finland (and formerly by land survey offices).

For real property located in Finland, a property transaction can also be made in writing outside the boundaries of Finland. In this case, it must follow the Finnish legislation on property transfers. Attesting notaries outside Finland include specific officials of Finnish embassies offering consular services.

Information about public purchase witnesses is available from the National Land Survey of Finland, local register offices and municipal real estate offices.

### Limitations on the acquisition of land

Municipalities may have the right to redeem real property sold if the land is required for civil engineering, recreational or protection purposes. This pre-emptive right applies to transactions where the surface area of the property exceeds 5,000 m<sup>2</sup>. In the Helsinki region, the corresponding limit is 3,000 m<sup>2</sup>.

No pre-emptive right exists in transactions between the next of kin. This concerns spouses, parents, children, siblings, grandchildren, grandparents and their spouses. Furthermore, no pre-emptive right exists when the buyer





is the state, a governmental organisation or another institution, or when the transaction is carried out as an executory sale. Municipalities also provide certificates of their non-exercise of their pre-emptive right.

### Applying for a title registration

Once the property transaction has been completed, the buyer must apply for a title registration with the National Land Survey of Finland. Transactions concerning parcels also require a title registration. It is in the best interests of the buyer to apply for the title registration without any delay.

In the title registration process, the National Land Survey of Finland examines the validity of the transaction and enters the buyer as the owner of the property in the title and mortgage register. These entries made in the title and mortgage register are publically reliable, which means that individuals can usually rely on the correctness of such entries. The title registration is also required when mortgaging real property. Mortgaging is needed in order to use the property as collateral for a loan or other receivables, i.e. as a pledge. The property is mortgaged by signing a pledge and transferring the mortgage deed obtained in the mortgaging procedure to the debtor.

#### When and how can a title registration be applied for?

Title registration must be applied for within six months after the transaction has been completed. The deadline starts from the signing of the deed of sale. If the transaction was made in the online real property transaction service, the title application will be automatically initiated in the title and mortgage register, and no separate application is required. The title registration is granted once the right of ownership has been finally transferred to the buyer. The processing of the title application is subject to a title fee.

Public purchase witnesses offer instructions concerning the application process and the payment of the associated transfer tax. Tax offices also offer information about the transfer tax.

Title applications can be presented to the National Land Survey of Finland in person by visiting a service unit of the National Land Survey of Finland. However, application documents can also be sent as scanned documents via email, by post or via a courier. Finnish and Swedish application forms are available from service units of the National Land Survey of Finland and at [www.maanmittauslaitos.fi/kiinteistot/lomakkeet](http://www.maanmittauslaitos.fi/kiinteistot/lomakkeet)

If the public purchase witness has confirmed the transaction prior to 20 June 2014, the original deed of sale must be enclosed with the application. With regard to transactions confirmed on or after 20 June 2014, the National Land Survey mainly obtains deeds of sale directly from the public purchase witness in electronic

format. In addition, a receipt which indicates that the buyer has paid transfer tax on the property transaction must be sent to the National Land Survey of Finland. If the transfer tax is not paid within the specific deadline, it will be increased.

The other documents required depend on the area sold, the terms and conditions of the transaction and the parties to the transaction. The consent of the seller's spouse, which is required when selling residential property, must be presented, together with evidence of the party acting on behalf of the seller company or death estate has the right to complete the transaction.

Instead, certificates from the title and mortgage register or the cadastral register are not needed.

The National Land Survey of Finland offers additional information about the documents required. If the application is incomplete, it can be later supplemented independently or upon the request of the National Land Survey of Finland.

### Title registration for parcels

The buyer of a parcel must also apply for a title registration within six months after the signing of the deed of sale. Once the title registration has been granted, a process to parcel the area into a property will automatically be initiated. Parcelling is performed by an official of the National Land Survey of Finland or the specific municipality, depending on the location of the parcel.

Once a property has been generated, title and mortgage information about the parcel will be assigned to the new property.

### Collateral and pledging

When real property is bought, a loan and collateral are usually required. The property itself can be used as collateral. Furthermore, it can be used as collateral for other loans. For mortgaging real property, the owner of the property must obtain a mortgage deed from the National Land Survey of Finland. It acts as a certificate of the confirmation of the mortgage. The debtor (such as a bank) obtains the right of lien once the owner of the property has signed the pledge and transferred the mortgage deed to the debtor.

Parcels and designated shares can be mortgaged and pledged similarly to real property.

#### How can mortgaging be applied for?

Mortgaging is applied for using an application signed by the owner of the property. The application can be delivered to the National Land Survey of Finland in person, via a courier, by post or via email as a scanned document. Finnish and Swedish application forms are available, for example, from service units of the National Land Survey of Finland.



Mortgaging can also be applied for in the online real property transaction service maintained by the National Land Survey of Finland. Users can log in to the online service using their banking identifiers or another reliable identification method. Applicants can also authorise an intermediary to apply for mortgaging on their behalf in the online service. Once the applicant has approved the application in the online service, it will automatically become valid in the title and mortgage register.

Applying for mortgaging in the online service requires that the owner, acting as the applicant, is registered in the Finnish Population Information System, the Trade Register or another similar official register. Therefore, foreign parties must usually apply for mortgaging in the traditional way using a written application.

The owner of the property who holds the title of the property can also apply for mortgaging. The mortgaging application can be delivered to the National Land Survey of Finland together with the title registration application.

The mortgaging amount can be freely defined by the applicant. Because no interest or other expenses are added to the mortgage capital, the mortgaging amount must usually be higher than the loan capital. Several mortgages can also be applied for using a single application.

Once the mortgage has been confirmed, the mortgage deed is sent to the applicant or the lender designated by the applicant. The mortgage deed must be stored with care because it is the only document with which the property can be mortgaged.

Real property is mortgaged by signing a pledge and transferring the mortgage deed to the lender. Only the owner can mortgage real property.

The pledge defines the liabilities for which it is lodged as collateral. If the collateral is only lodged for a housing or another specific loan, the pledge must clearly be limited to concern this loan only. The lender is obligated to notify the customer of what the pledge and its terms and conditions mean.

The mortgage is valid until it is extinguished, and it does not need to be changed, for example, after the loan has been repaid and the mortgage deed is lodged as collateral for a new loan. Furthermore, the owner of real property can utilise mortgage deeds obtained by the seller.

## Leasing real property

### Leasing

The owner of real property can lease out the property or a part of it. The lease agreement is made in writing, and it must include all terms and conditions governing the lease. A term or condition not stated in the agreement is invalid. Furthermore, all changes or additions to the agreement must be made in writing. A public purchase witness is

not needed; instead, the parties or their representatives or intermediaries authorised by the parties sign the agreement.

The lease agreement defines the following:

- contracting parties
- leased area and its purpose of use
- lease period
- rental charge
- the scope and schedule of any construction obligation of the tenant

The owner of leased property can be changed during the lease period. Tenants can protect their rights by applying for the registration of the right of lease. The registration is applied for from the National Land Survey of Finland.

Tenants are obligated to apply for the registration, and they can apply for a mortgage concerning their right of lease from the National Land Survey of Finland and use their right of lease as collateral for a loan as set out above concerning real properties if

- the lease agreement is a fixed-term agreement,
- the tenant has the right to transfer the right of lease to a third party without hearing the lessor,
- the area includes buildings or equipment owned by the tenant, or the tenant has the right to construct buildings or equipment in the area according to the agreement.

A transferable right of lease is often comparable to the ownership of real property and, in particular, municipalities use the lease of residential plots as an option to the sale of plots. Usually, lease agreements are extended at the end of the lease period through a separate agreement between the parties. In this case, the terms and conditions of the lease agreement, such as the amount of rent, are usually revised.

### Selling a right to lease

Tenants can usually sell their right of lease subject to a registration obligation to a third party without hearing the lessor if such a transfer is not prohibited in the lease agreement.

The seller and buyer have equal responsibilities for identifying the details of the leased area and any buildings located therein, as in property transactions. In addition to buildings and the leased area, the buyer must review the terms and conditions of the lease agreement. In particular, the remaining lease period affects the value of the right of lease.

The buyer should ensure that the right of lease is in the seller's name. The permanence of the right of lease can be weakened by any mortgages if they exist with a privilege higher than the registration of the right of lease. This information is indicated in the certificate of encumbrances,



which can be obtained from the National Land Survey of Finland.

The terms and conditions of the transaction are entered in the deed of sale, and the deed of sale is signed. However, no public purchase witness is required.

Once the right of lease has been transferred, the buyer must apply for the registration of title. The registration is applied for from the National Land Survey of Finland following the same procedure and the same deadline of six months as in the case of the registration of property title. The buyer must also pay transfer tax as in property transactions. The registration application must also include a receipt of the transfer tax paid.

### Joint ownership agreement

Real property and a right of lease subject to the registration obligation can also be acquired as designated shares. For example, three people can make the acquisition jointly, in which case each of them will have title (or registration in the case of a right of lease) of one-third of the object of the sale, unless other shares have been defined in the purchase agreement.

In this case, the co-owners can prepare a joint ownership agreement to define which parts of the area and which buildings located in the area are controlled by each party. The agreement should be registered with the National Land Survey of Finland. After the registration, the agreement is binding on the new owner of each designated share similarly to their previous owners. The procedure may be conditional to the co-owners applying for a surveying procedure (parcelling or partitioning), in which case each would have a separate property. A registered urban plot cannot be parcelled without changing the local plan. However, the share controlled by each co-owner can be defined in the joint ownership agreement. In addition, a registered joint ownership agreement means that the entire property cannot be sold by the demand of a single co-owner in order to cancel the joint ownership relationship.

A registered joint ownership agreement prevents the co-owners from mortgaging the entire property. In this case, each co-owner can apply for mortgaging concerning their own designated shares.

### Trading and leasing residential or commercial premises

Transactions involving flats in residential buildings or buildings alone are not regarded as property transactions in Finland, unless the land is transferred at the same time. Such transactions are not registered with the National Land Survey of Finland.

In Finland, residential buildings and their land are usually owned by housing or real estate companies. Participations in such companies can be sold or bought, and the participations entitle their buyer to control a specific flat in the building owned by the company. In practice, such control is comparable to the ownership of the flat.

Flats are usually acquired and sold via real estate brokerage firms that also provide information about the object of the sale. Such transactions can also be made individually or using an intermediary and without using a real estate broker. Transactions are made in writing, but no public purchase witness is required, unlike in property transactions.

### Preparing for the trade of residential premises

In Finland, regulation varies depending on whether the purpose is to acquire a new flat or a used flat. Transactions involving used flats are not as tightly regulated as those involving new flats.

When buying a flat in a building under construction, it is particularly important to read all security documents. Their purpose is to provide those considering to buy a flat with the possibility to obtain such exhaustive information about the company and its financial situation, the property and the construction project that the buyer is able to assess the profitability and purposefulness of their acquisition.

If a flat (i.e. participation) is bought from a previously completed building, i.e. an existing building, the buyer should read the house manager's certificate available from the building manager. It offers information about the housing company, its financial situation and housing costs, such as the maintenance fee and water charge. The building manager also provides information about future renovations or repairs that affect the level of housing costs.

The buyer should also identify whether any share of the housing company's loans are transferred to the buyer through the transaction. In practice, such a liability will correspondingly reduce the purchase price paid to the seller. When it comes to new flats, it is typical that the buyer accepts responsibility for the company's loans, in which case the purchase price is lower. The buyer may pay their share of the loan to the housing company, in which case their monthly maintenance fee will be lower.

Any share of the housing company's loan paid to the housing company by the buyer is referred to as a financing contribution.

The owner of participations in a housing company must also pay their share of the building's maintenance costs every month to the housing company. Most of these consist of heating costs. This share is referred to as a maintenance fee.





### Obligations of the seller and buyer

#### The seller's obligation to provide information

The seller of a new flat must provide information about the flat, its environment and services in the area. Furthermore, the seller of a used flat must provide the buyer with information about the flat and its equipment level, as well as any deviations from the equipment level, condition or other features considering the age of the flat.

#### The buyer's obligation to inspect the flat

The buyer of a new flat must inspect the flat before the transaction if the object of the sale has been completed. The buyer cannot later present any claims based on a defect which should have been identified during an inspection. Furthermore, the buyer of a used flat must inspect the object of the sale before the transaction.

### Trading residential premises

#### Deed of sale

The Housing Transactions Act only defines the minimum content of the deed of sale when the original participation holder sells participations in a housing company during the construction phase. Instead, there are no statutory provisions on the format or minimum content of the deed of sale when the transaction is made after the construction phase.

The deed of sale on a flat (i.e. participation) is made in writing. Legally speaking, the transaction involves securities, i.e. the participations entitling the buyer to control the flat, and it concerns the sale of movable property. The buyer and seller sign the deed of sale, but no public purchase witness is needed.

An intermediary can also be used in the process. In this case, the intermediary signs the deed of sale. The authorisation to the transaction should be given in writing and in detail. Similarly to property transactions, all terms and conditions of the flat transaction should be entered in the deed of sale.

When selling a flat, the regular procedure in Finland is that, before closing the transaction, the buyer pays the seller (usually a real estate broker) a down payment which comprises part of the final purchase price. If the transaction is not completed for a reason caused by the buyer, the down payment or a part thereof remains with the seller.

#### Pledging share certificates

When the object of the sale is a participation in a housing company, the buyer must ensure that share certificates are transferred. Any pledging of share certificates cannot be verified from any public register. If the share certificates

are not transferred during the transaction, the buyer must ensure the location of the certificates and the deed of sale must include a provision on their transfer.

Once the right of ownership has been transferred, the buyer can use the share certificates in its possession as collateral for their loans or the payment of the purchase price of the flat, i.e. as a pledge. No mortgage is confirmed for the flat in any official or other procedures; instead, a pledge is established and the share certificates are transferred to the debtor.

Normally, share certificates are stored at the lending bank, even after the entire loan has been repaid.

#### Registering the trade of an owner-occupied flat

In Finland, transactions involving owner-occupied flats do not comprise property transactions. Therefore, such transactions do not require any title registration. For this reason, transactions involving owner-occupied flats cannot be verified from national registers.

If the buyer acquires a flat from a building established as a housing company, the buyer can only exercise the rights belonging to owners in the company after the buyer has been entered in the list of unitholders on the basis of the transaction or the buyer has notified the company that they own participations in the company and presented a certificate of the transaction. The notification is presented to the board of the company (in practice, to the building manager), by presenting the deed of sale and a receipt of the transfer tax paid on the purchase price.

#### Leasing a flat

A flat can also be leased. Right-of-occupancy and part-ownership dwellings are intermediate forms between owned and leased flats.

### Establishing real property

#### Property establishment authorities

In Finland, properties are established by specific authorities. Surveyors of the National Land Survey of Finland (and of specific municipalities in certain cases) perform all property-related procedures and, therefore, parcelling proceedings. Municipal authorities operate within the local plan areas of their municipalities, while the National Land Survey of Finland covers other regions.

#### Public cadastral register

The cadastral register contains information about all properties. It includes basic information about each property, such as the identification number, name (if any) and surface area. In addition, the register includes information about road rights and other encumbrances, as well as par-



ticipations in joint areas. The register also includes entries of plans and construction bans on specific properties. The approximate location of property boundaries is indicated in the cadastral index map.

The cadastral register is a public nationwide register, and it is maintained by the National Land Survey of Finland and most municipalities. Extracts from the cadastral register and cadastral index map can be obtained, for example, for property transactions or building permits.

### Parcelling

Parcelling is a surveying procedure in which an area with specific boundaries (an unseparated parcel) is established as a property. The boundaries of an unseparated parcel are usually defined in the transfer document (deed of sale, deed of gift, deed of exchange, agreement on division or another transfer document) or in the distribution of an estate. Through parcelling, an unseparated parcel can also be transferred from one property to another. A property established through parcelling may include parcels from several properties.

The parcelling procedure is initiated once the sale of a parcel or another title has been registered.

The National Land Survey of Finland or the specific municipality appoints a cadastral surveyor to perform the procedure. Usually, the cadastral surveyor completes the procedure individually but, in large and difficult procedures, the cadastral surveyor can be assisted by two executors appointed by the municipality, in which case they act as a team consisting of three cadastral officers. Furthermore, the concerned party can request that the procedure is settled by a three-member team.

### Connection between parcelling and construction

In Finland, the establishment of real property does not resolve the construction capacity of a parcel or the property. This is settled in the municipal planning and building permit procedure.

### Parcelled property from a parcel

Real property (usually an estate or plot) is generated from an unseparated parcel through parcelling. The boundaries of the parcelled property are measured in the terrain according to the deed of transfer. In local detailed plan areas, plots are not normally named.

Finally, the property is entered in the cadastral register as an estate or plot.

A property generated through parcelling is referred to as an original property unit, a property generated from an unseparated parcel is called a parcelled property unit and the property remaining after the parcelling procedure is referred to as a residual property unit.

### Parcelling procedure

The parcelling procedure is initiated officially once the new owner of the area has obtained a title for the parcel. The National Land Survey of Finland (and, in certain cases, the municipal real estate engineer) issues the procedure to be initiated. First, the cadastral surveyor conducts archive studies to obtain the information required about the concerned parties and the property to be parcelled. These are required for communication purposes and parcelling decisions.

If a party living abroad or in another municipality cannot easily attend each meeting, they can assign an intermediary to represent them in the procedure. However, the absence of a party does not prevent the procedure from being performed.

The boundaries of the parcelled property generated from the parcel are marked in the terrain according to the deed of transfer (deed of sale, etc.). Corner points are marked using permanent landmarks (boundary stones) and are attached firmly to the ground, whenever possible. Usually, boundary stones are numbered and their exact coordinates are measured. The surface area of the property to be generated is measured.

Cadastral survey meetings are held separately as required or during terrain work, in which case a single meeting can be sufficient. It is fairly common that, during parcelling, terrain work and a meeting are carried out at the same time. The cadastral surveyor acquires the assisting personnel required in terrain work.

Any specific matters are usually settled as decided by the cadastral surveyor, unless the matter can be and is negotiated by the parties. If any disputes or unclear matters arise during parcelling, the cadastral surveyor (or executors) decides on such disputes or matters after hearing the concerned parties.

Changes to parcelling decisions made can be applied for from the Land Court which operates in conjunction with the District Court. The competent authority is the Land Court within the court district of which the area in question is located. The change application period is 30 days, starting from the date on which the procedure was ended or the decision was issued. The parcelling decision is accompanied by directions of appeal, indicating the change application period, the competent Land Court and instructions for preparing an appeal.

A change to the decision issued by the Land Court can be applied for from the Supreme Court if it grants the right of appeal.

### Rights to jointly-owned areas

According to the Finnish real estate system, lakes located in village areas are usually jointly-owned by estates



located in the village area. Similarly, estates may have joint boat shores, gravel areas or other areas. Jointly-owned areas are controlled by co-ownership societies, the members of which include all owners of the estates located in the co-ownership area.

Co-ownership societies of jointly-owned water areas and the portions held by each owner are usually entered in the cadastral register. However, there are still jointly-owned areas, the ownership of which has not been identified in Finland.

All of the jointly-owned areas in which the new property to be established owns a portion must always be decided in the parcelling process. The size of the portion or its determination criterion must also be decided upon. Usually, the portion has already been defined in the deed of transfer (deed of sale, etc.). If no such definition has been made, the matter will be settled at a specific meeting.

### Access, road rights and encumbrances

An access connection to a public or private road must always be identified for a new property during the parcelling or another property-related procedure. If the matter has been settled in the deed of transfer, it must be decided upon during the procedure. In certain cases, a road right must be established, covering, not only the residual property unit, but also external properties. In this case, compensation needs to be defined in the parcelling procedure, together with its payment to the owners of external properties.

Furthermore, encumbrances and road and access rights set up for the original property unit must also be identified during the parcelling procedure. Rights of use to previous encumbrances are usually transferred to the residual property unit, but they can also be assigned only to the parcelled property unit or divided between both of these, if this does not cause significant inconvenience to the encumbered property. In this case, the payment of compensation may also need to be considered.

With regard to encumbrances belonging to other properties, the encumbrances that, after the parcelling procedure, will remain with the original property unit and the encumbrances that will be allocated to the parcelled property must always be defined in the parcelling procedure.

### Parcelling costs

The owner of a parcel is responsible for costs arising from the parcelling procedure. Parcelling is a fixed-price process. The parcelling charge is determined according to the surface area of the parcelled property unit or the areas transferred to the receiving property. The parcelling charge includes fees and other costs paid to assistants, costs arising from boundary stones, fees and travel expenses paid to executors and other fees and costs arising from the parcelling procedure.

The parcelling charge is paid to the state or municipality in order to cover any costs arising from the procedure. The charge is defined in the legislation on the parcelling charge. The amount of the charge payable to the state is defined by the Ministry of Agriculture and Forestry, and the that of the charge payable to the municipality is defined by the council of the specific municipality.

### Registration

Once the appeal period concerning the change application process for the parcelling procedure has expired and no change has been applied for or the appeal has been settled legally without any changes in the parcelling result, the parcelling engineer will enter the newly formed property in the cadastral register.

A notification of the registration will be sent to the owners of the parcelled and residual property units. The notification will be accompanied by an extract from the cadastral register and a map of the parcelled property, unless the specific information has already been provided earlier for the owners.

### Document archiving

Parcelling documents are archived permanently in the electronic archive of the National Land Survey of Finland, from where copies of parcelling documents and maps can also be ordered. Parcelling procedures performed by a municipal official are archived in the specific municipality.

## Further information

### Key legal sections

Key acts associated with the generation of real property, property title and registration are:

Land Code, 12 April 1995/540

Land Tenancy Act, 29 April 1966/258

Real Estate Formation Act, 12 April 1995/553

Housing Transactions Act, 23 September 1994/843

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We do land surveying, maintain property information, produce map data material, handle registrations of title and mortgages, develop ICT systems, and promote the research and application of spatial data.