

Under the Transfer tax Act, a transfer tax is payable on transfers of real property and securities.

First-time homebuyers need not pay the transfer tax when the following requirements are met. This also applies to foreign first-time homebuyers.

REQUIREMENTS

1. Acquisition and use of a first home

A transferee must purchase at least a 50 percent holding in the real property and of the building existing or to be built on the site, or of the housing association or cooperative stock entitling the holder to ownership of a residence. The purchase takes place when the transfer contract is made, that is, usually when the deed of transfer is signed.

The tax exemption is also applied for instance, to partially non-gratuitous acquisitions based on division of property or inheritance.

The transferee must use the building or flat as a permanent place of residence. This means that he or she should start living in the newly acquired home without undue delay. In cases where it is not possible to move in immediately, because the circumstances have posed obstacles, the transferee should move in as soon as the obstacles have been removed.

2. Age

The transferee must be at least 18 but less than 40 years of age at the time the transfer deed is signed. The age limit requirement is checked when the deed of transfer is signed.

The transferee is entitled to a tax exemption even if he begins to use the residence as a permanent place of residence only after turning 40 years of age.

3. Earlier ownership of a flat

A transferee who has owned at least half of the residence intended for permanent use as a residence or of stock entitling the holder to ownership of such a residence in 1990, or thereafter in Finland, or other countries will not be entitled to the tax exemption as a first-time buyer.

The exemption is forfeited on the basis of earlier ownership, and also in cases where the first-time homebuyer is an owner of a residence received as a gift or by inheritance. The transferee need not have lived in the residence permanently. The exemption is not forfeited on the basis of ownership of a summer cottage or leisure house.

EXTENT OF THE TAX EXEMPTION

Each transferee's right to tax exemption is decided separately and on the basis of the intended use of the acquired residence. Restrictions also apply to the surface area of the site.

If there are several transferees, the tax exemption only applies to that portion of transfer price corresponding to the holding of the transferee entitled to the exemption. Example: if both spouses acquire 50 percent of the entire stock of a residence, but only one of them is entitled to exemption due to earlier ownership, only 50 percent of the purchase price will be tax exempt.

The tax exemption is granted only for that portion of the real property and the building on it or the residence in which the owner lives permanently. Other premises related to residential use, such as sheds and outbuildings, separate saunas and garages, are considered residential buildings, while separate premises not related to residential use are not. The transfer tax is payable, however, on the separate stock entitling the holder to the ownership of a garage and the tax exemption does not apply to space within a residential building or flat used for business operations or as a workshop.

In addition, the surface area of the site to be purchased is restricted. In unzoned areas, a site of up to 10,000 square meters will be equated to a building. In zoned areas the tax-exempt site cannot be larger than that indicated by zoning or than the actual construction site. Thus the exemption is not applied to that part of the transfer price, which applies to the surface-area in excess of the said restrictions.

PROCEDURE

1. Legal confirmation of ownership and registration of title to property

A person who has acquired real property or a specified portion or a parcel of real property must seek legal confirmation of ownership. The holder of the right of tenancy or some other fixed-term right of use of the site is obliged to seek registration of the right if the right can be transferred to a third party without consulting the owner and if the site includes buildings or installations of the owner or if such can be built on the site under the agreement.

Regardless of the first-time homebuyer's tax exemption, the duties discussed above must be observed.

When seeking legal confirmation of ownership or registration, the first-time homebuyer must present a statement from the tax office of his domicile showing that he is entitled to the tax exemption.

The tax office of the transferee's domicile provides a statement on the earlier ownership of the residence on the basis of the taxation documents at its disposal. On request, the tax office can also provide a statement on matters pertaining to the extent of the tax exemption, such as the distribution of the transfer price among the residential building and site and the buildings and portion of the site used for other purposes.

The transferee must show that he is a first-time homebuyer using e.g. a certificate of domicile available from the register office.

2. Notifying the authorities of shares entitling the holder to ownership of a residence

Transferees must provide the tax office of their domicile with the information pertaining to their right for a tax exemption. The information must be provided within 2 months of *making the transfer contract* and using the form 'Ilmoitus varainsiirtoveroista' (Veroh 6012) approved by the National Board of Taxes.

When a transfer is handled by a real estate agent, the information pertaining to the right to a tax exemption is given to the real estate agent when the transfer contract is made. No transfer tax is payable if the first-time homebuyer at that time states that he will use the first home as a permanent residence within six months of closing the deal.

For purchasers of shares in a housing company to have their holdings entered in the shareholder register, they must provide the board of the housing company with the information concerning tax exemption. The information is provided using the part of the notification submitted to the tax office remaining with the transferee or a certificate provided by the estate agent.

3. Application procedure

If the tax exemption requirements for a first-time homebuyer are met only after this transfer tax has been paid, the Regional Tax Office will refund the tax on application. Penalties paid in connection to seeking legal confirmation of ownership or a tax increase paid on the transfer of securities are not refunded. In practice, the above may only apply to the requirements concerning the purchase and correct use of a first home.

Examples:

1. If a transferee purchases a site with no buildings on it and a building is later constructed on the site, the requirements for tax exemption are not met when legal confirmation of ownership is sought. In such an event the transferee must pay the transfer tax on the site's purchase price when confirmation is sought. The transferee is entitled to a refund of the tax by applying to the Regional Tax Office when he takes up residence in a building constructed on the site.

2. The transferee initially purchases a quarter of a first home, on which the transfer tax must be paid. In the event that he purchases an additional quarter at a later date, no transfer tax is payable on the latter transfer. He can then also apply to the Regional Tax Office for a refund of the tax paid earlier.

DEBITING

If the transfer tax has not been paid due to false information concerning the right to tax exemption provided by the transferee, the Regional Tax Office will debit the transferee for the unpaid tax, including any surtax. In addition, a maximum tax increase of 50 percent can also be levied.