



## FINLAND– November 2020

---

### CONTENTS

HELSINKI'S PROPERTY TAX WILL NOT CHANGE – HOWEVER, THE COSTS OF MANY HOMEOWNERS MAY INCREASE IN THE FUTURE.....1

---

#### ***Helsinki's property tax will not change – However, the costs of many homeowners may increase in the future***

The government's property tax reform may seem in the wallets of Helsinki residents.

Helsinki the city government decided on Monday that property tax rates will not rise next year. Property tax is paid by all Helsinki residents living on the property plot. Therefore, it has an impact on the cost of housing.

Roughly calculated, the property tax is about 10 percent of the cost of living in a detached house and four percent in an apartment building. The calculations are from the Real Estate Association. In a detached house, the proportion is higher because the plot in use is larger per inhabitant.

The state sets the upper and lower limits of the property tax, but the municipalities are free to decide at what level the tax is set between them. Currently, property tax rates in Helsinki are at the lowest possible level.

Although Helsinki's decision-makers have now outlined that the tax will not rise, there may be changes ahead.

The idea of the Sote reform is that half, or 50 percent, of municipal property tax revenues would be exported to state contributions. Currently, property tax revenues are fully credited to municipalities – in other words, Helsinki receives Helsinki property tax revenues.

On average, real estate tax in Finland accounts for 8 percent of municipal income. In Helsinki, the property tax brought about EUR 280 million to the treasury last year.

Second the reform the government is working on is the property tax reform. It may affect the cost of housing, but the impact calculations for the reform are not yet complete.

To understand the reform, one has to start with the basics: property tax is paid according to the value of the property. This value is formed by the ground and buildings.

If your own house is located on a property plot – be it a detached house or an apartment building – the owner of the apartment pays property tax on it.

#### **International Property Tax Institute**

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

In Helsinki, most of the value of a property is land, not buildings. This can be explained by the fact that the most valuable part of a residential apartment building in the city center is its plot in a great location. Even if the residential building were demolished, the land under it would still be really valuable, as a new residential apartment building could be built on it, for example.

Of course, this is not the case all over Finland. The value of land varies considerably across Finland and also within regions.

Government The aim of the property tax reform is to take better account of the fair values of land and buildings, ie market values, which in the current system lag behind the general development of costs and prices. The reform is expected to be reflected in 2023 taxation.

Mayor Jan Vapaavuori Next year's draft budget states that with the reform, the tax values of land will double on average from the current level throughout the country, but as the price development of housing in Helsinki has been faster than elsewhere in Finland, the fair values of the current property tax system are likely to lag behind Helsinki.

As a result, the greatest upward pressure on the new subsoil valuation system is on Helsinki.

"The value of land and its development varies a lot within Helsinki, which is why real estate tax increases are different for different areas. In the most expensive areas of Helsinki, the fair values of the land valuation system have lagged behind the most and the increases are targeted at them," the budget proposal says.

Reform will be reflected in Helsinki's municipal policy in the coming years, so that the upper and lower limits of the property tax set by the state may change. In addition, the land is taxed separately.

Mayor Vapaavuori is of the opinion that in the case of Helsinki, the reform will probably mean an increase in the property tax to be paid. This would also mean an increase in housing costs.

"Housing prices vary in Finland. In Helsinki, they are rising at the same time as they are falling in many other places, so I don't quite see that this reform in Helsinki would result in a reduction in the property tax payable."

Association of Municipalities tax specialist Pekka Montell It is too early to calculate the impact of the government's property tax reform on housing costs, even though there is upward pressure on the country's tax values in Helsinki.

He is of the opinion that tax values in Helsinki are quite up to date.

"The reform is intended to be done in such a way that the level of taxation in general does not rise. This can be influenced, for example, by changing the range within which municipalities are allowed to decide on property tax rates," he says.

However, Montell adds:

"It is certain that the reform will bring an additional bill for some property owners, and for some the bill will decrease again."

## International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.