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Customer Bulletin

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Taxation of Used Motor Vehicles in Finland

This guide deals with importation of used passenger cars, delivery vans and motorcycles as well as other taxable vehicles of category L into Finland from EU countries and from outside the EU. It contains information on the procedures applied to importation of vehicles and on the assessment of car tax, customs duty and value added tax.

Information on importation of vehicles as part of removal goods is given in the customer bulletin "Importation of Personal and Household Effects and Private Motor Vehicles as Removal Goods into Finland".

The examples given in this guide are intended to clarify the text and they are not binding in final taxation.

I Liability to pay car tax and taxable vehicles

According to the Finnish Car Tax Act, car tax shall be paid to the State for taxable vehicles before they can be registered or taken into use in Finland.

According to Section 1 of the Car Tax Act, taxable vehicles are the following:

- passenger cars (category M_1)
- delivery vans (category N_1)
- buses/coaches with unladen weight of less than 1 875 kg
- motorcycles (categories L_{3e} and L_{4e})
- tricycles and quadricycles (categories L_{5e} and L_{7e})

On certain conditions, a vehicle may be free of car tax. Details of those conditions are not dealt with in this guide.

The liability to pay car tax lies primarily with the person who is entered in the Finnish vehicle register as the owner of the vehicle. If the vehicle has been sold on hire purchase subject to retention of ownership, the liability lies with the buyer who is entered in the register as the holder of the vehicle. The taxable event is the registration of the vehicle.

The liability to pay car tax remains with the liable person defined above even if the taxation procedure had been taken care of on his behalf by an agent, e.g. the commercial operator who had imported the vehicle. The liable person is not released from the liability to pay the tax although he proved that he had paid the tax amount to the agent or to the agent's representative.

If the importer of the vehicle is a registered agent for car taxation, the liability lies with the agent and the agent pays the tax on behalf of the liable person. The liability can, however, be transferred by a written contract e.g. to the buyer of the vehicle. The customs authorities must be notified of the transfer. If this notification is not made, the person who handed over the vehicle and the person who received it are responsible together. If the tax cannot be collected from the registered agent, the liability to pay the tax lies with the owner entered in the register, except in the case that he can prove having paid the tax amount to the registered agent or to the agent's representative.

If the vehicle has been taken into use without registration or no other liable person can be established, the liability to pay the car tax lies with the person who took the vehicle into use. If it is not possible to establish that person or the tax cannot be collected from him, the liability lies with the owner of the vehicle which has been taken into use.

If car tax is not paid to Customs in accordance with the Car Tax Act, the vehicle may not be used on the road in Finland irrespective of who is liable to pay the tax or who is responsible to pay on his behalf.

2 What is meant by a used motor vehicle

According to the Car Tax Act, a vehicle is considered as used if it has been registered *and* in use. Use of vehicle means actual use which has an impact on the value of the vehicle and after which the vehicle can no longer be considered as new.

For the tax treatment of vehicles imported as part of removal goods, see customer bulletin of the National Board of Customs "Importation of Personal and Household Effects and Private Motor Vehicles as Removal Goods into Finland".

3 Before buying a vehicle

Before buying a vehicle it is advisable to find out whether the vehicle can be registered in Finland. It is especially important to check that the vehicle has the obligatory equipment and whether the EC type approval is required. A vehicle registered in another EU country does not necessarily meet the Finnish registration requirements, e.g. in case it has been accepted to the register in that country under a special national permit.

Information on the registration requirements is available on the website of the Vehicle Administration AKE at www.ake.fi.

Before you buy a used vehicle:

- check that the seller owns the vehicle
- check the chassis number of the vehicle

- make sure that you learn the true number of kilometres travelled by the vehicle
- check the compliance of the vehicle with the Finnish requirements, e.g. the EU type approval and the obligatory equipment
- if necessary, contact a vehicle inspection station or the Vehicle Administration AKE to find out the registration requirements
- take care that the purchase documents are made out properly.

4 Use of vehicles in Finland before taxation

As a rule, a person permanently resident in Finland is not allowed to use, not even occasionally, a foreign-registered vehicle on the road without paying car tax. There are, however, exceptions to this rule. In such cases a declaration of use submitted to Customs is required. The declaration must be lodged in advance or at the latest when temporary tax-free use of the vehicle is started. The declaration is submitted with a customs form.

A vehicle with a **valid registration in the EEA area** may be used on the basis of a declaration of use confirmed by Customs. A valid motor liability insurance is also required.

When a vehicle **does not have a valid registration in the EEA area**, a transfer permit is required in addition to the declaration of use. Transfer permits are granted by vehicle inspection stations and Customs. Further information on transfer permit is available on the website of the Vehicle Administration AKE at www.ake.fi.

Vehicles intended to be registered in Finland

A vehicle which is intended to be registered in Finland may be used for at most three months without paying tax provided that a declaration of use on a customs form has been submitted to Customs before the use of the vehicle is started in Finland. If the vehicle does not have a valid registration in the EEA area or the validity of the EEA registration expires, a transfer permit is also needed. The declaration of use confirmed by Customs must be kept in the vehicle when the vehicle is used. The vehicle must also have a **motor liability insurance** which is in force in Finland. The insurance coverage of the Finnish insurance is in some respects more extensive than those of the other EEA states.

To keep the right to tax-free use, a tax declaration on the vehicle must be submitted within five days from the date when the declaration of use was confirmed. The right to tax-free use also expires on the due date of car tax or if the tax declaration or a tax decision already issued is cancelled.

As a result of cancellation, a charge equivalent to that for an advance ruling of the National Board of Customs is collected and, in car tax, a charge amounting to five per cent of the car tax which should have been paid if the taxation had been completed. The car tax collected as a result of the cancellation is not taken into account if tax is later assessed on the vehicle. In 2009, the charge for an advance ruling collected from a private person is 130 euros and that collected from a commercial operator 350 euros.

The right of use does not cease even though the ownership of the vehicle were transferred. However, it is to be noted that if the vehicle has a Finnish motor liability insurance, its validity expires when the ownership is transferred.

Demonstration vehicles

A vehicle intended to be sold in Finland may be used temporarily free of tax for a maximum period of nine months for short-term test driving or demonstration for sales purposes for at most three days per customer in the business of a company importing, manufacturing and selling motor vehicles, provided that, before the use in Finland is started, a declaration on the vehicle has been submitted to the customs authorities in the way determined by these. The declaration confirmed by Customs must be kept in the vehicle when the vehicle is used unless otherwise ordered by Customs.

A transfer permit or a valid EEA registration is required.

5 Value added tax on intra-Community acquisition of new means of transport

When a used vehicle is imported into Finland from within the EU territory, it may be possible that a VAT levied on intra-Community acquisition of new means of transport in accordance with the Finnish Value Added Tax Act must be paid for the vehicle. Although a vehicle were considered as used according to the Car Tax Act, it may, in certain cases, still fulfil the criteria of a new means of transport within the meaning of the Value Added Tax Act.

In the Value Added Tax Act, means of transport means motorized land transport vehicles, aircraft and vessels meeting certain conditions and appropriate for the transport of passengers or goods. Motorized land transport vehicles are means of transport referred to by the Act if they have engines with a cylinder capacity exceeding 48 cc or a power exceeding 7.2kW.

According to the Value Added Tax Act, a vehicle is regarded as a new means of transport if

- it has been sold when not more than six months have passed after it was taken into use for the first time, or
- it has travelled not more than 6 000 kilometres.

The vehicle is new if one of the two criteria is met. In other words, the vehicle is no longer a new means of transport when both criteria cease to be met. In considering whether the criteria of a new means of transport set out in the Value Added Tax Act are fulfilled, the date of sale is decisive. This applies to both criteria mentioned above. The owner must be able to show the kilometrage travelled by the vehicle by the time when it is sold.

An essential characteristic of intra-Community acquisition is that the vehicle is transported from another member state to the buyer in Finland. The transportation may be carried out by the seller, the buyer or a third party by order of the seller or the buyer. It is to be noted that although VAT had

been paid in the country of purchase, VAT on intra-Community acquisition of new means of transport has to be paid in Finland if the buyer intends to import the new vehicle to be used in Finland.

The VAT is 22% of the price of the vehicle agreed between the seller and the buyer. All amounts added to the price and charged by the seller to the buyer, e.g. delivery costs, are included in the acquisition price.

If the vehicle is subject to car tax and the buyer is a private person or otherwise not registered for VAT, the VAT on intra-Community acquisition of new means of transport is collected by the customs office collecting the car tax.

New means of transport purchased by enterprises liable to pay VAT are treated in taxation as normal intra-Community acquisitions.

If a new means of transport is free of car tax (e.g. a lorry, a camper), the buyer pays the VAT on intra-Community acquisition to the Tax Office of his home municipality.

Further information on value added taxation of new means of transport is available e.g. on the website of the Tax Administration at the address www.vero.fi.

6 Used vehicles imported from outside the EU

When a vehicle is imported from outside the EU, it must be cleared through Customs for free circulation in the Community. Before the customs duty has been paid, the vehicle may only be moved under a customs procedure, which is usually the external transit procedure involving a guarantee.

Vehicles imported from outside the EU are subject to customs duty and VAT on importation. The customs duty on passenger cars (in January 2009) is 10% and on delivery vans either 10% or 22% depending on the engine. The customs duty on motorcycles is either 6% or 8% depending on the engine.

If the vehicle has been sold for exportation to the Community, its customs value normally consists of the transaction value, i.e. the price actually paid or payable for it, and of certain items defined in the Community Customs Code. Such items are e.g. the transport and insurance costs as well as the costs for loading and handling in connection with transport to the place where the goods are imported into the customs territory of the Community. The provisions on customs value are contained in Articles 28 to 36 of the Customs Code and in Articles 141–181a of the provisions for implementing the Code. More detailed information on determining the customs value can be obtained from the customs office which will be used for the customs clearance and taxation of the vehicle.

The VAT on importation into the EU customs territory is normally calculated on the basis of the customs value, which includes the transport, loading, unloading and insurance costs as well as other costs relating to importation to the first destination in Finland according to the transport contract. If it is known at the time when the liability to pay tax arises that the goods will be transported to another destination in Finland or another EU member state, the above costs to that further destination are taken into account. The customs duty collected is also added to the tax base. Further information on the assessment of VAT can be obtained from customs offices. The VAT on importation of vehicles is 22%.

For the customs clearance of the vehicle, a customs declaration has to be lodged with a customs office within the time limit laid down in the Community Customs Code.

Example 1:

Used passenger car imported from outside the EU

Customs duty and VAT on importation	
Customs value of the vehicle	13 400.00 €
10% customs duty	1 340.00 €
Value on which VAT on importation is based	14 740.00 €
22% VAT on importation	3 242.80 €
Customs duty and VAT on importation in total	4 582.80 €
Car tax as below in section 9.	

Example 2:

Used motorcycle imported from outside the EU, cylinder capacity more than 250 cc

Customs duty and VAT on importation	
Customs value of the vehicle	5 300.00 €
6% customs duty	318.00 €
Value on which VAT on importation is based	5 618.00 €
22% VAT on importation	1 235.96 €
Customs duty and VAT on importation in total	1 553.96 €
Car tax as below in section 9.	

7 Car tax declaration

A person liable to pay car tax must submit a car tax declaration to Customs before the vehicle is registered or taken into use in Finland. The declaration may also be submitted by an agent authorized by the liable person to act on his behalf. The declaration must be made in the name of the person who is entered as the owner of the vehicle in the Finnish vehicle register.

The most rapid service is received if the car tax declaration is lodged with one of the customs offices in charge of car taxation. Contact details of these offices are available on the website of Customs www.tulli.fi.

In addition to the car tax declaration, a specification form concerning the vehicle must be filled out giving e.g. the chassis number, make, model and equipment of the vehicle and the number of kilometres travelled by the vehicle. A certificate of the foreign registration of the vehicle and evidence on the right of ownership, usually the purchase contract, must also be annexed.

The vehicle may be examined by Customs, if necessary. The odometer reading, the chassis number and the equipment are checked against the specification form completed by the customer.

The customer has an opportunity to point out such particular characteristics of his vehicle which affect its market value. In these cases the vehicle is always examined. If the customer wants to refer

to the condition of the vehicle, this must be done when the car tax declaration is submitted. It is no longer possible in connection with an appeal, if the condition has been declared to be normal or good when submitting the tax declaration.

The odometer reading alone is not regarded as sufficient evidence on the true number of kilometres travelled by the vehicle but further proof is required as well. The condition of the vehicle, its other individual characteristics and the odometer reading can together be considered as sufficient evidence.

As regards passenger cars and delivery vans, evidence on the CO₂ emissions of the car, which affect the tax percentage, can also be presented.

The contact details of the customs offices carrying out car taxation are given at the end of this guide.

The following documents are needed in submitting a car tax declaration:

- specification form concerning used vehicles
- purchase documents
- foreign registration document
- document proving the declarant's identity
- further documents as may be required by Customs.

A tax decision is not taken immediately but is delivered to the customer by letter. The car tax must be paid within fifteen days from the date of the tax decision.

8 Taxable value

The taxable value of a vehicle is its general retail sale value. The general retail sale value of a vehicle means the price, taxes included, which would generally be received for a similar vehicle if it were sold on the Finnish market to a buyer in the position of consumer at the time when the vehicle is, or should have been, declared for taxation. In other words, it is the general selling price from trader to consumer. If no value based on general selling prices is available, the general retail sale value is determined on the basis of the price at which similar vehicles in general are put up for sale, reduced by an appropriate amount for usual discounts. Thus the taxable value can be determined on the basis of the asking price by reducing it with the amount equivalent to the usual discounts.

The general retail sale value of a vehicle covers all consideration which the buyer of the vehicle, directly or indirectly, pays to the seller or to a third party. However, customary financing costs and customary costs, not exceeding 600 euros, for delivery to the client are not included.

For used vehicles, the amount of usual discounts is either 5% of the asking price plus 750 euros, or alternatively 1 500 euros, depending on which alternative gives a larger reduction. However, the maximum amount of discounts is 30% of the asking price. The amounts of usual discounts are changed according to changes on the market.

If the taxable value of a used vehicle cannot be determined in the way described above owing to inadequate information being available from the market, the retail sale value can be determined on

the basis of a value which is received by reducing the general retail sale value of a corresponding new vehicle according to the age of the used vehicle by one per cent/month of the residual value calculated at the end of each preceding month. A different calculated amount of value reduction may be applied depending on vehicle model if there are grounds for this in the light of the market information statistics. The age of the used vehicle is determined in full months during which the vehicle has been both registered and used.

9 Amount of tax

9.1 Passenger cars and delivery vans

The tax percentage for passenger cars and delivery vans is graduated according to the carbon dioxide emissions of the vehicle. Tax percentages determined by carbon dioxide emissions are applied to all passenger cars and vans when these are taxed in Finland for the first time irrespective of when they were taken into use for the first time. Each gramme of carbon dioxide affects the tax rate.

In the taxation of passenger cars, the emission level entered or which should be entered in the technical data of the car in the register is applied. For delivery vans, the applicable emission level is that which was entered or should have been entered in the technical data of the car in the register on 1 January 2008 or should be entered after that.

When there is no information available on the carbon dioxide emissions which should be entered for the car in the register, an estimated level of emissions is determined. In these cases, the tax percentage applicable to the car is determined on the basis of the total mass and motive power of the car in accordance with the tax scale. The estimated level of emissions of sports car type vehicles is determined in another way, as their power and fuel consumption are considerable in relation to the total mass of the vehicle. The tax rate is 12.2 per cent at the minimum and 48.8 per cent at the maximum. The percentages are given in Table 1 annexed to the Car Tax Act.

The tax rate for vans is reduced according to carrying capacity on the following conditions:

- N₁- category
- One row of seats
- Total mass over 2 500 kg
- Carrying capacity (total mass – unladen mass) and relative power (power kW / total mass kg):
 - Carrying capacity 680 – 1 000 kg and relative power at most 0.05
 - or
 - Carrying capacity at least 1 000 kg and relative power at most 0.06

The reductions of the tax rate of vans meeting the above requirements vary from a minimum of 6.8% to a maximum of 18.7%. The tax rate is always at least 12.2%. The reductions of the tax rate appear from Table 2 annexed to the Car Tax Act.

Further information on the CO₂-based car tax is available from customer bulletin No. 25 of the National Board of Customs "CO₂-based car tax " .

Example 1:

Passenger car taken into use abroad on 1 June 2005

CO₂ emissions according to the EC type approval 100 g/km

General asking price in Finland	25 000.00 €
Reduction by usual discounts (5% x 25 000 € + 750 €)	2 000.00 €
General retail value i.e. taxable value	23 000.00 €
Car tax (17.1% x 23 000 €)	3 993.00 €

Example 2:

Passenger car taken into use abroad on 1 June 1996

CO₂ reading according to the EC type approval not available

Total mass of the vehicle: 2 500 kg

Motive power: diesel oil

General asking price in Finland	16 000.00 €
Reduction by usual discounts (5% x 16 000 € + 750 €)	1 550.00 €
General retail value i.e. taxable value	14 450.00 €
Car tax (32.6% x 14 450 €)	4 710.70 €

Example 3

Delivery van taken into use abroad on 1 June 2008

CO₂ emissions according to the EC type approval 191 g/km

Total mass 2 661 kg, carrying capacity 921 kg, relative power < 0.05

Other conditions of tax reduction also satisfied

Tax rate according to CO₂ emissions 28.2%, reduction of tax rate 10.8%

General asking price in Finland	25 000.00 €
Reduction by usual discounts (5% x 25 000 € + 750 €)	2 000.00 €
General retail value i.e. taxable value	23 000.00 €
Car tax (17.4% x 23 000 €)	4 002.00 €

Example 4

Delivery van taken into use abroad on 1 June 2002

CO₂ reading according to the EC type approval not available

Total mass 2 300 kg

Motive power: diesel oil

Conditions of tax reduction not satisfied

General asking price in Finland	9 000.00 €
Reduction by usual discounts (5% x 9 000 € + 750 € = 1 200 € < 1 500 €)	1 500.00 €
General retail value i.e. taxable value	7 500.00 €
Car tax (29.9 % x 7 500 €)	2 242.50 €

9.2 Motorcycles and other taxable vehicles of category L

The tax on a motorcycle or other taxable vehicle of category L is calculated as a percentage of the taxable value according to the cylinder capacity of the engine or motive power as follows:

Cylinder capacity	Tax percentage
not more than 130 cc	9.8%
131 – 255 cc	12.2%
256 – 355 cc	15.9%
356 – 505 cc	19.5%
506 – 755 cc	22.0%
756 cc or more	22.4%
Electric vehicle of category L	12.2%

Example:

Motorcycle, taken into use on 1 May 2006

Cylinder capacity 599 cc

General asking price in Finland	21 000.00 €
Reduction by usual discounts (5% x 21 000 € + 750 €)	1 800.00 €
General retail sale value, i.e. taxable value	19 200.00 €
Car tax according to cylinder capacity (22% x 19 200 €)	4 224.00 €

10 Payment of tax and registration of vehicle

Car tax and, if appropriate, value added tax on intra-Community acquisition of new means of transport must be paid within 15 days from the date of the tax decision. The payment can be made at a bank or a customs office. After the payment has been made, the customs authorities give permission to register the vehicle. The permission is communicated electronically to the data system of the Vehicle Administration AKE.

Before the vehicle is registered, it must be taken to registration inspection.

If in doubt whether a vehicle can be registered in Finland, it is advisable to contact a vehicle inspection station or AKE before deciding to buy the vehicle. Further information on registration is also available on the website of AKE at the address www.ake.fi.

A car tax declaration or a taxation procedure can be cancelled at the customer's request if the vehicle has not been entered in the Finnish register or taken into use in Finland. If a tax declaration is cancelled before the tax decision is taken, the cancellation is free of charge. In case the decision has already been taken, a payment equal to that for an advance ruling must be made. In 2009, private persons have to pay 130 euros and commercial operators 350 euros. If the vehicle has been used temporarily free of tax for more than five days under a declaration of use, 5% of the tax which would have been levied on the vehicle is also collected.

11 Further information

Customs Information Service

www.tulli.fi

tel. 020 690 600

Vehicle Administration AKE

www.ake.fi

Contact details of the customs offices in charge of car taxation are available on the website of Customs www.tulli.fi.

The EU countries are Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.

The EEA countries are the EU countries, Iceland, Liechtenstein and Norway.

Service contacts

Customs Information Service

Erottajankatu 15-17, 00130 Helsinki

tel. 020 690 600

fax 020 492 1812

Foreign Trade Statistics, reading room (by appointment)

Erottajankatu 15-17, 00130 Helsinki

tel. 020 690 603

fax 020 492 1860

Tip-off hotline 0800 1 4600 (free of charge)

www.tulli.fi

Prices of calls to Customs telephone numbers

Calls to numbers beginning with 020 492 or 020 391:

– from fixed-line telephones 8.21 cents/call + 2 cents/min (incl.VAT 22%)

– from mobile phones 8.21 cents/call + 14.9 cents/min (incl.VAT 22%)

Calls to service numbers beginning with 020 690: no extra charge, the price depends on the subscriber connection used:

– from fixed-line telephones 0 cents/min + local network charge

– from mobile phones 0 cents/min + mobile call charge