

# President Ratifies Law Withdrawing MLI Reservation and Extending Income from Finland to Include Capital Gains on Disposal of Indirect Holding of Real Estate

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On 17 February 2023, the President ratified a law withdrawing the reservation Finland has made under article 9(6)(a) of the Multilateral Convention (MLI). In consequence, Finland starts applying article 9(4) of the MLI once the withdrawal has been notified and becomes effective.

The law amends section 10 of the Income Tax Act (*Tuloverolaki*, TVL), which includes a list of the types of income deemed to be from Finnish sources. The Supreme Administrative Court (*Korkein hallinto-oikeus*, KHO) has taken the view that the list in its current form, although being non-exhaustive, cannot be interpreted to cover also capital gains on transfer of indirect holding of real estate.

The list in the TVL is amended by adding to it also capital gains derived from the:

1. transfer of other rights, such as usufruct, on real estate located in Finland; and
2. alienation of shares or comparable interests, such as interests in a partnership or trust, if, at any time during the 365 days preceding the alienation, these shares or comparable interests derive more than 50% of their value directly or indirectly from immovable property situated in Finland.

The related documents (including the cancellation of the reservation) are available (in Finnish) [here](#). The law becomes effective from 1 March 2023.