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Forest Management Association Act **(No 534/1998, amendments up to 1142/2003 included)**

Section 1 - Purpose of Forest Management Association

- (1) Forest Management Association is an organisation of forest owners. The purpose of the organisation is to promote the profitability of forestry practised by the forest owners and the realisation of other objectives they have set for forestry activities, as well as the economically, ecologically and socially sustainable use and management of forests.
- (2) For these purposes, the Forest Management Association has the right to the collect forest management fees referred to in this Act.

Section 2 - Definitions

- (1) In this Act a *forest owner* is one who owns the real estate including land that can be used for forestry (*forest*) in the beginning of the calendar year. The provisions concerning forest owners laid down in this Act also apply to a party with a permanent proprietary right to a forest. Provisions on forest owners do not apply to a party whose proprietary right to a forest is based on a contract made by the forest owner or former forest owner.
- (2) Forest owner refers to a natural person or a group, corporation or benefit under joint administration referred to in the Income Tax Act (1535/1992). For the part of forest in joint ownership or possession of spouses the spouses jointly are considered the forest owner.
- (3) *Land that can be used in forestry* means land referred to in section 3 of the Forest Tax Decree (1208/1991).

Section 3 - General function of the Forest Management Association

- (1) The task of the Forest Management Associations is to provide services needed by forest owners in forestry activities and to organise professional assistance to forest owners in their own territories.

Section 4 - Requirement of equality

- (1) The Forest Management Associations and their officials must treat forest owners liable to a forest management fee in a fair and equal manner. In the case of tasks relating to timber trade the Forest Management Association or its official may not act in a way that would place the buyers in an unequal position.
- (2) In order to equalise considerable differences in the assets between the Forest Management Associations that are being merged, derogation from the requirement of equality referred to in subsection 1 for the part of the obligation to pay the forest management fee is allowed for no more than three years.

Section 5 - Territory of the Forest Management Association

- (1) The Forestry Centre ratifies the territorial borders of the Forest Management Association upon application. The competent Forestry Centre is the one in whose territory the largest share of the land that can be used in forestry which is to be ratified is located.
- (2) The size of the territory of the Forest Management Association must be such that by means of the forest management fees collected from the territory and other income the Forest Management Association is capable of acquiring adequate personnel and other necessary

resources to perform its function and tasks. As far as possible the territorial borders of Forest Management Associations should follow the existing administrative borders. Derogation from these requirements is allowed for particularly weighty reason.

- (3) Further provisions on the territory of the Forest Management Associations are issued by decree.

Section 6 - *Membership in the Forest Management Association*

- (1) The members of the Forest Management Association are, unless they decline the membership, forest owners who have the proprietary right to a forest located in the territory concerned and who are under the obligation to pay the forest management fee to the Forest Management Association. In the manner referred to above, all owners of a jointly owned real estate or area are members of the Forest Management Association. Other forest owners have the right to join the Forest Management Association as laid down in the Associations Act (503/1998).
- (2) The membership of a forest owner in the Forest Management Association begins when the territory of the Forest Management Association has been ratified and the association has been registered. The membership in the Forest Management Association ends when a written notice of resignation has arrived at the Forest Management Association. It may not be provided through the by-laws of the Forest Management Association that the resignation would become effective after a certain time period nor may the right to resign be restricted in any other way.
- (3) The provisions laid down in the Associations Act apply to the dismissal of a member of the Forest Management Association. Resignation or dismissal from the Forest Management Association does not eliminate the right of a forest owner paying the forest management fee to obtain services from the Forest Management Association.

Section 7 - *Activity relating to the trade and harvesting of timber*

- (1) The Forest Management Association may not engage in trade by buying or selling harvesting rights or timber on its own account or in any other industrial activity that is not necessary for the implementation of the function and tasks of the Forest Management Association. Except for energy wood and wood delivered to small companies located in the territory of the Forest Management Association for their own processing operations, the Forest Management Association may enter into a contract concerning timber trade only in the name of the relevant forest owners based on written authorisation. For the purposes of this Act, energy wood refers to wood used as fuel as well as roundwood harvested from the same stand marked for cutting. In this Act, small enterprise means an enterprise whose main line of business is wood processing and whose average annually use of roundwood is less than 6,000 solid cubic metres.
- (2) In timber trade and related harvesting, except for energy wood and other timber needed in small enterprises referred to in subsection 1, the Forest Management Association may provide professional assistance and services only to the seller or the party authorised by this. However, such service may not affect the professional assistance provided to forest owners in forest management activities.
- (3) The Forest Management Association may not be a partner or member of an association whose main line of activity is forbidden to the Forest Management Association. This also concerns the partnership, membership or authority in a corporation if the corporation belonging to a group referred to in section 6 of the Accounting Act (1336/1997) is mainly engaged in such an activity.
- (4) Further provisions on the actions of the Forest Management Association and its trustees and officials in timber trade and harvesting are issued by the Ministry competent in forestry matters.

Section 8 - *Grounds for the forest management fee*

- (1) The forest management fee payable for the land that can be used for forestry consists of a basic fee per forest owner and a payment per hectare. The basic fee is 70 per cent of the arithmetic average of the average stumpage price of one cubic metre of wood in the past three calendar years.
- (2) For the payment per hectare Finland has been divided into four zones as follows:
 - 1) the first zone comprises the whole area of the Province of Southern Finland as well as municipalities in the Provinces of Western and Eastern Finland other than those included in the second zone;
 - 2) the second zone comprises Alahärmä, Alajärvi, Alavus, Dragsfjärd, Evijärvi, Halsua, Himanka, Honkajoki, Houtskari, Ilmajoki, Iniö, Isojoki, Isokyrö, Jalasjärvi, Jurva, Jämijärvi, Kankaanpää, Kannus, Karijoki, Karstula, Karvia, Kaskinen, Kauhajoki, Kauhava, Kaustinen, Kihniö, Kinnula, Kivijärvi, Kokkola, Korppoo, Korsnäs, Korttesjärvi, Kristiinankaupunki, Kruunupyy, Kuortane, Kurikka, Kustavi, Kyyjärvi, Kälviä, Laihia, Lappajärvi, Lapua, Lehtimäki, Lestijärvi, Lohtaja, Luoto, Maalahti, Maksamaa, Merikarvia, Merimasku, Mustasaari, Nauvo, Nurmo, Närpiö, Oravainen, Parkano, Pedersöre, Perho, Peräseinäjoki, Pietarsaari, Pihtipudas, Pylkönmäki, Rymättylä, Seinäjoki, Siikainen, Soini, Taivassalo, Teuva, Toholampi, Töysä, Ullava, Uusikaarlepyy, Vaasa, Velkua, Veteli, Vimpeli, Vähäkyrö, Västanfjärd, Vöyri, Ylihärmä, Ylistaro and Ähtäri in the Province of Western Finland, Ilomantsi, Juuka, Kiuruvesi, Lieksa, Nurmes, Polvijärvi, Rautavaara, Sonkajärvi, Valtimo and Vieremä in the Province of Eastern Finland as well as municipalities in the Province of Oulu not included in the third zone;
 - 3) the third zone comprises Kuusamo, Pudasjärvi and Taivalkoski from the Province of Oulu and municipalities in the Province of Lapland not included in the fourth zone; and
 - 4) the fourth zone comprises Enontekiö, Inari and Utsjoki in the Province of Lapland.
- (3) In the first zone the payment may be no more than 11 per cent, in the second zone no more than seven per cent, in the third zone no more than three per cent and in the fourth zone no more than one and a half per cent of the arithmetic average of the average stumpage price of a cubic metre of wood in the past three calendar years. In all zones the forest management fee to be paid by the Forest Management Association established on the basis of the area may not exceed the arithmetic average of the average stumpage price of a cubic metre of wood in the past three calendar years multiplied by thirty.

Section 9 - *Determination of the forest management fee*

- (1) The Forest Management Association determines the amount of the payment per hectare for each calendar year. In the case of areas located outside the territory of the Forest Management Association the basic fee and, as the payment per hectare, half of the maximum amounts in each zone referred to in section 8(3) are collected.
- (2) Forest management fee is not payable if the surface area of the land that can be use in forestry of the forest owner located in the territory of the Forest Management Association is less than 12 hectares in Lapland, less than seven hectares in the Province of Oulu and less than four hectares in the other parts of the country. However, a forest owner who has become a member of a Forest Management Association as referred to in section 6(1) is obliged to pay the basic fee as long as the membership in the Forest Management Association is valid.
- (3) The Ministry competent in forestry matters confirms the arithmetic average of the average stumpage price of a cubic metre of wood in the past three calendar years based on a proposal of the Finnish Forest Research Institute.

Section 10 - *Exemption from forest management fee*

- (1) Upon application a forest owner may be exempted from the payment of the forest management fee for no more than 10 years if the following conditions are met:

- 1) a forest management plan has been drawn up for the forest;
 - 2) the forest has been managed and used according to the requirements for good forest management and use practices for at least three years;
 - 3) no obvious shortcomings in the forest management can be observed;
 - 4) there is a professional in forestry available other than those employed by the Forestry Centre or Forest Management Association, if the forest owner or the spouse is a professional in forestry or has taken the degree of a forestry entrepreneur or a corresponding other degree, or has given a proof of skills in forestry of a corresponding level; and
 - 5) the forest owner is not a member of the Forest Management Association in whose territory the forest is located.
- (2) Exemption from the forest management fee is applied for from the Forestry Centre in whose territory the forest is located. The exemption also concerns a forest which comes to the possession of the forest owner exempted from the payment during the period of validity of the exemption if the exemption has been granted to all forests owned by the forest owner located in the territory of the Forestry Centre at the time when the application was made. A decision granting the right to exemption from forest management fee applies for the first time to the forest management fee of the year following the filing of the application.
 - (3) After hearing the forest owner the Forestry Centre shall terminate the exemption from the forest management fee if the conditions laid down in subsection 1 are no longer fulfilled. A decision on terminating the exemption from forest management fee shall apply for the first time to the forest management fee of the year following the entry into legal force of the decision.

Section 11 - *Payment of fees*

- (1) Of the forest management fees collected from the territory of the Forest Management Association 98 per cent is paid to the Forest Management Association and two per cent to the tax authorities as compensation for the collection and processing of the payments. However, the Forest Management Association may not receive the funds until the territory of the association has been ratified.
- (2) Forest management fees collected outside the territory of the Forest Management Association are paid to the Forestry Centre.

Section 12 - *Use of funds*

- (1) The Forest Management Association shall use the funds collected under section 11(1) primarily for advising, training and information to promote the forest management and forestry of the forest owners of the territory concerned in general, as well as for the administrative tasks of the Forest Management Association. Funds may be used for promoting the sustainable management and use of forests and safeguarding the preconditions of biodiversity. In particular, the funds are intended for promoting important measures in terms of wood production.
- (2) Forest management fees may not be used for the actual labour costs of services provided by the Forest Management Association nor in a way that would distort competition in an essential way. Forest management fees may also not be used for activities relating to timber trade, except for drawing up timber sale plans.
- (3) The Forestry Centre shall deposit half of the funds collected under section 11(2) to be given to a Forest Management Association to be started in the territory later on, and the other half is to be used for promoting private forestry in the territory concerned.
- (4) Further provisions on the use of fees collected under this Act are issued by decree and a decision of the Ministry competent in forestry matters by virtue of this.

Section 13 - *Collection procedure*

- (1) The authority responsible for taxation calculates the forest management fee to be paid by each forest owner as well as collects and forwards the payments.
- (2) The provisions concerning the taxation procedure and appeal apply, as appropriate, to the forest management fee.

Section 14 - *Reserve fund and financial responsibility*

- (1) The Forest Management Association shall maintain a reserve fund whose funds total at least the average forest management fees collected per year in the past three years. The association may use funds included in the minimum amount only subject to permission from the Forestry Centre and for particularly weighty reason. The reserve fund must be replenished if it has been reduced below the level referred to above due to the use of funds or raise in the forest management fee.
- (2) The Forest Management Association may make investments and assume liabilities in corporations other than those referred to in section 7(3) if these are of minor importance in respect of the finances of the association. The total amount of the investments and liabilities may not exceed the unrestricted equity of the association. The investments and liabilities may not jeopardise the activity of the association.

Section 15 - *Decision-making in the Forest Management Association*

- (1) The power of decision of the members of the Forest Management Association is exercised by authorised representatives proposed and elected by the members, who constitute the council. If the forest is owned by a group, corporation or benefit under joint administration referred to in section 2(2) or the spouses jointly, the forest owner has a single joint vote. The representatives are elected at one time by post without any electoral district division. However, when the Forest Management Association is united, the first council may be elected based on an electoral district division. The term of the council is four years.
- (2) The board members of the Forest Management Association are elected so that the composition of the board is representative in terms of different parts of the territory and forest owners of the Forest Management Association.
- (3) When making the decision on uniting the Forest Management Association and the related arrangements, notwithstanding section 27 of the Associations Act, the decision is the opinion that wins more than half of the votes. In the event of a tie the opinion supported by the chairperson of the meeting, or if the decision is made by a special vote or by post, the result of the drawing of lots is the decision. The by-laws of the Forest Management Association may not derogate from this decision-making procedure.
- (4) The council of the Forest Management Association appoints an election board, which is responsible for the execution of the election. For this purpose, the Forest Management Association has the right to obtain a list of the forest owners liable to pay the forest management fee from the taxation authority.
- (5) Further provisions on the election of the council are issued by decree.

Section 16 - *Accounting and audit*

- (1) The accounting period of the Forest Management Association is a calendar year. The accounting of the Forest Management Association must show the use of the forest management fees. Provisions laid down in the Accounting Act apply to the accounting obligation, accounting and financial statement.
- (2) For the audit the council of the Forest Management Association must appoint at least one auditor, who must be an auditor or audit corporation approved by the Central Chamber of Commerce, Chamber of Commerce or Chartered Public Finance Auditors. If the Forest

Management Association has only one auditor who is not an audit corporation referred to above, at least one vice auditor must be appointed. The provisions laid down in the Audit Act (936/1994) apply to the audit of the Forestry Management Association.

Section 17 - *Disqualification* (19 December 2003/1142)

- (1) The provisions laid down in section 28 of the Administrative Procedure Act (434/2003) apply, as appropriate, to the disqualification of a board member and official of the Forest Management Association.

Section 18 - *Liability for damage*

- (1) In addition to the provisions laid down in the Associations Act, a board member or official of a Forest Management Association is liable to compensate the Forest Management Association, its member or other party for any damage due to infringement of this Act or provisions issued by virtue of it. Otherwise the provisions laid down in the Associations Act apply to compensating for such damage. Separate provisions apply to the liability for damage of a person who has an employment relationship with the Forest Management Association.

Section 19 - *Notice to the register of associations*

- (1) When the territory of the Forest Management Association has been ratified, the association must register as laid down in section 48 of the Associations Act without delay.
- (2) The Forest Management Association must deliver the notices directed to the register of associations referred to in Chapter 9 of the Associations Act to the Forestry Centre, which must forward these to the authority referred to in section 47(1) of the Associations Act.
- (3) The name of an association referred to in this Act must include the words "Forest Management Association" or the same words in Swedish. These words may not be used in the name of any other association.

Section 20 - *Relationship to the Associations Act*

- (1) Unless otherwise provided by this Act or the Decree issued under it, the Associations Act applies to the Forest Management Association.

Section 21 - *Appeal*

- (1) A decision issued on the basis of this Act may be appealed as laid down in the Administrative Judicial Procedure Act (586/1996).

Section 22 - *Control and sanctions*

- (1) The Forestry Centre controls the Forest Management Associations operating in its territory. The Forestry Centre is entitled to all the information, documents and accounts considered necessary for the control. Information on the Forest Management Association obtained for control may not be disclosed to a third party or used for any other purposes without permission from the Forest Management Association.
- (2) The Forestry Centre must issue a written admonition to a party who violates this Act or the provisions issued under it.
- (3) If the violation against this Act or the provisions issued under it is serious or continues after the issue of an admonition referred to in subsection 2, the Forestry Centre must obligate the party concerned to comply with the said provisions. The obligation may be reinforced by a conditional imposition of a fine as laid down in the Act on the Penalty of a Fine (1113/1990). In the decision it may be ordered that the decision must be complied with in spite of appeal, unless otherwise provided by the appeal authority.

Section 23 - *Steering and control of implementation*

- (1) The Ministry competent in forestry matters is responsible for the steering and control of the implementation of this Act, and the Ministry may issue general provisions and instructions concerning the implementation.

Section 24 - *Further provisions*

- (1) Further provisions on the implementation of this Act are issued by decree.

Section 25 - *Entry into force*

- (1) This Act enters into force on 1 January 1999.
- (2) This Act repeals the Forest Management Associations Act of 17 November 1950 (558/1950), as amended (*old act*).
- (3) Measures necessary for the implementation of this Act may be undertaken before the Act's entry into force.

Section 26 - *Transitional provisions concerning forest management fees*

- (1) Forest management fees concerning the year 1999 are collected and paid as laid down in the old act. Forest management fees concerning the year 2000 are collected and paid as laid down in this Act. However, as of 2001 forest management fees are to be paid as laid down by this Act regardless of the year when they were collected. The payments of quarters of the forest management fee referred to in section 8(4) of the old act are collected in accordance with the old act.
- (2) The old act and the provisions issued under also apply to the use of forest management fees paid by virtue of section 13 of the old act as long as these funds are being used.
- (3) The right concerning the payment of a quarter of the forest management fee granted by virtue of section 8(4) of the old act remains in force for the period of time granted for it, but only until 31 December 2001, unless otherwise decided by the Forestry Centre. For the part of forest land managed and used on the State's account the right concerning the payment of a quarter of the forest management fee remains in force until the said date, unless otherwise decided by the Forestry Centre. The quarter of the forest management fee is calculated from the percentage last provided by the Forest Management Association by virtue of section 8(2) of the old act.

Section 27 - *Other transitional provisions*

- (1) Matters referred to in the old act pending upon the entry into force of this Act are dealt with in accordance with the provisions laid down in the old act.
- (2) The by-laws of the Forest Management Association must be revised to comply with this Act no later than 31 December 2000.
- (3) The council referred to in section 15(1) and board referred to in section 15(2) must be elected no later than 31 December 2000. The terms of the council and board begin on 1 January 2001.
- (4) A partnership or membership in a Forest Management Association established during the old act that is in violation of section 7(3) of this Act must be converted into partnership or membership that is in accordance with this Act no later than 31 December 2006. Rendering of services to a buyer of wood by the Forest Management Association based on a contract made during the old act that is in violation of this Act must be terminated no later than 31 December 1999.
- (5) The territorial borders ratified by virtue of section 2 of the old act remain in force upon the entry into force of this Act.