MOORE STEPHENS

Doing business in Finland 2015

Moore Stephens Europe

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Introduction

The Moore Stephens Europe *Doing Business In* series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

Doing Business in Finland 2015 has been written for Moore Stephens Europe Ltd by Moore Stephens Rewinet OY. In addition to background facts about Finland, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations that are considering establishing a business in Finland either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Finland to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of 1 July 2015. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

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Our member firms' objective is simple: to be viewed as the first point of contact for all our clients' financial, advisory and compliance needs. They achieve this by providing sensible advice and tailored solutions to help their clients' commercial and personal goals. Moore Stephens member firms across the globe share common values: integrity, personal service, quality, knowledge and a global view.

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1. Finland at a glance

Geographical location and population

Finland, officially the Republic of Finland, is situated in Northern Europe. It is bordered by Sweden to the west, Norway to the north and Russia to the east and by Estonia to the south across the Gulf of Finland. The area of Finland is 338 424 km^2.

The population is 5.4 million. The majority of the population is concentrated in the southern regions of Finland, where the biggest cities are also located. The capital is Helsinki, which lies on the southern coast. About one million residents live in the Greater Helsinki area, which consists of Helsinki, Espoo, Vantaa and Kauniainen. Other larger cities include the western coastal cities of Turku and Oulu, and the inland cities Tampere, Jyväskylä, Lahti and Kuopio.

Language and religion

Finnish and Swedish are the official languages. Finnish is the native language of 90% of the population. Finnish predominates nationwide while Swedish is spoken in some coastal areas in the west and south and in the autonomous region of Åland, which is an island on the southwest coast of Finland. Unlike the majority of languages in Europe, Finnish (*suomi* in Finnish) is a Uralic (formerly known as Finno-Ugrian) language, belonging to the Finnic group, related most closely to Estonian, Liv and Sami.

The main religion of Finland is Evangelical Lutheran.

History

The land that now constitutes Finland was probably first settled at the end of the last Ice Age, which ended around 9000BCE, by peoples from the Kunda (and possibly also Swiderian) cultures, who are believed to be the ancestors of the present-day Finnish and Sami people. Although there is much debate about the point, the most commonly held theory proposes that Uralic languages were first spoken in Finland around 4000BCE. The Roman historian Tacitus mentions the Fenni in his Germania, but the first indigenous written records date from the 11th and 12th centuries, as the Swedes began to attempt the conquest and Christianisation of their Finnish neighbours.

Finland can be said to have been fully absorbed into western mediaeval civilisation during the 13th Century, under Swedish rule. In 1389, after the Union of Kalmar, Sweden and Finland were united with Norway and Denmark under Danish rule. When Sweden broke away in 1521, Finland reverted to the Swedish Crown. It was at this time that the first books began to be published in Finnish, although Swedish remained the language of government and the élite. Finland remained Swedish even after the conclusion of the Great Northern War (1699-1721) when Sweden lost all her eastern and southern Baltic territories.

However, as a result of the disastrous Russo-Finnish war (1808-09), Sweden was forced to cede the whole of Finland to Russia. Finland was incorporated into the Russian Empire as a Grand Duchy, with the Tsar as Grand Duke, and retained the relatively liberal 1772 Swedish Constitution. Under Russian rule, periods of repression and censorship alternated with periods of greater autonomy and freedom. Gradually during the 19th Century, the Finnish national revival gathered strength and became especially important during attempts at Russification by the Tsarist régime beginning in 1899. After the Revolution of 1905, the Finnish Parliament (*Eduskunta*), elected under universal male and female suffrage, was established. Finland was thus the first country in Europe to grant women full voting rights.

Following the February and October revolutions of 1917, Finland declared its independence from Russia on 6/19 December 1917, which the new Soviet authorities recognised on 31 December. However, Finland was then plunged into a brief but bitter civil war, between 'Whites' and 'Reds', who set up a short-lived Finnish Socialist Workers' Republic. Following the defeat of the Reds, a democratic republic was established.

In October 1939, in accordance with the secret terms of the Nazi-Soviet aggression pact, under which Finland was assigned to the Soviet sphere of influence, the USSR demanded Finland allow it to establish military bases on Finnish soil, exactly as it had done to the Baltic States. Whereas the latter felt they had no choice but to capitulate, leading ultimately to their illegal annexation by the USSR in 1940, Finland refused. The result was the so-called Winter War of 1939-40. Finland's heroic resistance against the vastly numerically superior Red Army enabled Finland to preserve its independence, at the cost of ceding Eastern Karelia to Russia, and accepting a limited degree of Soviet influence post-war.

The Finnish economy recovered strongly from the 1950s onwards. In 1955, Finland joined the Nordic Council and the United Nations. On 1 January 1995, Finland became a member of the European Union, together with Sweden and Austria, and in 2002, the euro replaced the Finnish *markka* as Finland's currency.

Politics and government

Finland is a parliamentary democracy. The President of Finland is the head of state, but the presidency has become largely a ceremonial, non-executive position after recent changes in the constitution. The current President is Sauli Niinistö (of the National Coalition Party), who took office in 2012. Direct, one- or two-stage elections are used to elect the president for a term of six years.

The 200-member unicameral Parliament of Finland (*Eduskunta*) exercises supreme legislative authority. It may alter the constitution and ordinary laws, dismiss the cabinet, and override presidential vetoes. The parliament is elected for a term of four years on an open party-list system of proportional representation in multi-member constituencies. Various parliament committees listen to experts and prepare legislation.

After parliamentary elections, the latest of which took place in 2015, parties negotiate among themselves on forming a new cabinet. The cabinet exercises most executive powers, and originates most of the bills that the parliament then debates and votes on. It is headed by the Prime Minister of Finland, and consists of ministers, and of the Chancellor of Justice. The current Prime Minister is Juha Sipilä from the Centre Party. He leads a coalition of his own party, the True Finns Party and the National Coalition Party. Between them, these parties have 124 out of the 200 seats in Parliament.

Currency, time zone, weights and measures

Finland lies in the Eastern European time zone (UTC+2). Finland has adopted the summertime régime, which sets the time at UTC+3 from the last Sunday in March to the last Sunday in October.

Before 2002, the currency of Finland was the *markka*. As of 1 January 2002, Finland officially adopted the euro (ISO 4217: EUR). As at 16 July 2015, the euro was quoted at EUR 1 = USD 1.0949.

Finland uses the metric system of weights and measures and the Celsius scale of temperature.

2. Doing business

Main forms of business organisation

Introduction

According to statistics compiled by the Commercial Registry (Kaupparekisteri), there were about 608 000 registered enterprises in Finland in 2015, of which about 256 000 were limited companies and about 212 000 were private traders. These most common forms of business organisation, as well as other main legal types of enterprise are listed in Table 1 below.

Table 1

English translation	Finnish name	Finnish abbreviation
Private trader	Yksityinen elinkeinonharjoittaja	Toiminimi, Tmi
General partnership	Avoin yhtiö	Ay
Limited partnership	Kommandiittiyhtiö	Ky
Private limited company	Yksityinen osakeyhtiö	Oy
Public limited company	Julkinen osakeyhtiö	Oyj
Cooperative	Osuuskunta	
Branch of a foreign trader	Sivuliike	

There are also other legal types of entity, such as associations, foundations, housing companies, mutual insurance companies, saving banks, mortgage associations, insurance associations, public businesses, tenant owners' societies, Societates Europaeae, European Cooperative Societies and European Economic Interest Groupings and interest groups registered elsewhere that establish a place of business in Finland. Apart from housing companies, these types of entity are quite rare. Since those are not commonly used, and in some cases cannot be used as a vehicle for ordinary business, these are not described in detail.

Private trader

A private trader is a natural person who carries on a business. Any natural person resident in the European Economic Area (EEA) may operate as a private trader in business in Finland. In most simple cases a private trader may start up without needing to register his or her business formally. However, a trader must report for registration at the Commercial Registry if he or she operates in a licensed trade, in permanent premises, such as a room separate from home, or if he or she employs people other than immediate family. Private traders engaged in agriculture or fishing do not need to register with the Commercial Registry. A private trader not obliged to file a start-up notification may nevertheless submit one. There is no minimum capital that a private trader is required to invest in the business but the trader is personally liable for the debts and other obligations of his or her business.

General Partnership

A general partnership consists of at least two partners who jointly carry on a trade on the basis of a partnership agreement. The partners can be either natural persons or organisations. General partnerships must always file a start-up notification with the Commercial Registry. The notification has to be filed before the start of operations. However, the partnership comes into being as soon as the partnership agreement is signed, unless otherwise agreed.

The partners of a general partnership are personally liable for the debts and other obligations of the partnership. General partnerships have no minimum capital to be invested in the business, unless otherwise agreed in the partnership agreement. The Finnish Partnerships Act (*laki avoimesta yhtiöstä ja kommandiittiyhtiöstä*) does not specify any minimum contents for the partnership agreement. Usually, the formation of the partnership, and some other details necessary to its operations, are agreed upon in the agreement.

Limited partnership

A limited partnership has the same features as a general partnership except that limited partnerships have two types of partner: general partners (also called active partners) and silent partners. A limited partnership must have at least one general partner and at least one silent partner. The partners can be either natural persons or organisations.

Starting a limited partnership is similar to the establishment of a general partnership. The general partners of a limited partnership are personally liable for the obligations of the partnership in the same way as partners in general partnerships, while the liability of the silent partners is limited to the amount of the partner's contribution agreed upon in the partnership agreement.

Private limited company

A private limited company is a separate legal entity, which has a certain number of shares and is owned by the shareholders. The shares of a private limited company may not be traded publicly. Every limited-liability company is obliged to file a start-up notification with the Commercial Registry and limited-liability companies come into being through registration. Before registration a memorandum on association has to be signed and the share capital to be paid.

Limited-liability companies are regulated by the Limited-Liability Companies Act (*osakeyhtiölaki*). The minimum share capital is EUR 2500. The liability of the shareholders of the limited company is limited to the amount of share capital or other equity they have invested in the company. Shareholders are not personally liable for the company's obligations.

The highest decision-making authority is the General Meeting of the Shareholders (*yhtiökokous*). The management of a limited company is carried out by a Board of Directors (*hallitus*), a Managing Director and a Supervisory Board (*hallintoneuvosto*). It is obligatory for there to be a Board of Directors, but there need not be a Managing Director or a Supervisory Board, which is a quite rare governing body nowadays. The general meeting appoints the Board of Directors and the Board of Directors appoints the Managing Director if it so wishes. At least one of the members of the Board of Directors must be resident in the European Economic Area.

Public limited company

A public limited company is in many aspects similar to a private limited company, but the shares of a public limited company may be publicly traded. All listed companies are public limited companies. However, there can also be public limited companies the shares of which are not in public trading. The minimum share capital of a public limited company is EUR 80 000. In certain aspects the rules are stricter for public limited companies than they are for private limited companies.

Cooperative

A cooperative is owned by its members. The number of members and its total share capital are not determined in advance and are flexible.

Cooperatives are obliged to file a start-up notification with the Commercial Registry. Normally the liability of the members of a cooperative is limited to the amount of share capital or other equity they have invested in the company and the members are not personally liable for the company's obligations. The articles of a cooperative can include obligation to pay extra capital to the cooperative, when the members in practice can become liable for the debts of the cooperative. The minimum number of members is three. The share of the payments of each member is determined in the articles of the cooperative, but there is no minimum share of payment stated in the Cooperatives Act (*osuuskuntalaki*).

The highest decision-making authority is the General Meeting of the Members (*osuuskunnan kokous*). The articles of the cooperative can determine that the power of the general meeting can be given entirely or partly to a Representative Body (*edustajisto*), which is chosen by election. A cooperative has to have a Board of Directors and it may have a Managing Director and a Supervisory Board. At least one of the members of the Board of Directors must be resident in the European Economic Area.

Branch of a foreign trader

A branch of a foreign trader is a part of a foreign organisation or foundation that runs a continuous business or trade in Finland, from a permanent place of business located in Finland, in the name and for the benefit of the foreign organisation or foundation. The branch must operate in the same line of business as the foreign organisation itself.

The foreign trader must submit a Start-up Notification concerning its branch to the Commercial Registry before the branch commences its operations. If the trader is from a country outside the European Economic Area, it also needs a permit from the National Board of Patents and Registration (*Patentti- ja rekisterihallitus*) for the establishment of the branch.

A branch must have a representative that is resident in Finland, if the trader is from a country outside the European Economic Area. The representative must be resident in the European Economic Area, if the foreign trader comes from the European Economic Area.

Labour relations and working conditions

In 2015, the labour force in Finland consisted of about 2.5 million workers. The size of the country's working-age population is decreasing due to ageing of the population. At the same time, the number of immigrants is growing and careers are becoming longer. The average number of people unemployed in 2015 was 280 000, and the level of unemployment was around 10%. The Finnish employment market is becoming more polarised, i.e. the size of low-wage and high-wage sectors is growing while the number of middle-waged employees is decreasing. The education level of employees in Finland is generally high.

Working hours, rest periods and bonuses are regulated by the Working Hours Act (*työaikalaki*). Generally regular working hours should not exceed eight hours per day or 40 hours per week. If the regular working hours are exceeded, it becomes additional work or overtime, which has to be remunerated at a higher hourly rate. Work that is carried out between 23:00 – 06:00 is night work. If work has to be carried out on Sundays or on church holidays, it has to be remunerated at the regular rate plus 100%.

Contracts of employment are regulated by the Employment Contracts Act (*työsopimuslaki*). An employer and employee have to compile a contract of employment, which can be written, oral or electronic. It can be permanent or fixed-term, if justified. Trial periods may not exceed four months. Notice periods depend on the duration of the employment and those vary from two weeks to six months, if the employer gives the notice, and from two weeks to one month, if the employee gives the notice.

Generally employees who are prevented from performing their work due to an illness or an accident are entitled to full pay from the date they fall ill up to nine days thereafter. Employees are entitled to take leave from work during maternity, paternity and parental benefit periods. They are also entitled to take child-care leave in order to care for their child until the child reaches the age of three. Employees are also entitled to partial child-care leave up to the end of the second year during which the child attends basic education.

Vacation days are earned as follows: two days per month during the employee's first year of employment and 2.5 days per month after the first year of employment. 24 days of the vacation have to be given during the summer and six days can be left until winter.

In addition to the provisions of the law, employers have to respect the provisions of a national collective agreement considered representative in the sector in question. Collective agreements often contain provisions that are more favourable to the employees than the provisions of the laws summarised above. Provisions in collective agreements vary between the sectors.

There is no general statutory minimum wage in Finland, but according to the law the employee should be paid reasonable and normal remuneration for the work performed. Collective agreements can contain monetary provisions of sector-specific minimum wages.

Trade-union density is high in Finland: almost three-quarters of employees belong to unions. Individual unions, which have considerable autonomy, are organised in three confederations, broadly along occupational and educational lines. The three confederations are SAK, STTK and AKAVA. Collective bargaining has been quite centralised and a national framework agreement is often reached.

Finnish social security is divided into residence-based social security and employment-based, earnings-related social security. Residence-based social security is financed by taxes and administered by the Social Insurance Institution of Finland (*Kansaneläkelaitos*). These benefits include family benefits such as maternity and paternity allowances, child benefits and child-care benefits. Students can receive student financial aid and some other study-related subsidies. In case of unemployment, people receive unemployment allowance, either basic or earnings-related for the members of unemployment funds, for up to 500 days and they receive labour-market subsidy thereafter. Social security includes benefits in case of sickness such as sickness allowance, which starts after a 10-day waiting period, and is intended to compensate earnings. Basic health care is organised and financed by the public sector, but use of private doctors is partly reimbursed.

All employees in Finland have occupational health coverage. Under the Occupational Health Act (*työterveyshuoltolaki*), employers are required to arrange, at their own expense, professional-level occupational health services for their employees.

Statutory pension security in Finland consists of a defined-benefit earnings-related pension that accrues from work, as well as residence-based national pension and guarantee pension that ensure minimum security. The pension scheme is decentralised. Earnings-related pension providers manage these pension insurance funds and pay out pensions. The Finnish Centre for Pensions (*Eläketurvakeskus*) serves as the joint statutory cooperation body of the earnings-related pension field. The national pension scheme is managed by the Social Insurance Institution of Finland under the supervision of Parliament. The earnings-related pension security is financed mainly through employer and employee contributions. Earnings-related pension assets and return on investments are also important sources of financing. The State participates in the financing of pensions for the self-employed, farmers and seafarers. National pensions are financed by tax revenues.

Private pension insurances and health care insurances have become more popular, since pensions are expected to decrease in real terms in the future.

Immigration law

Depending on their country of origin, foreign nationals may require a visa when visiting Finland. Finland is one of the Schengen countries and requires travel documents jointly accepted by the Schengen member states. A list of the required travel documents and visas per country of origin is available e.g. from the Ministry for Foreign Affairs (*Ulkoasianministeriö*). Citizens of countries that are subject to the visa requirement must always hold a visa when entering the Schengen area. Those holding a valid residence permit issued by a Schengen country do not need a separate visa. Foreign nationals who are not subject to the visa requirement may enter Finland provided that they have a valid passport or some other travel document accepted by Finland. Foreign nationals who are not subject to the visa requirement may stay in the Schengen area for up to 90 days within a six-month period starting from the day when they first cross the border of the Schengen area. For a longer stay a residence permit is normally required.

Citizens of the European Union and Iceland are free to reside and work in Finland for up to three months. If a person stays longer he or she must register as a resident before the end of the three-month period. EU and Icelandic citizens may freely engage in business (as self-employed persons or private entrepreneurs) in Finland after they have registered their right to reside in Finland. When registering his or her right to reside in Finland, a self-employed person must present a certificate of registration of a trade or other reliable account of self-employment. After four years of residence in Finland, a permanent right of residence can be granted.

Students who are citizens of the European Union or citizens of Iceland may come to study at Finnish educational institutions without residence permits.

Generally, non-EU citizens and non-Icelandic citizens require a residence permit for an employed person or for a self-employed person to work or engage in business in Finland. An alien who has entered the country either with a visa or visa-free is not allowed to engage in remunerated employment in Finland but has first to apply for a residence permit. In granting the permit, the needs of the labour market are taken into consideration.

A residence permit for non-EU citizens and non-Icelandic citizens is either temporary or permanent depending on the nature of the stay. The first permit is usually granted for one year, unless it is specifically to apply for a shorter period. Continuous residence permits may be extended for a maximum of three years at a time. If a person has a fixed-term residence permit for an employed person or self-employed person, his or her permit may be extended on a fixed-term basis for a maximum of one year at a time. A person may be granted a continuous residence permit after a two-year temporary stay if the preconditions for granting the permit are still valid. A permanent residence permit may be granted where a person has resided in Finland without interruption for four years on the basis of a continuous residence permit.

Students who are neither-EU citizens nor Icelandic citizens must apply for a residence permit if they plan to study in Finland for longer than three months. If studies will take less than three months, a student should apply for a visa unless he is a citizen of a visa-free country, in which case he or she can study for three months without a visa or residence permit.

3. Finance and investment

Business regulation

There are no general restrictions on foreigners wishing to start business in Finland or ownership restrictions for foreigners. However, foreign ownership in Finnish defence-industry companies can be restricted, if that is seen necessary for national security.

Normally a start-up notification of a business/legal entity has to be registered (see Chapter 2). There are some restricted or licensed trades that require a particular licence or notification either for general safety or for a guarantee of sufficient quality. The field of licences and different kinds of notifications is wide and the following business sectors may require some of those:

- Vehicles, transport and traffic
- Alcohol and tobacco
- Food
- Animals
- Beauty and hair care
- Plants, fertilisers and feeds
- Chemicals
- Real property, construction and contracting
- Extractable soil resources and soil
- Tourism, restaurants and leisure time
- Money and assets
- Social welfare and health services
- Security
- Communications

These business-specific licences and notifications are also controlled by several authorities depending on the sector. The main regulatory agencies are as follows:

- Finnish Food Safety Authority (*Evira*)
- National Supervisory Authority for Welfare and Health (*Valvira*)
- Finnish Safety and Chemicals Agency (*Tukes*)
- Finnish Medicines Agency (*Fimea*)
- Financial Supervisory Authority (*Finanssivalvonta*)
- Finnish Communications Regulatory Authority (*Ficora*)
- Finnish Competition and Consumer Authority (*Kilpailu- ja kuluttajavirasto*)
- Finnish Police (*Poliisi*)
- Ministries, Regional State Administrative Agencies, Municipalities

Free competition is promoted and the restraints on competition are regulated in national legislation as well as at the EU level.

It is possible to protect intellectual property in Finland, e.g. with:

- National patents (limited to 20 years after the application)
- EPC patents
- PCT patents
- Trademarks (national, the community trademark, International registrations under the Madrid protocol),
- Design rights (national, community designs, International registrations under the Geneva Act of the Hague Agreement).

Finnish regulations also recognise copyright, which is generally limited to a period of 70 years after the death of the person.

Banking and finance

In 2015, there were about 250 banks operating in Finland. These included domestic deposit banks, investment banks, and branches and subsidiaries of foreign credit institutions. These are the most important financiers of companies. The forming of financial groups and an increase of foreign ownership have been prevalent phenomena in the banking sector in recent years. The biggest operators in the Finnish banking sector are:

- Danske Bank Group
- Nordea Bank Finland and
- The OP Group.

The Bank of Finland (*Suomen pankki*) is a central bank that provides central banking services to domestic financial market participants and is part of the Eurosystem.

In addition to the retail banking sector, there is a state-owned financing company, Finnvera, specialising in offering financial solutions to company start-ups, growth, internationalisation and export. It provides its customers with loans, guarantees, venture-capital investments and export-credit guarantees. Finnvera is also the official Export Credit Agency (*vientitakuulaitos*) of Finland. Companies having funding needs for technology and innovation can apply for financing from Tekes – the Finnish Funding Agency for Technology and Innovation (T*eknologian ja innovaatioiden kehittämiskeskus*), which is a publicly funded innovation financier. Tekes provides its customers with loans and grants.

The local centres for economic development, transport and the environment offer start-up grants for persons looking to establish a business. Other kinds of grants for development, investments or for internationalisation of companies are also available from local and national authorities and ministries.

In addition to the banks and the other previously described financiers, there are also venture capital and private capital investors. These include private funds/organisations and also some public organisations. The Finnish capital investment sector is, however, rather dispersed.

Exchange control

There are no exchange controls in Finland on inward or outward investment; foreign currencies can be bought and sold freely. There are no restrictions on holding foreign currency bank accounts in Finland

4. The accounting and audit environment

Accounting regulations

All companies and private traders are obliged to keep records of their accounts and prepare financial statements within four months of the end of an accounting period. Bookkeeping is normally double-entry bookkeeping, but certain self-employed persons may opt for single-entry bookkeeping. The accounting period is normally 12 months, but not necessarily a calendar year for companies. Financial statements need to be compiled either according to Finnish Generally Accepted Accounting Practice (FAS) or IFRS. Use of IFRS is mandatory for companies whose shares are in public trading. Use of IFRS is optional for other companies and those often prefer to choose FAS. The main sources of FAS are the Accounting Act (*kirjanpitolaki*) and the Accounting Decree (*kirjanpitoasetus*). Generally financial statements must be filed with the Commercial Registry, apart from a few exceptions. Registration normally happens automatically via the Finnish Tax Administration (*Verohallinto*), which forwards the financial statements submitted with annual income tax returns to the Commercial Registry.

The financial statements comprise an income statement, a balance sheet and notes to the financial statements. Also required are a Directors' Report, consolidated financial statements (where appropriate), and a cash-flow statement are required where the company is a public limited company or if the size of the company exceeds at least two of the following thresholds in both the past completed financial year and the financial year immediately preceding it:

- A balance-sheet total of EUR 3 650 000
- Net sales or comparable turnover of EUR 7 300 000 or
- An average number of employees of 50

If the parent company in a group pays dividends or other equity to its shareholders, the consolidated financial statements must always be prepared. If the parent company of a group belongs to another group as a subsidiary, it may not need to prepare consolidated financial statements, if all the conditions specified in the Accounting Act are met. Listed companies are also obliged to publish interim reports every three months.

Audit requirements

Private traders are not obliged to submit to an audit.

Very small enterprises (e.g. partnerships, limited companies, cooperatives) are not obliged to appoint an auditor, if no more than one of the following thresholds was exceeded in both the past completed financial year and financial year immediately preceding it:

- A balance-sheet total of EUR 100 000
- Net sales or comparable turnover of EUR 200 000 or
- an average number of employees of three

Even if the size of the enterprise is under the auditing threshold, an audit is required where:

- The articles of association, the partnership agreement or the rules provide for an audit
- The enterprise's principal activities consist of the owning and holding of securities and it exercises significant influence over the operations and financial policies of another entity that is obliged to keep accounting records
- The enterprise is a parent entity in a group and the size of the group is over the size thresholds described immediately above
- The enterprise is a housing company and it has at least 30 apartments that are under the control of the shareholders.

Enterprises that are not exempt from audit as described above, and all foundations, are obliged to appoint an auditor and submit to an audit.

Generally a branch of a foreign trader requires an audit in Finland, if the foreign trader itself is located outside the European Economic Area. There are, however, more specific provisions in this regard.

Auditors in Finland follow the International Standards on Auditing, the Code of Ethics for Professional Accountants, The Auditing Act and other related legislation. The auditor has to be a registered auditor; either a 'HTM auditor' or a 'KHT auditor'. A KHT auditor or a KHT firm has to be chosen if the enterprise's shares are publicly traded or if the size of the enterprise or the foundation exceeds the large-company size limits specified in the Finnish Auditing Act (*tilintarkastuslaki*).

5. Overview of the tax system

General information

Decisions concerning Finnish taxation are made by the Finnish Parliament and the European Union. Tax legislation is drafted by the Ministry of Finance and enacted by the Parliament. Communes and local church parishes decide on their tax percentage rates themselves.

The Finnish Tax Administration (*Verohallinto*) collects approximately two-thirds of all taxes and similar duties in Finland. In addition to the Tax Administration, taxes and similar duties are also collected by Finnish Customs (*Tulli*) and the Finnish Transport Safety Agency (*Trafi*).

Principal taxes

The principal taxes are as follows:

- state [personal] income tax (*valtion tulovero*)
- communal tax (*kunnallisvero*) on earned income
- corporate income tax (*yhteisövero*)
- value added tax (*arvonlisävero*)
- inheritance and gift tax (*perintö- ja lahjavero*)
- immovable property tax
- transfer taxes
- excise duty
- customs duty

Legislation

The main taxing statutes are the Income Tax Act (*Tuloverolaki*), the Business Income Tax Act (*Laki elinkeinotulon verottamisesta*) and the Agricultural Income Tax Act (*Maatilatalouden tuloverolaki*). The Income Tax Act is a general umbrella taxing law and the two other Acts define how taxable income is counted for a business and with respect to agricultural income. Other important taxing statutes are the Value Added Tax Act (*Arvonlisäverolaki*), the Inheritance and Gift Tax Act (*Perintö- ja lahjaverolaki*) and the Assessment Procedures Act (*Laki verotusmenettelystä*).

Some of the taxes are assessed and invoiced by the tax authorities annually and some taxes are collected and accounted for by the taxpayers themselves. Tax authorities can carry out tax audits. Salary taxes withheld by enterprises from employee salaries are payable to the employer's Tax Account (*verotili*) maintained by the tax authorities.

Assessments and appeals

Tax authorities may amend a tax assessment after the end of assessment for the benefit of the taxpayer but also to the disadvantage of the taxpayer, if certain conditions are met. A correction for the benefit of the taxpayer has to be made within five years of the date of issue. The time limit for a correction to the disadvantage of the taxpayer is two years.

A taxpayer dissatisfied with an assessment has a right to appeal to the Assessment Adjustment Board (*Verotuksen oikaisulautakunta*), which is the first instance of appeal in every tax district. Also certain authorities may appeal to the Board. An appeal against a decision of the Assessment Adjustment Board to the regional Administrative Court (*Hallinto-oikeus*), which is an intermediate administrative court, may be lodged by the taxpayer or the authorities. Appeals against the decisions of an Administrative Court may be made, both by the taxpayer and the authorities, to the Supreme Administrative Court (*Korkein hallinto-oikeus*), if the court grants permission for the appeal to be heard.

Advance rulings on the tax consequences of proposed transactions are given by the Central Tax Board (*Keskusverolautakunta*) and regional tax offices. An advance ruling is only given upon application by the taxpayer. The advance ruling is not binding on the taxpayer, but it is, if requested by the taxpayer in his tax return, binding on the State and the local authority. The taxpayer has to pay a fee for the advance ruling.

6. Taxes on business

Corporate income tax

Scope and extent

Corporate bodies resident in Finland are liable to pay corporate income tax in Finland on their entire income, whether derived from Finland or abroad (unlimited tax liability).

Corporate bodies that are non-resident in Finland are liable to tax on their income derived from Finland (limited tax liability).

If a foreign enterprise non-resident in Finland has a permanent establishment in Finland for conducting business (i.e. normally a branch of a foreign trader), that enterprise is liable to income tax for all income attributable to that permanent establishment, whether derived from Finland or from abroad.

Company residence

According to present practice a corporate body is regarded as resident in Finland if it is registered (incorporated) in Finland or otherwise established under Finnish law.

Taxable entities

All ordinary business entities are subject to income taxation. Corporate bodies for promoting the public good (e.g. charitable, philanthropic, cultural and sporting associations) are liable to income tax only to the extent that their income is deemed to be income from business activities. There are also some exempt organisations defined in the law, but those are mainly governmental organisations and a few specific funds.

Corporate bodies that are subject to corporate income tax are private and public limited companies, cooperatives and branches of a foreign trader. Some other types of entity may also be subject to corporate income tax.

Partnerships are not regarded as separate taxable entities. The net income of a partnership is determined under the rules applicable to corporate bodies but is attributed to the partners according to each partner's share in the partnership's total income. Any losses of the partnership are confirmed and deducted at the partnership level. The net income is taxed either as earned income or income from capital in the case of partners who are individuals. Resident partners of a non-resident partnership are taxed as if they were resident partners in a domestic partnership.

Taxable income

Finnish income taxation recognises three different sources of income:

- Personal income
- Business income
- Agricultural income

Taxable net income of a company is defined separately for each source of income. Net losses of one source of income are not deductible from a profit of another source of income. The business source of income is the most common source of income for companies. Sometimes companies have also personal sources of income, since e.g. income from rents belongs to that source. Agricultural sources of income are quite rare for ordinary companies.

Normally the taxable net income is determined starting from net profit before tax as disclosed in the financial statements. If there are several sources of income, the net profit of each source of income has to be separated first. Then the net profits are adjusted by adding back expenses that are not allowable for corporation tax purposes or deducting tax-exempt receipts. Generally, the accruals basis is used in tax accounting as well as in compiling financial statements.

A fiscal year consists of the accounting periods ending during the same calendar year. Normally a fiscal year is the same as the accounting period. If there is exceptionally an accounting period shorter than a calendar year, it is possible for a fiscal year to contain more than one accounting period. Tax is levied in respect of fiscal years.

Tax-exempt receipts include:

- Capital paid up by shareholders and payments received from disposal of treasury shares (companies' own shares)
- Refunds of income taxes and interest on tax refunds
- Connection charges collected by companies that maintain electricity, telephone, water, sewage or district heating systems are exempt from tax, provided that these charges are refundable to the payer
- Distributions from partnerships and shares of income from domestic estates of deceased person in some cases
- The Finnish Film Foundation's (Suomen Elokuvasäätiö) support to domestic film producers
- Merger gains
- Certain dividends (see under 'Dividends, interest and royalties' below)
- Certain capital gains (see under 'Capital gains' below)

Inventories are treated as for statutory accounting. The use of inventory is a deductible as a service or as a raw material cost. Purchase of an inventory not consumed by the end of the financial year, decreases the materials or services costs and is taken into account as a variation in stocks.

There are no inflation adjustments.

Capital gains

A majority of capital gains are treated as normal taxable income in corporate taxation. However, capital gains derived by companies from transfers of shares are not taxable income and the acquisition costs of shares are not tax-deductible where all of the following conditions are satisfied:

- The transferor is a company, a cooperative, a savings bank or a mutual insurance company not engaged in investment activity (venture capital business)
- The shares form part of the transferor's fixed assets
- The transferor has owned at least 10% of the target company's shares uninterruptedly for at least one year during a period ending at most one year before the transfer and the transferred shares are among the shares that have been owned in this way
- The target company is not a residential housing company, a property company or a limited company the activities of which mainly consist of holding or managing immovable property
- The target company to be transferred is
  - A domestic (Finnish-resident) company or
  - A company referred to in Article 2 of the EU Parent–Subsidiary Directive or
  - A company resident in a country with which Finland has in that tax year in force a tax treaty, which is applied to dividends distributed by that company

Capital losses accruing from transfers of shares that are fixed assets but cannot be transferred exempt from tax may be deducted only from taxable capital gains derived from transfers of shares that are fixed assets. Similarly, when a company transfers shares in a partnership the difference between the acquisition cost and the transfer price may only be deducted from taxable capital gains. The deduction may be made in the tax year concerned or in any of the following five years. This limitation is not applied to transfers of shares in residential housing companies, property companies and property management companies.

Capital gains derived by partnerships are always treated as income from capital in the individual partners' hands.

Deductions

In general, expenses are deductible if they are incurred for the purpose of acquiring or maintaining income. The fact that it was the taxpayer's intention to incur a particular expense for this purpose is usually the decisive test for deductibility. Typical types of deductible expenses are purchases of materials and services, use of inventory, wages and salaries, social security expenses, purchases of investments as a form of depreciation (there are maximum depreciation rates accepted), rents, support services and other operating expenses as well as interest payable.

However, the following expenses are not deductible:

- 50% of entertaining or promotional expenses
- Income taxes, interest on taxes and tax penalties
- Merger losses
- Write-downs of shares belonging to the enterprise's fixed assets
- Reserves (apart from some exceptions)
- Fines, parking tickets and similar penalty payments
- Bribes and benefits in the nature of bribes
- Loss or write-down of debtors other than sales debtors where the debtor is a limited company and the creditor is a company owning alone or together with other group companies at least 10% of the share capital of the debtor; group subsidies and other similar expenses without counter-performance to improve the financial position of such a limited (group) company are also non-deductible
- Depreciation exceeding the maximum depreciation rates accepted in income taxation, unless the depreciation is justified by reductions in value
- Expenses incurred for the purpose of acquiring or maintaining tax-exempt income (the part exceeding the tax-exempt income is deductible)
- Connection charges collected by companies that maintain electricity, telephone, water, sewage or district heating systems provided that the charges are refundable to the payer
- Acquisition costs of shares where the capital gains derived by companies from transfers of those shares are tax-exempt;
- Payments for redemption of companies' own shares
- Expenses incurred for the purpose of acquiring or maintaining income that is exempt in Finland under a double taxation agreement

Management fees between group companies are deductible, but the service provided and its price need to be determined on the arm's length principle.

Interest payments

Restrictions on the deductibility of interest expenses paid to directly or indirectly related companies or partnerships entered into force in 2014. These apply only to interest expenses that belong to the business source of income. Net interest expenses of up to EUR 500 000 are treated as deductible without restriction, but the deductibility of net interest expense in respect of related parties where it exceeds EUR 500 000 is limited to 25% of EBITDA (earnings before interest, taxes, depreciation and amortisation). Non-deductible interest expense may be carried forward indefinitely.

Depreciation

Allowable rates of depreciation for tax purposes are shown in Table 2 overleaf.

Table 2

Type of asset	Rate of depreciation (%)	Method
Plant and machinery generally	Maximum 25	R/B on pool value
Commercial vehicles (buses, lorries, taxis)	Maximum 25/20/20/15/15[1]	S/L
Air or water-pollution reducing equipment	Maximum 25	S/L
Patents, copyrights and other IP rights	10[2]	S/L
Goodwill[3]	Minimum 10%[2]	S/L
Residential and office buildings	Maximum 4	R/B
Other buildings and constructions	Maximum 7-20[4]	R/B

Notes

(1) Rates shown are applied in successive years

(2) A shorter period of depreciation (and hence a greater percentage) may be claimed if the period of the right or expected use of the goodwill is less than 10 years

(3) Excluding goodwill reflected in the value of shares

(4) The rate depends on the nature of the building or construction

For specially accelerated depreciation, see under 'Tax incentives' below.

Dividends, interest and royalties

Generally, dividends received from other resident companies are exempt. The main exception to this rule are dividends received by a non-listed company from a listed company (unless the non-listed company directly owns 10% or more of the listed company). These dividends are fully taxable (before 2014, 25% of such dividends was exempt). There are some more specific rules to be applied to the taxation of dividends especially in banking or insurance-sector companies. Generally, similar principles are applied to dividends received from companies resident in the European Economic Area. Dividends received from outside the European Economic Area are usually fully taxable, subject to any contrary provision in a double tax treaty.

Interest receivable is normally treated as taxable revenue and interest expense as tax-deductible, apart from certain interest paid between group companies (see under 'Thin capitalisation' below). Interest revenue and expense between group companies has to follow the arm's length principle. Branches of private traders may not normally deduct interest expense or royalties paid to the same foreign organisation for the benefit of which it is acting, since these are not payments to a separate legal entity.

If a Finnish company pays dividends, interest or royalties to an individual or enterprise subject to limited tax liability (i.e. a non-resident), it has to withhold a tax at source, normally 20%, unless a tax treaty provides for a lower or zero rate. If dividends, interest or royalties are paid to a person subject to unlimited tax liability (i.e. a resident), these are generally not subject to tax at source. However, a withholding tax is applicable on certain payments of interest and of dividends paid to an individual (see under 'Withholding taxes' below).

Group taxation

Each company belonging to a group is taxed separately and there is no joint group taxation. Finnish tax legislation recognises a group contribution that allows transfer of financial resources and profit between group companies. Contributions from an affiliated company may be deducted from the taxable income of the contributing company and added to the taxable income of the recipient company. Such a transfer of income is allowed between group companies if the group of companies and the transfer of profit meet the following requirements:

- Both companies are resident in Finland
- The parent company owns directly or indirectly at least 90% of the share capital of the subsidiary during the whole tax year
- Both companies are engaged in business and are not savings banks, financial, insurance or pension institutions
- The accounting year of both companies ends on the same date (exceptions may be permitted)
- The contribution is recorded in the accounts of the contributing company as well as in the accounts of the recipient company
- The transfer is not a capital investment and is not directly related to the respective companies' mutual business operations
- The contribution does not exceed the amount of the contributing company's profit from business activities.

Tax losses may not be transferred between group companies. Apart from the abovementioned group contribution, the arm's length principle needs to be applied if assets are transferred between group companies or if other transactions are carried out between group companies.

Losses

If a company's business source of income, agricultural source of income or personal source of income shows a net loss, this loss is carried forward for the purpose of income tax and set off against income from the same source of income for a maximum of ten subsequent tax years. Losses are deducted in the order in which they are incurred. There are some exceptions in the deductibility of capital losses which were described earlier in the capital gains chapter.

If the ownership of more than 50% of the shares or interest in a company or a partnership has changed (for reasons other than inheritance or gift) during the year in which a loss is recorded or thereafter, the right to carry forward is lost. If such a majority transfer of shares or interest has taken place in a company or partnership that owns at least 20% of the shares or interest in the loss-making company or partnership, ownership of the shares or interest in the loss-making company or partnership is deemed to have changed. Regional tax offices may, upon application by the taxpayer, grant exemptions to this rule under certain conditions.

Transfer of losses between companies is possible in mergers and in divisions.

Withholding taxes

Withholding taxes or taxes at source are also applicable on certain payments of interests, dividends and royalties to non-resident companies. There are no withholding taxes on payments of income to other resident companies.

Table 3 Withholding taxes on payments to companies

Type of asset	Withholding tax rate (%)	
	Resident	Non-resident
Dividends (listed)	Nil	Nil/15/20%[(2)(3)]
Interest	Nil	Nil[(4)]
Royalties	Nil[(1)]	Nil/20%[(5)]
Rental and other income	Nil	Nil

Notes

(1) Payments of royalties to resident companies are normally subject to VAT

(2) The 15% rate applies where the recipient company is unlisted and not resident in the EEA and holds the shares in the Finnish company as its investment assets. The 20% rate applies where the recipient company is not resident in the EEA and does not qualify for the 15% rate

(3) Under the EU Parent-Subsidiary Directive as applied to Switzerland, a dividend to a Swiss company is exempt from withholding tax if the Swiss company has held at least 25% of the Finnish company for at least two years

(4) With exceptions where the debt is considered equivalent to equity or where the payment is a hidden profit distribution

(5) Nil where the EU Interest and Royalty Directive applies

Finland's double tax treaties may require lower withholding rates than shown in Table 3 or, indeed, exemption.

Thin capitalisation

There are no thin-capitalisation rules as such.

For restrictions on the deductibility of interest generally, see under 'Deductions: interest' above.

Transfer pricing

Transactions between related companies must follow the arm's length principle. This transfer-pricing principle applies to both transactions between domestic and with foreign related entities. Transfer-pricing documentation obligations apply but do not generally extend to small or medium-sized companies. Transfer-pricing methods applied follow the OECD guidelines.

Controlled foreign company (CFC) rules

Under the Taxation of Shareholders in Controlled Foreign Companies Act (*Väliyhteisölaki*), Finnish-resident persons (who may be individuals or companies) who own at least 25% of the shares or are entitled to at least 25% of the return on the assets of a foreign company (CFC) controlled by Finnish residents and itself resident in a country where the CFC's effective tax on its income is less than three-fifths (60%) of what it would be in Finland, (i.e. 12% in 2015) have attributed to them for Finnish tax purposes the appropriate share of the CFC's income.

Other significant anti-avoidance rules

Certain articles of the Assessment Procedures Act can be used as a general basis for measures and decisions in cases when avoidance of taxes is considered, where there is e.g. a hidden profit distribution or the substance of a transaction differs greatly from its form.

Tax incentives

Accelerated depreciation

Companies may use an increased depreciation rate for new investment in buildings, machinery and equipment purchased and taken into use for production purposes in the years 2013 and 2014. The depreciation rate is the ordinary maximum depreciation rate (see under 'Depreciation' above) increased by 100% for the year in which the investment was put into use and the following two years. This means that the maximum depreciation rate for buildings is 14% (normal maximum 7%) and is 50% for machinery and equipment (normal maximum 25%). The incentive covers only investment in production capability, and thus for example service and finance-sector companies are outside its scope of application.

Research and development

Companies were able to make an additional deduction against business income in respect of the salaries of employees engaged in research and development activities in the years 2013 and 2014. The incentive was applicable to limited companies, cooperatives and branches of foreign traders. The additional deduction was 100% of the direct salaries related to the R & D activities of the company's own business. The minimum additional deduction was EUR 15 000 and the maximum EUR 400 000 in any one fiscal year. The law includes more specific application rules e.g. in cases where a group contribution is used at the same time as an additional R & D deduction.

Tax rates

The rate of corporate income tax in 2015 is 20%, down from 24.5% in 2013 and previous years.

Returns, assessment and payment

Returns

Limited companies, cooperatives and branches of foreign traders must file their corporate income tax returns within four months of the end of their accounting period. Together with the return, companies must file financial statements, an audit report, extracts from the minutes of the shareholders' meetings and certain extracts from the business records.

Assessment

Corporate income tax is assessed by the tax authorities based on the tax return submitted by the company. The tax office may, for the purposes of the final assessment, deviate from the return filed by the taxpayer without giving prior notice. However, if the deviation is significant, the taxpayer must be given a hearing. The taxpayer has the right to present its case if the tax return is found to be inaccurate and the assessment must be made on the basis of estimated income.

Payment

Corporate income tax is paid first in the form of advance payments pre-assessed by the tax office, as voluntary complementary advance payments and finally in settlement of any remaining tax still owed as shown on the final tax assessment. The pre-assessment is made on the basis of the taxpayer's income in the latest ordinary assessment at the tax rates for the current tax year. The amount assessed is collected monthly in the case of corporate bodies, unless the total amount of tax due is no more than EUR 1700. If the taxpayer is dissatisfied with its pre-assessment, it may apply to the tax office for a new assessment. Prepayments withheld and assessed are credited against the taxpayer's final tax and only the difference remains to be paid after the final tax assessment is issued. The balance remaining is paid in two instalments, in December of the assessment year and in the following February. Interest is accrued on the residual tax. If the prepayments exceed the final taxes assessed, the excess amount and interest on it is refunded to the taxpayer. If the taxpayer estimates that its pre-assessed taxes are less than the final income tax payable, it can make voluntary complementary advance payments. If complementary payments are made no later than the deadline date for filing the return, an interest charge is avoided.

If a company fails to make advance payments, the tax office can take measures such as closing the company's prepayment registration, which normally causes difficulties in business. Failing to make tax payments or making late payments will also incur interest. Sometimes taxpayers may make payment arrangements with the tax office, if they are unable to pay tax on time. The final consequence of neglecting tax payments might be a bankruptcy of the taxpayer initiated by the tax authorities.

Value added tax

Taxable activities

As a Member State of the European Union, Finland has a value-added tax (VAT) régime similar to other VAT régimes throughout the European Union. In general VAT is due on supplies of goods and services, the import of goods from outside the European Union and the 'intra-EU acquisitions' of goods from other EU Member States. If these transactions take place in Finland, they are in principle subject to Finnish VAT.

A precondition for the liability to tax is that the supply of goods and services take place in the course of business. The main defining criterion for judging that a supply is made in the course of business is that the activity is carried out for the purpose of gaining profit, is oriented towards a largely unrestricted body of customers, is continuous and carried out autonomously, and involves an element of business risk.

A supply of goods takes place when the owner of tangible property transfers the right to dispose of that property as owner. Electric current, gas, heat, refrigeration and similar commodities are also deemed to be tangible property. The supply of services is a supply that is not a supply of goods. Services related to goods, the leasing of goods, restaurant services, the transfer of different rights and the obligation to refrain from resuming a business activity are treated as supplies of services.

VAT is levied on an individual or an entity making a supply of goods or services in Finland (the supplier), but there are some main exceptions to this rule which shift the burden to the customer (the reverse charge). Generally, the reverse charge is applied in the following cases:

- purchases of goods from foreign taxable persons not established in Finland
- the supply of gold
- the supply of construction services to an entity that is also engaged in the construction business

There are more specific rules on each of these exceptions.

Moreover, VAT is levied on entities on imports, on intra-EU acquisitions of goods and on removals of goods from warehousing arrangements.

VAT is also imposed on goods or services that have been purchased for a purpose that has entitled the taxable person to make a deduction or which have been produced in connection with a taxable person's taxable activities if the goods or services are then used for private consumption, disposed of free of charge, or used for some other purpose that does not entitle the taxable person to a deduction. There are more detailed rules on this, especially in the field of construction and services related to immovable property.

VAT is charged at each and every stage of the production chain and in the distribution of goods and services. Businesses charge one another VAT for goods and/or services provided. The taxable person that charges the VAT is required to pay the VAT amount over to the tax authorities. If a taxable person is charged VAT by another taxable person, it is entitled to deduct that amount ('input tax') from VAT due on its part ('output tax'). By doing so, the system ensures that the end user is effectively responsible for paying the VAT. Foreign businesses that perform taxed services in Finland are in principle also liable to pay VAT. Those businesses, too, will be required to pay the VAT due in Finland and will therefore also be able to claim the VAT invoiced to them by taxable persons in Finland.

VAT registration

In general, all taxable persons must register for VAT, and should do so before they begin to supply goods or services.

However, very small businesses do not need to register until their turnover exceeds EUR 8500 (by reference to the VAT-exclusive turnover in the previous 12 months). There is a sliding scale of relief where turnover does exceed EUR 8500 but not EUR 22 500. These thresholds apply only in the case of Finnish taxable persons. Taxable persons not established in Finland who make taxable supplies there must register no matter what the value of their transaction(s).

The distance-selling threshold (for taxable persons selling to private customers in Finland) is EUR 35 000. The registration threshold for non-taxable persons making intra-EU acquisitions in Finland is EUR 10 000.

Taxable transactions

The following transactions are taxable:

- The supply of goods and services in Finland by a taxable person in the course of a business
- The intra-EU acquisition of goods in Finland by a taxable person in the course of a business or by a legal entity that is not a taxable person
- The intra-EU acquisition in Finland of new means of transport by any person
- The import of goods from outside the European Union into Finland
- The supply of electronic services (e-commerce) to a taxable person established in Finland by a taxable person established outside Finland
- The supply of electronic services (e-commerce) to an individual or entity that is not a taxable person from a country outside the European Union and
- The supply of services by a taxable person established in another EU Member State to a taxable person established in Finland or a legal entity that is not a taxable person

Exemptions

Not all goods and services supplied in Finland are subject to VAT. Among exempt supplies are the following:

- Hospital and medical care undertaken by publicly administered hospitals and recognised private hospitals or other similar institutions, and the provision of medical care in the exercise of the medical professions
- Social welfare services
- Educational services provided in accordance with the law or which are subsidised from State funds in accordance with the law
- Financial services and transactions concerning securities (excluding consultancy and safety-deposit services)
- Insurance services and services performed by insurance brokers and insurance agents
- Transactions concerning bank notes and coins used as legal tender (excluding collectors' items)
- Lotteries and games of chance
- The services of performing artistes, the sale of performances intended to be sold to arrangers and the transfer of copyright to literary and artistic works
- Real property, including building land (a lessor of real property may, however, opt for taxation when renting premises to persons liable to VAT)
- Certain transactions carried out by blind persons

- Interpretation services for deaf persons
- Cemetery services rendered by a public cemetery
- Uncultivated berries and mushrooms sold by the person who picked them
- General postal services

Companies that make solely exempt supplies are not entitled to charge VAT on those supplies. In addition, they are also not entitled to claim the VAT charged to them for goods and services. Companies that make both taxable and exempt supplies are able to reclaim VAT on the supplies made to them and directly applied in making taxable supplies and on a fraction of the VAT incurred on supplies used to make both taxable and exempt supplies.

Intra-EU supplies

Europe has recognised the existence of an internal European market since 1 January 1993. From that date on, the European Union has recognised the free traffic of goods, persons, services and capital within the territory of the Union. Transactions within the European Union are referred to as intra-EU supplies and acquisitions of goods and intra-EU services. VAT Is charged based on the destination principle. This means that goods that cross the border to another EU Member State are taxed in the Member State of destination. With effect from 1 January 2010, there is a new main rule for business-to-business services (B2B). These are services from one taxable person to another and are normally usually taxed in the country where the customer is established or has a fixed establishment to which the service is supplied. By contrast, 'B2C' services, where the customer is a private person or other non-taxable person are normally taxed where the supplier is established or has a fixed establishment from which the service is supplied. There are, however, several exceptions to these basic rules. From 1 January 2015, broadcasting services, telecommunications services and electronically delivered services supplied to non-taxable persons (private consumers) are considered to take place where the consumer is located, irrespective of where the supplier is established.

Exports and imports

The general rule for exports of goods to destinations outside the European Union is that they are 'zero-rated', i.e. there is no VAT charged on the export (or ancillary services) but the exporter may still deduct input VAT incurred in order to make the export. The export of electronic services to customers outside the European Union is zero-rated.

By contrast, imports of goods into the territory of the European Union are normally subject to VAT, even where the importer is a private person.

Tax rates

Finland has three rates of VAT. The standard rate is 24% and there are two reduced rates: 14% and 10%. Everything that is not taxable at a reduced rate or is not exempt or zero-rated is taxable at the standard rate.

Transactions subject to the 14% reduced rate include:
- Foodstuffs (excluding live animals and drinking water)
- Animal feed
- Restaurant meals

Transactions subject to the 10% reduced rate include:
- Books
- Subscriptions to magazines and newspapers (if sold loose, these are standard-rated)

- Medicines and certain pharmaceutical products
- Passenger transport services
- Admission to cultural, entertainment and sporting events
- Hotel and similar accommodation
- The sale of works of art by the artist and the importation of works of art

The zero rate

Other than the export of goods and services ancillary to exports, the zero rate also applies to, inter alia:

- Supplies of gold to the central bank
- The sale, hire, charter, repair and maintenance of working vessels (over 10m in length) and excluding those used for leisure or sport
- Supplies of aircraft and their spare parts to customers operating international commercial routes)

VAT returns

All taxable persons must file periodic VAT returns. The standard return period is one calendar month, but primary producers, artists and small businesses whose annual turnover does not exceed EUR 50 000 may opt to make quarterly returns. Furthermore, businesses with an annual turnover not exceeding EUR 25 000 may make annual returns.

Returns must be filed no later than the 12th day (7th day if in paper form) of the second month following the end of the return period and must be accompanied by payment of the VAT due as shown on the return. If the return shows an excess of input VAT over output VAT, the tax authorities will make a refund of the excess.

Taxable persons making intra-EU supplies must also file statements of those supplies, listing the customer's VAT number and the value of the supplies.

All returns and statements may be filed electronically or in paper form.

7. Personal taxation

Income tax

Territoriality and residence

Individuals resident in Finland are liable to pay income tax in Finland on their worldwide income, whether derived in Finland or abroad (this is known as 'unlimited tax liability'). Individuals who are non-resident in Finland are liable to tax on their income derived in Finland (this is known as 'limited tax liability').

Generally an individual is deemed to be resident in Finland if the individual has his or her main place of abode in Finland or if he or she is physically present in Finland for a continuous period of more than six months. This rule implies that a person can be regarded as resident in Finland for part of the year and non-resident for the rest of the year. The stay in Finland may be regarded as continuous in spite of a temporary absence from the country.

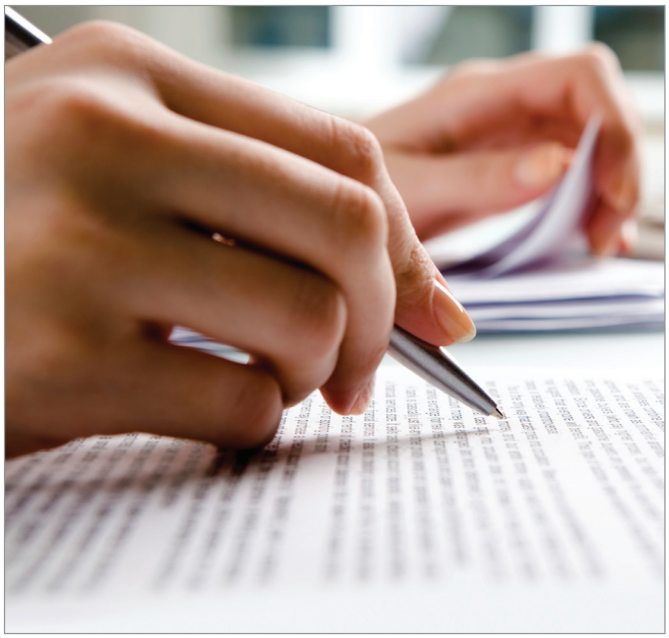
Persons liable

Generally every individual is liable to income tax.

Partnerships are not regarded as separate taxable entities. In addition to general and limited partnerships, activities such as the joint cultivation or holding of immovable property may be regarded as partnerships for tax purposes. The net income of a partnership is determined under the rules applicable to corporate bodies, but is attributed to the partners according to each partner's share in the partnership's total income and is taxed either as an individual partner's earned income or as income from capital.

Principles of personal income taxation

Income subject to income tax is defined as the taxpayer's annual receipts in money or money's worth. The rules include also examples of income subject to income tax and examples of exempt income. However, the concept of taxable income is very extensive.



The income is taxable for the tax year (i.e. a calendar year) in which it has been drawn by the taxpayer, in which it has been paid to the taxpayer's account, and in which the taxpayer has received the income or the income is at his or her disposal. Capital gains are taxable for the year in which the disposal giving rise to the capital gain took place.

The tax is levied on net income and it is possible to deduct expenses required to generate income. In certain cases the allocation principles of business taxation are also followed in the taxation of individuals.

Income is divided between earned income and income from capital.

Income from capital is defined as the proceeds from capital, gains from the disposal of assets (capital gains) and other income yielded by assets. Typical examples of income from capital are:

- Interest and rental income
- Dividends (but see also under earned income)
- Income from forestry
- Profits from life insurance
- Pensions from voluntary pension funds
- Distributions by investment funds
- Income from patents or copyrights if the patents or rights have been inherited or received under a will or acquired for a financial consideration
- Income from the sale of materials taken from the ground
- A shareholder loan outstanding at the end of a tax year, if the loan has been given by a company to an individual during a tax year, and if the individual, members of the individual's family alone or together directly or indirectly control at least 10% of the shares or the voting power in the company
- Part of an individual's business income, income from agriculture and partnership income

Earned income is defined as any income other than income from capital. Typical examples are:

- Employment income (wages, salaries, benefits and pensions)
- Certain insurance receipts
- A part of dividend income from certain unquoted companies
- Royalties and other similar remuneration in respect of copyrights, if these rights are a consequence of a taxpayer's own activity;
- That part of business income, agricultural income and partnership income that is not income from capital

Major types of exempt income and gains are as follows:

- Certain pensions
- Certain social security benefits
- Certain grants and subsidies
- Certain prizes
- Per diem allowances and travelling allowances
- Certain benefits provided by the employer
- income from certain natural products (berries and mushrooms, plants for human consumption and medicine) other than employment income
- The exempt part of dividend income
- A capital gain derived from the sale of shares in a company carrying the right to the enjoyment of a flat or the sale of a house which for at least two years prior to the sale has served uninterruptedly as the taxpayer's or the taxpayer's family's permanent home
- The annual gain from the disposal of household effects, if it does not exceed EUR 5000.

The family unit

Married persons are taxed separately. Also minor children, if they have income, are taxed on their own income separately.

Capital gains

Capital gains are taxed as income from capital. The taxable capital gain is calculated by deducting the acquisition costs and disposal costs from the disposal proceeds. A flat-rate deduction can be used instead of real deductible costs, if e.g. the acquisition cost is not known or if the use of the flat rate is more favourable. The flat-rate deduction is 40% of the disposal proceeds, if the asset has been held for at least ten years; otherwise the flat-rate deduction is 20%.

There are some special exemptions and more detailed rules on sales and capital gains e.g. in transfers of a farm or company to a descendant, sales of woodland and sales of property received as a gift or as an inheritance.

Gains from the sale of the taxpayer's principal residence are exempt if it has been such for at least two continuous years during the taxpayer's period of ownership.

Capital losses
Capital losses may be set off against capital gains of the same tax year or of the next five years.

Taxation of employment income
Income, in whatever form, derived from an employment relationship is taxable as earned income. This includes benefits-in-kind and pensions paid as a result of past employment.

Benefits-in-kind
Benefits-in-kind are valued at a value determined and published by the tax authorities for the year in question. This value is commonly below full market value. Employer-provided accommodation, for example, is valued at 90% of market rental. Cars provided by the employer and used for private purposes are valued according to their list price and the estimated percentage of private use. Employers can reimburse employees free of tax for work-related travel and accommodation, provided that the rate of reimbursement does not exceed a threshold value, which for 2015 is EUR 40 per day for travel within Finland and values of between EUR 34 to EUR 97 for travel abroad (the exact amount varies per country).

Tax-free benefits include:
- General medical care
- Up to EUR 400 per year of vouchers for recreational purposes

Salary tax
Tax on employment income, including that due on non-monetary benefits, is collected primarily by the employer by deduction from the employee's salary payments, together with the employee's social security contributions, and accounted for to the tax authorities together with the employer's own social security contributions.

The amount withheld also depends on the taxpayer's personal circumstances so as to approximate as closely as possible to the final liability. Deductions and allowances (for which see below) are thus taken into account. The rate of withholding is specified on the employee's tax card, which is made available to the employer.

Income from a business or profession
Taxable net income for each source of income of a private trader or a partnership is calculated under the same rules that apply to companies (see Chapter 6). The results are then apportioned between income from capital and earned income.

The income from capital share is deemed to be an amount equal to 20% of the net assets of the business (or farming business) at the end of the year preceding the tax year. However, private traders may claim that the income from capital share is no more than 10% or even 0% of the net assets, although the tax rates on income from capital are lower. Capital gains from real property and securities belonging to the fixed assets of the business are irreducibly part of income from capital. When calculating the income from capital share of farming or business profits, 30% of the wages and salaries subject to salary tax and paid (by the farmer, partnership or private trader) in the 12 months preceding the end of the tax year is added to the net assets.

For partnerships, there are also specific calculation rules where a partner has taken out a loan to acquire an interest in the partnership, the partnership's income includes dividend income, the partnership owns a flat or a house that has been in a partner's personal use or where equity is negative due to a loan given by the partnership to a partner. In these cases the calculation of the net assets or the calculation of the share of the income is affected.

Taxation of investment income

Dividends

In the case of individual taxpayers, the taxation of dividends paid by resident companies depends on whether the company paying the dividend is a listed company or an unlisted company.

If a company is publicly listed, 85% of the dividend is taxed as income from capital and 15% is tax exempt.

If a company is unlisted, an annual yield of 8% is calculated on the value of the shares in unlisted companies. Of the first EUR 150 000 of such a yield, 25% is treated as income from capital but the remaining 75% is exempt from tax. Of any remaining balance within the yield amount, 85% is taxable as income from capital and 15% is exempt. Where actual dividends exceed the 8% yield amount, 75% of that excess is taxable as earned income and the remaining 25% is exempt.

Example

A taxpayer has a listed shareholding worth EUR 5000 and an unlisted shareholding valued at EUR 18 000. In 2015, he receives dividends of EUR 300 from his listed shares and EUR 3500 from the unlisted shares.

The dividends are taxed as follows:

Listed shares		**Unlisted shares**	
Exempt: (15%)	45.00	Yield (8%)	1440.00
Income from capital (85%)	255.00	Exempt as yield (75%)	1080.00
		Income from capital (25%)	360.00
		Excess over yield	2060.00
		Exempt (25%)	515.00
		Earned income (75%)	1545.00

Total exempt (45.00 + 1080.00 + 515.00) =	**1640.00**
Taxable as income from capital (255.00 + 360.00) =	**615.00**
Taxable as earned income	**1545.00**

Where, exceptionally, a dividend is based on the individual's performance, the dividend is regarded as a salary and taxed fully as an earned income.

Dividends received from a non-resident company are generally taxed in the same way as domestic dividends, if the distributing company is resident in an EU Member State or in a jurisdiction with which Finland has a tax treaty. The only difference is that, in the case of dividends from unlisted companies, the yield is calculated on the basis of the value that the shares had in the possession of the owner at the end of the year preceding the year in which the dividend is distributed. In all other cases, dividends are fully taxable as earned income.

Interest
Interest is taxable as income from capital, unless it is derived in the course of business from business assets, in which case it is income from business.

Domestic interest from Finnish bonds and bank deposits is subject to a final withholding tax of 30%.

Royalties
As with interest, royalties received in the course of a business form part of business income whereas royalties forming part of investment income are taxable as income from capital.

Rental income
Rental income is taxable as income from capital, net of related expenses.

There is no tax charge on the benefit of owner occupation.

Losses
Business and trading losses are available for carry-forward against business and trading profits for a maximum of 10 years. However, a taxpayer may instead claim to set off a business loss against his or her income from capital (before the interest deduction) of the same tax year.

Losses from earned income may be carried off for set-off against earned income of the following 10 years.

Losses (negative income) from capital may be carried forward against income from capital of the following 10 years. However, a tax credit of 30% (32% where the loss relates to mortgage interest on the taxpayer's principal residence) of such a loss is made available to the taxpayer's liability on earned income, subject to a maximum of EUR 1400, plus EUR 400 for the first child and EUR 800 in respect of any further children.

Withholding tax on domestic and cross-border payments
Withholding tax at various rates is deducted from many types of payment to resident and non-resident individuals, as shown in Table 4.

Table 4 Withholding taxes on payments to individuals

Type of income	Withholding tax rate (%)	
	Resident	Non-resident
Dividends (listed)	21	30
Dividends (unlisted)	Nil	30
Interest	30	30
Royalties	Nil/30[1]	30
Sportspeople & entertainers	Nil	15

Note

(1) The 30% rate applies to purchased or inherited copyrights. Otherwise, there is no withholding

Instead of being subject to the final 30% withholding tax on dividends, non-residents located in another EEA country may opt to be subject to tax in Finland on those dividends by assessment, in which case the same rules apply as for resident taxpayers. This means, in particular, that the exemptions for dividends from unlisted companies (see under 'Taxation of investment income: dividends' above) become available to those non-residents.

Where the option is exercised, the dividends (to the extent they remain taxable) become subject to the rates of tax on income from capital (see Table 5 below). For the tax year 2015, however, there is an anomaly. For this year only, the rates applying to non-residents are those that applied in 2014: namely 30% on the first EUR 40 000 and 32% on the excess. From 2016, the same rates will apply to non-residents as apply to residents.

Allowances and deductions

A taxpayer is entitled to deduct from earned income and income from capital all expenses incurred in acquiring and maintaining such income (natural deductions). Non-deductible expenses are expenses incurred in acquiring tax-exempt income, as well as expenses related to the taxpayer's living costs including rent for the taxpayer's residence and expenses for household management and childcare. Other deductions are defined separately for capital and earned income.

Deductions from income from capital

In addition to natural deductions, the taxpayer may claim other deductions against the total amount of his or her income from capital. The most important of those are:

- At least part of interest expenses, if the debt is
  - a study loan
  - related to the acquisition of taxable income or
  - related to the acquisition or repair of the taxpayer's or the taxpayer's family's permanent dwelling (restricted to 65% in 2015)
- A shareholder loan, repayable no later than in the fifth tax year following that in which the loan was taken out
- Specific deductions from forestry income from capital
- A certain amount of voluntary pension insurance premiums or payments to certain other long-term saving instruments
- Certain exchange losses

Deductions from earned income

In addition to income-specific deductions, the taxpayer may claim other deductions against the total amount of his or her net earned income. There are rules detailing which deductions may be made from national income tax and which from communal income tax, since earned income is subject to both these taxes. In addition to deductions from income, there are also tax credits, which are deducted from tax. Each of the deductions, allowances and credits may include specific conditions and calculation rules, which are not described in detail here. Some of these deductions and credits are automatically taken into consideration by the tax authorities, but some of them require the taxpayer's request.

Typical examples of deductions from earned income are:

- Travelling expenses for travelling between home and the place of employment using the cheapest means of transport (only to the extent they exceed EUR 750 and capped at EUR 7000)
- Deduction for a second dwelling in the form of a rented flat that enables a taxpayer easily to reach his or her regular place of work, where the employee's home is at least 100 km away (EUR 250 for each full month)
- Professional literature
- Membership fees to trade unions

The following deductions are available for both national income tax and communal income tax on earned income:

- Employees' obligatory pension insurance contributions and unemployment insurance contributions
- A standard deduction for work-related expenses (EUR 620 in 2015)
- A deduction granted to sailors and deductions granted to forestry workers
- A discretionary allowance for circumstantial incapacity to pay taxes
- A pension-income allowance
- A disabled person's allowance (maximum EUR 440)

The following allowances may be claimed against communal income tax on earned income:

- Earned-income allowance (maximum EUR 3570, decreasing by 4.5% of the excess of taxable income over EUR 14 000)
- Student-grant allowance (maximum EUR 2600 reduced by EUR 1 for every EUR 2 that the student's earned income exceeds that amount)
- A basic allowance for taxpayers with a small income (maximum EUR 2970)

The following tax credits are allowed against national income tax on earned income:

- Child-maintenance credit
- Credit for domestic help (maximum EUR 2400)
- Post-graduate credit for study loans (maximum 30% of the excess of the loan over EUR 2500) for students who began their studies before 1 August 2014
- Disability credit (maximum EUR 115)
- Earned-income credit (maximum EUR 1025, decreased by 1.2% of the excess over EUR 33 000)
- Credit for losses in income from capital (see above)

Income spreading may be applied to earned income received during any particular tax year if that income can be attributed to the activities of at least two years. To qualify for income spreading, the taxpayer must file a request before the end of the assessment period. The rules include a calculation formula for the income spreading and its taxation and the income must exceed certain lower limits. In general, the request for income spreading decreases the taxes levied on the income in question.

Tax rates

Income from capital

Income from capital is subject to national income tax under a two-rate progressive structure, as shown in Table 5.

Table 5 Rates of national income tax on income from capital (2015)

Band of taxable income from capital (EUR)	Rate of tax (%)
First 30 000	30
Balance over 30 000	33

Earned income

Earned income is subject to national income tax, communal income tax and church tax.

Table 6 Rates of national income tax on earned income 2015

Band of taxable income (EUR)	Rate of tax
First 16 500	EUR 8
Next 8200	6.5%
Next 16 600	17.5%
Next 30 100	21.5%
Next 18 600	29.75%
Balance over 90 000	31.75%

The rates of communal income tax, which is a flat-rate tax, are set by each local authority. The average rates in 2015 vary from 16.5% to 22.5%.

Church tax is also a flat rate tax and the rate is annually decided by the church in question. Official churches recognised for this purpose are the Evangelical Lutheran Church and the Finnish Orthodox Church. The average rate in 2015 is 1.6%.

Returns and payment

Individual taxpayers receive a pre-completed tax return in respect of the previous tax (calendar) year from the tax authorities in the spring (March or April). Where the taxpayer has corrections or supplementary information to provide, he or she must sign and deliver the return by the first two weeks of May. In any other case, the taxpayer need do nothing. Taxpayers with income from agriculture or a business, however, may be required to deliver other returns, generally no later than 2 April.

The majority of income taxes are collected in advance. The prepayment system includes withholding from wages and salaries, certain indemnities, pensions, taxable social security benefits and certain types of interest and payments on account in respect of other kinds of income.

In the case of employment income, the amount to be withheld is calculated as a certain percentage rate from the salary. The rate is personal and it is defined in an individual's personal tax card. The personal tax card is provided by the local tax office to each individual. The tax authorities calculate the rate based on projected income and deduction information data. The taxpayer may ask for a change to the rate, if there are expected to be changes in the calculation data. The amount withheld is mainly based on earned income, but may also contain taxes on capital income. If the employee does not provide the employer with his or her tax card, the employer must normally apply the rate of 60%.

The pre-completed returns contain a provisional assessment to tax based on the taxpayer's taxable income of the previous year. Final tax assessment is carried out by tax authorities by the end of October.

The provisional assessment of taxes on income not subject to withholding (such as income from a business) is carried out by the local tax office. The amount assessed has to be paid by the taxpayer to the tax authorities in a certain number of instalments during the year. The number of instalments depends on the total amount to be collected. Taxpayers dissatisfied with the provisional assessment may apply to the tax office for a new assessment.

Prepayments withheld and assessed are credited against the taxpayer's final taxes and any balance remaining to be paid is determined by a final assessment generally issued in October and is due in two instalments, the first in December and the second in February. However, if the amount payable is below EUR 170, it is payable in one sum, in December. If the prepayments exceed the final taxes assessed, the excess amount is refunded to the taxpayer. In the case of spouses, a refund due to one spouse may be credited against the tax due from the other spouse.

Appeals

See Chapter 5.

Expatriate régimes

If a Finnish national moves from Finland abroad to work, he or she normally has unlimited tax liability to Finland for three years (i.e. the taxpayer continues to be liable to tax on Finland on his or her worldwide income or gains). After three years' absence from Finland tax liability becomes limited, i.e. liability extends to income and gains derived in Finland only. Limited tax liability may start earlier if the taxpayer shows that essential ties to Finland no longer exist. However, there is often a six-month rule for employment income, under which salary for the first six months of absence is taxed in Finland, but subsequently becomes exempt in Finland providing that certain conditions e.g. tax treaty provisions, are fulfilled.

If a person who does not have Finnish nationality leaves Finland permanently, limited tax liability starts normally from the date of departure, but in the case of a temporary stay abroad, unlimited tax liability is applied.

If a foreign national moves to Finland to work, unlimited tax liability to Finland applies if the stay exceeds six months. The person has limited tax liability to Finland if the stay lasts less than six months. Salary paid to a person with limited tax liability is taxed at source at the rate of 35%, but there are exceptions e.g. depending on the residence of the employer.

Inheritance and gift taxes

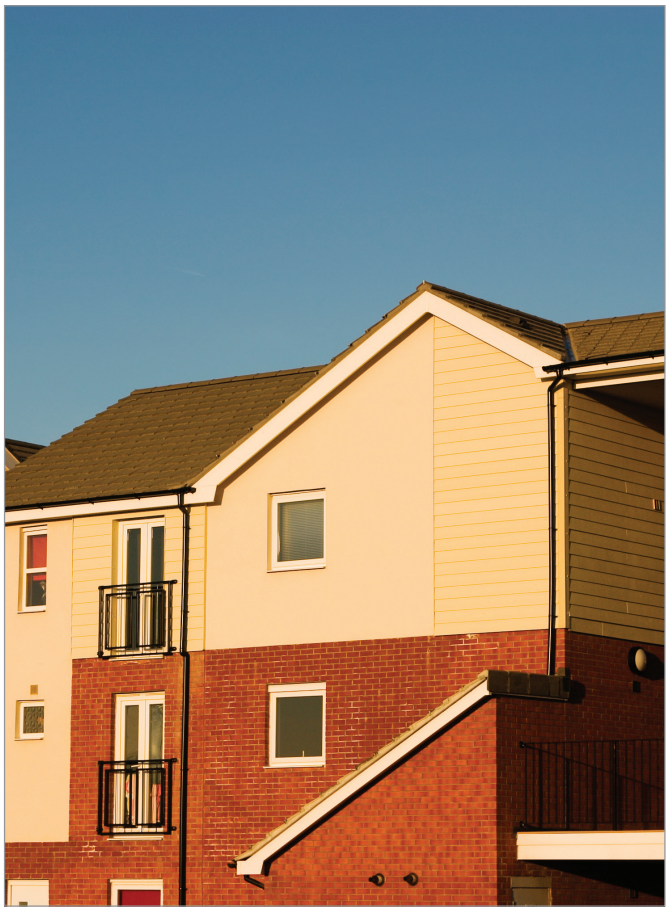
Finland charges a tax (*perintö- ja lahjavero*) on both inheritances and gifts.

Scope and extent

The tax is charged on transfers of property by way of lifetime gift or on death. Any transfer of property for a consideration that is not more than 75% of the fair market value is considered to be a gift for this purpose of a value equal to the difference between the consideration and the market value.

The tax falls due on the transferee and extends to worldwide movable and immovable property where either the transferor or the transferee is resident in Finland at the time of the transfer. Where neither the transferor nor the transferee is resident, the tax is due on immovable property situated in Finland. In this instance, shares in a company more than 50% by value of the assets of which consists of Finnish immovable property are considered to be Finnish immovable property.

For the purposes of inheritance and gift tax, an individual is deemed to be resident in Finland if that individual has his or her main place of abode in Finland.



Exemptions

Exempt transfers

The transfer of a business or farm to certain persons (descendants mostly) who continues to run that business or farm for a specified period of time may qualify for partial exemption from inheritance and gift tax. A partial exemption is available on qualifying transfers of a family-owned and closely held businesses, provided that the transferee receives at least 10% of the business and carries it on (where appropriate). If the transferee transfers the assets received in turn within five years of the grant of relief, the tax relieved must be paid back with interest. The relief is twofold. First, a special valuation (below market value) is applied to the assets; second, a relief of 60% of that value is granted, so that the transferee pays tax on just 40% of the special value. An interest-free extended payment period of up to 10 years may also be available.

Gifts of household chattels of up to EUR 4000 are exempt as are gifts for another person's maintenance or education and any other gifts of a value of less than EUR 4000 to the same within a three-year period.

Net transfers on death of no more than EUR 20 000 are exempt.

There are also some specific provisions for the proceeds of certain insurance policies, some of which may be exempt.

Exempt persons

Exemption is largely limited to the State and its institutions. More precisely, the following are exempt:

- the State and its institutions, local authorities, religious communities and non-profit-organisations
- Diplomats etc. in certain cases

Valuation

Most property is valued at its fair market value at the time of the transfer, as reduced by associated liabilities. Debts as well as expenses incurred in drawing up estate inventory may be deducted.

Allowances

A transferee spouse (or certain cohabitees also) has an allowance of EUR 60 000 (i.e. the first EUR 60 000 is exempt). Minor children and other direct lineal descendants who are minors may claim an allowance of EUR 40 000.

Rates of tax

The rates of inheritance and gift tax depend on both the amount transferred and the degree of consanguinity between the transferor and transferee.

For this purpose, transferees are classified under one of two classes.

Class I consists of spouses, certain cohabitees, any lineal descendants or forebears (including adoptive relationships), any lineal descendants of the spouse, and fiancé(e)s in certain cases

Class II consists of all other transferees.

Table 7 Rates (2015) of inheritance tax

Bands of taxable transfers (EUR)	Tax	
	Class I	Class II
First 20 000	EUR 100	EUR 100
Next 20 000	8%	21%
Next 20 000	11%	27%
Next 140 000	14%	33%
Next 800 000	17%	33%
Balance over 1 000 0001	20%	36%

Table 8 Rates (2015) of gift tax

Bands of taxable transfers (EUR)	Tax	
	Class I	Class II
First 4000	EUR 100	EUR 100
Next 13 000	8%	21%
Next 33 000	11%	27%
Next 150 000	14%	33%
Next 800 000	17%	33%
Balance over 1 000 0001	20%	36%

Wealth tax

There is no wealth tax in Finland.

8. Other taxes

Asset transfer tax

Finland has an asset transfer tax, which is levied on transfers of immovable property and securities. It is the recipient of the transfer who is liable to pay the tax to the state. Transfers that are gifts, inheritances or bequests (i.e. transfers liable in principle to inheritance and gift tax) are exempt from asset transfer tax.

For transfers of immovable property, the tax is 4% of the purchase price or other consideration. Acquisitions of a first permanent home are exempt from transfer tax.

For transfers of securities the tax is either 1.6% or 2% of the purchase price or of other consideration. The rate of 2% is applied to transfers of the shares of housing companies and property companies. The rate of 1.6% applies to the transfers of other securities. The acquisition of securities on the stock exchange is exempt. Transfers of the shares of foreign companies are not subject to the tax nor is any transfer of securities where both the transferor and the transferee are non-resident.

Immovable property tax

Finland has an immovable property tax that is levied on land and buildings. Waters and land used for agriculture or forestry are exempt, but buildings located on that land are subject to the tax. The taxable person is the owner of the land. Local authorities are exempt from immovable property tax on property located on their land.

Revenues from the tax accrue to local authorities, which are also responsible for setting the tax rates applied to the taxable value of the property, but within a range defined by the law. Thus the rates vary between local authorities. Rates generally vary between 0.88% and 1.55%. Rates on residential property are lower (from 0.37% to 0.8%).The annual average general tax rate in 2013 was 0.92%. Immovable property tax is normally payable in two instalments.

Immovable property tax is deductible from income taxes where the immovable property is used for business purposes.

Insurance premium tax

Insurance premium tax (*vakuutusmaksuvero*) of 24% of the premium is payable if the object of the insurance is situated in Finland.

Car tax

Car tax (*autovero*) is levied on the import of cars, vans, minibuses and motorcycles into Finland and on such vehicles taken into use in Finland. Car tax is collected by the Finnish Customs.

There is also a vehicle use tax (*ajoneuvovero*), which is an annual tax consisting of a basic charge, the amount of which depends on the weight of the vehicle and its CO_2 emissions and a driving charge, based on the vehicle's fuel type, the number of days of usage and the type and weight of the vehicle.

Excise duties

Finland charges excise duties on alcoholic beverages, tobacco, fuel and other mineral oils, electricity and soft drinks.

Customs duty

Finland is a member of the European Union, and hence customs duty under the Common Customs Code (Regulation (EC) No 450/2008) is imposed on the importation into Finland of goods from outside the European Union. There are no customs duties on the movement of goods within the European Union.

9. Social security contributions

Employee and employer contributions

Statutory social security contributions in Finland comprise:

- Pension insurance contributions (TYEL)
- Unemployment insurance contributions
- Accidental injury insurance
- Group life insurance
- Health insurance contributions

Accidental injury insurance and group life insurance are payable solely by employers.

Health insurance

Health insurance contributions are payable by both employers and employees on the employee's taxable income for communal income tax; there is no ceiling. It is applicable to employees aged between 16 and 67 (inclusive). The employee's contribution is withheld from salary by the employer. Note that the employee's contribution comprises two components: the daily allowance and the nursing premium. The daily allowance is payable on gross earned income for communal tax, whereas the nursing premium (*sairaanhitomaksu*) is charged on net taxable communal-tax income. The former is deductible for the purposes of income tax; the latter is not.

Pension insurance

Employers and employees must make earnings-related pension contributions, which apply to employees aged between 18 and 67 (inclusive) on all earnings above an insignificant threshold amount of EUR 55.99 per month. Pension insurance contributions (TYEL) are normally paid to private insurance companies. The employee's share is withhold from salary and paid to the insurance company by the employer.

Unemployment insurance

Unemployment insurance contributions are collected by the Unemployment Insurance Fund (*Työttömyysvakuutusrahasto*, TVR). Unemployment insurance must be taken out by employers that have employees working for them in an employment or public-service relationship for more than 12 days in total during a calendar year. It applies to employees who are aged between 17 and 64 (inclusive). The employee's contribution is withheld from salary and paid to the Unemployment Insurance Fund by the employer.

Accidental injury insurance

Accidental injury premiums are payable to private accident-insurance companies. Accident insurance must be taken out by employers who have employees working for them in an employment or public-service relationship for more than 12 days in total during a calendar year. It is a certain percentage of earnings, based on the accident risk at work and the insurance company's tariffs. Rates range from 0.3% – 8% and the premiums are payable solely by the employer.

Group life insurance

Employers must also take out group life insurance if there is a national collective agreement considered representative in the sector which requires it. Group life insurance is taken from the same provider as the accident insurance. The average group life insurance contribution is 0.07% of the employee's salary and is paid wholly by the employer.

Table 9 overleaf shows 2015 rates for these various contributions.

Table 9 Rates of employer and employee social security contributions

Type of contribution	Employee rate (%)	Employer rate (%)	Total (%)
Health insurance	2.1	2.08	4.18
Pension insurance	5.7/7.2[1]	19 (average)	24.7 (average)
Unemployment insurance	0.65	0.8/3.15[2]	1.45/3.80
Accidental injury	--	0.3 – 8.0	0.3 – 8.0
Group life	--	0.07	0.07
Total	**8.45/9.85**	**22.25/32.30**	**--**

Notes

(1) The higher rate is due from employees of 53 years of age or older

(2) The 3.15% rate is charged on the excess of the total annual payroll over EUR 2.025 million

Self-employed contributions

Individuals who are not employees and aged between 18 and 64 (inclusive) must be covered by the self-employed person's pension insurance fund (YEL), apart from farmers, who have a specific farmers' pension insurance fund (MYEL). The YEL insurance covers private traders, entrepreneurs and professionals who are not covered by another pension insurance. These are partners in a general partnership, general partners in a limited partnership and executives in a limited company, if they own more than 30% of the company's shares. The YEL insurance is compulsory when the self-employed person lives and works in Finland, and has a taxable income from self-employment of at least EUR 7303.99. The rate is generally 23.7% or 25.2% if the individual is aged 53 or more.

The self-employed must also pay health insurance contributions, amounting to 2.23% (the daily allowance of 0.91% and the nursing premium of 1.32%).

Unemployment insurance, accidental injury insurance and life insurance are not compulsory for self-employed persons. There exist more specific definitions of whether a person is self-employed or an employee for this purpose.

10. Moore Stephens in Finland

The Moore Stephens member firm in Finland is:

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Moore Stephens Rewinet also has offices in Helsinki and Hämeenlinna.

Appendix 1: Double tax treaties

Comprehensive double taxation treaties

Finland has comprehensive double taxation treaties with the following countries and jurisdictions:

Argentina	Iceland	Poland
Armenia	India	Portugal
Australia	Indonesia	Romania
Austria	Ireland	Russia
Azerbaijan	Israel	Serbia[1]
Barbados	Italy	Singapore
Belarus	Japan	Slovakia
Belgium	Kazakhstan	Slovenia
Bosnia Herzegovina[1]	Korea	South Africa
Brazil	Kyrgyzstan[2]	Spain
Bulgaria	Latvia	Sri Lanka
Canada	Lithuania	Sweden
China	Luxembourg	Switzerland
Croatia[1]	Macedonia[1]	Tajikistan
Cyprus	Malaysia	Tanzania
Czech Republic	Malta	Thailand
Denmark	Mexico	Turkey
Egypt	Moldova	Ukraine
Estonia	Montenegro[1]	United Arab Emirates
Faroe Islands	Morocco	United Kingdom
France	Netherlands	United States
Georgia	New Zealand	Uruguay
Germany	Norway	Uzbekistan
Greece	Pakistan	Vietnam
Hungary	Philippines	Zambia

(1) The treaty with the former Socialist Federal Republic of Yugoslavia

(2) The treaty with the former USSR

Finland has double tax treaties with the following jurisdictions covering profits from air transport, or from shipping and air transport, only.

Bermuda	Guernsey	Jersey
British Virgin Islands	Hong Kong[1]	
Cayman Islands	Isle of Man	

[1] Air transport only

Double taxation treaties: estates, gifts and inheritances

Finland has agreements covering taxes on estate and gift taxes with the following countries.

Denmark	Iceland	Switzerland[1]
France[1]	Netherlands[1]	United States[1]

[1] Estates only

Agreements for administrative cooperation and/or exchange of information

Within the European Union, administrative assistance with respect to all taxes except for VAT, customs duty and excise duties is governed by EU Directive 2011/16/EU. For VAT, administrative cooperation is enforced under Regulation (EU) No 994/2010.

Finland has agreements with the following third countries and territories for administrative cooperation and/or exchange of information:

Andorra	Faroe Islands[1]	Niue
Anguilla	Georgia	Norway[1]
Antigua and Barbuda	Gibraltar	Panama
Aruba	Greenland[1]	Saba
Azerbaijan	Grenada	Samoa
Bahamas	Guernsey	Seychelles
Bahrain	Iceland[1]	St Kitts and Nevis
Belize	Isle of Man	St Lucia
Bermuda	Jersey	St Vincent and the Grenadines
Bonaire	Liberia	San Marino
British Virgin Islands	Liechtenstein	Sint Eustatius
Cayman Islands	Macao	Sint Maarten
Cook Islands	Marshall Islands	Turks and Caicos Islands
Costa Rica	Mauritius	Ukraine
Curaçao	Monaco	United States
Dominica	Montserrat	Vanuatu

[1] The Nordic Convention applies

Social security agreements

The interaction of national social security systems within the European Economic Area is governed by EU Regulations 883/2004/EC and 987/2009/EU (as amended) which also extend, by agreement (and with some differences), to Switzerland. Finland has pre-existing bilateral agreements with some of these states. These have largely been superseded by the EU regulations, but may be applied where, occasionally; they give a more beneficial result. The following non-EEA countries and territories have social security agreements with Finland, the terms of which differ from case to case.

Australia	Faroe Islands	Israel
Canada	Greenland	Québec
Chile	India	United States

Appendix 2: Moore Stephens around the world

Moore Stephens member firms may be found in 103 countries and territories around the world, with correspondent firms in another seven.

Albania	Czech Republic	Kuwait	Russia
Algeria	Denmark	Latvia	Saudi Arabia
Argentina	Dominican Republic	Lebanon	Senegal
Australia	Ecuador	Liechtenstein*	Serbia
Austria	Egypt	Lithuania	Seychelles
Azerbaijan	El Salvador*	Luxembourg	Singapore
Bahamas	Estonia*	Macedonia	Slovakia
Bahrain	Finland	Malaysia	South Africa
Bangladesh	France	Malta	South Korea
Belgium	Germany	Mauritius	Spain
Belize	Gibraltar	Mexico	Sri Lanka*
Bermuda	Greece	Monaco	Sweden
Bolivia	Guatemala	Morocco	Switzerland
Botswana*	Guernsey	Netherlands	Taiwan
Brazil	Honduras	New Zealand	Thailand
British Virgin Islands	Hong Kong	Nicaragua	Tunisia
Bulgaria	Hungary	Nigeria*	Turkey
Burundi	India	Norway	Ukraine
Canada	Indonesia	Oman	United Arab Emirates
Cayman Islands	Iraq	Pakistan	United Kingdom
Chile	Ireland	Papua New Guinea	United States
China	Isle of Man	Paraguay	Uruguay
Colombia	Israel	Peru	Venezuela
DR Congo	Italy	Philippines	Vietnam
Costa Rica	Japan	Poland	Yemen
Croatia	Jersey	Portugal	Zambia
Curaçao	Jordan	Qatar	Zimbabwe*
Cyprus	Kazakhstan	Romania	

* denotes a correspondent firm only

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