

# Your Tax Handbook

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## in Finland



A good friend gives  
you relationship advice.  
A true friend gives  
you taxation advice.

## Find out essential information about taxation in Finland - the Nordic Hub of the European Union

- In Finland, you will always have a true friend that helps you with tax matters and removes uncertainty around open tax issues.
- A dedicated team of experts provides you with individualized real-time support free of charge: [startups@vero.fi](mailto:startups@vero.fi) – how can we help you?
- Please check also our website [www.tax.fi](http://www.tax.fi) the latest news in Finnish taxation.

## Finland provides an ideal business environment and ecosystem in European market and Euro zone in a sustainable manner

- **Currency in Finland:** Euro (EUR/€)
- **Finland has one of the most competitive corporate tax rate in the EU and OECD: 20%.**
- **Corporate forms:** limited liability company, general partnership, limited partnership, co-operative, self-employed person, branch of foreign company
- **Standards for accounting and financial statements:** Finnish Accounting Standards (FAS) / International Financial Reporting Standards (IFRS; mandatory for listed companies)
- **Technology superpower:** In the home country of Wolt, Supercell, Oura, Rovio, Nokia and many other game changers, you will be able to manage your tax matters online by using our world-class e-services in **MyTax**.
- **A professional accountant** can help you a lot with accounting and reporting obligations. We recommend using one.

## Other top-notch public services available free of charge

- Business Finland – accelerator for global growth, innovation funding, exports and invest-in: [www.businessfinland.fi](http://www.businessfinland.fi)
- Set up a company and/or take care of your most valuable intangible assets <https://www.prh.fi/en/index.html> (business registration and IPR protection)
- Your entry to working and settling in Helsinki area: [www.ihhelsinki.fi](http://www.ihhelsinki.fi)
- Soft landing services, access to financing, piloting platforms, matchmaking, business information etc. are available in many regions and cities in Finland (for instance in Helsinki area [www.helsinki.businesshub.fi/](http://www.helsinki.businesshub.fi/) and <https://newcohelsinki.fi/en/>)



# Corporate taxation

## Income tax rate for limited liability companies and other corporate entities: 20%

Business income received by partnerships and private traders (self-employed individuals), on the other hand, is divided into earned income and capital income (see Individual taxation).

### Tax liability:

Finnish residents are taxed on their worldwide income. A company is tax resident if it is registered or established under Finnish law. Starting 2021, a foreign company may be regarded as tax resident in Finland if its place of effective management is in Finland.

### Foreign companies' tax liability in Finland:

As a main rule, foreign companies are liable for income tax in Finland if they have a permanent establishment in Finland. For example, a branch or a place of management can form a permanent establishment in income taxation (see also above what is said about having effective management in Finland).

### Taxable income:

Corporate tax is paid on the company's profit. When taxable income exceeds deductible expenses, the profit is subject to income tax. As a main rule, expenses that are incurred for business purposes are deductible. If deductible expenses exceed taxable income, the loss will be carried forward to future years.

## Accelerated depreciations for the years 2020-2023:

Depreciation of machinery and equipment may be doubled for tax years 2020-2023 (depreciation percentage 50%). Accelerated depreciations for tax years 2024-2025 have been proposed and the law is expected to be drafted during autumn 2022.

## R&D deduction incentive for the years 2021-2027:

In addition to normal deduction (100%) on R&D costs, a super R&D deduction of 50% is available for tax year 2021 and 150% for tax years 2022-2027 on certain criteria.

## Losses in taxation:

Tax losses are carried forward and offset against taxable income within the next 10 tax years.

## Group contribution within group companies:

Group companies may even out their taxable profits and losses under the preconditions set out by law ("group contribution"). Starting 2021, the final tax losses of a foreign subsidiary are, under certain conditions, tax deductible for a Finnish parent company.

## Interest deduction limitations:

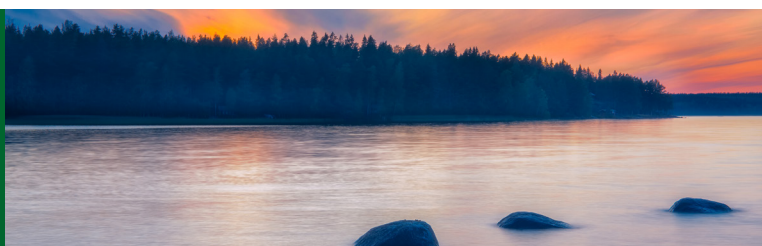
Finland has implemented interest limitation rules in accordance with the EU regulations. Net interest expense is fully deductible up to €500,000. Interest expense exceeding this amount is deductible only up to 25% of the adjusted taxable income (EBITDA). However, net interest paid to other than group related parties will always be deductible up to €3,000,000. There is also a balance sheet exemption if the company fulfills a balance sheet ratio (equity/assets) test. Under this exemption, all interest expenses are deductible.

## Dividends:

Dividends received by a Finnish company are, with certain exceptions, exempt from tax when the company paying the dividend is a resident in Finland or in another EU/EEA country. Shareholders of a limited liability company are not taxed until they start withdrawing income from the limited liability company in the form of wages or dividends. Distribution of dividends does not cause tax consequences in the distributing company (although requirements to withhold tax may arise).

## Participation exemption:

Capital gains from the sales of shares are tax-free, with some exceptions, if the shares belong to fixed assets, the seller company owns at least 10% of the share capital of the entity, and the shares have been held for at least one year.



## Corporate taxation

### Income from abroad:

Foreign-sourced income may be taxable in the source country as well as in Finland, which may lead to double taxation situation. In the assessment of corporate income tax, the Finnish Tax Administration generally eliminates double taxation with a credit method. Taxes that exceed the maximum credit can be used later during the five following years for any taxes payable on foreign income of the same type or source within the limits of maximum available credit.

### Tax treaties:

Finland has a comprehensive network of tax treaties with more than 70 countries (as of 2020).

### Transfer pricing:

Transfer pricing is based on the arm's length principle. Intra-group transactions must be based on the same terms as those used in transactions between unrelated parties. Intra-group transactions in multinational groups include e.g. sale of goods, provision of services, use of immaterial rights, sale of intangibles, and financing. The Finnish Tax Administration follows the approach of the OECD Guidelines for Transfer Pricing.

### Tax returns and payment of taxes (limited liability companies):

A limited liability company must file a tax return within 4 months from the end of the last calendar month of its accounting period. The tax return is recommended to be filed electronically, which is easy to do in the MyTax online service.

### Tax year:

The tax year is the company's financial year. If two or more financial years end during the same calendar year, the years are combined for tax purposes.

## Value added taxation

Like everywhere else in the EU, VAT is paid on the sales of goods and services. The VAT basis is the price received from selling goods or services. The standard VAT rate is 24%. Finland has two reduced rates: 14% and 10%. There is also zero-rate sales, plus certain goods and services are exempt from VAT.

VAT rate	Goods and services covered by the VAT rates (examples)
24%	Standard
14%	Food, restaurant, and catering services (alcohol 24%)
10%	Passenger transport, books, certain services related to sporting, accommodation
0%	Sales of goods and services to other EU Member States and exports of goods

### Exempt from VAT:

Social, healthcare, medical services, public education and similar services, financial and insurance services.

### Registration for VAT:

All companies with VAT liable operations whose annual turnover subject to VAT exceeds €15,000 must be registered for VAT. Companies usually enter the VAT register when they file their start-up notification, but it can also be done later. Registration forms are available online on the Business Information System website ([www.ytj.fi](http://www.ytj.fi)).

### Filing and paying VAT:

Companies that are registered for VAT must regularly file VAT returns. Returns can be filed in the MyTax e-service. Companies must calculate, file and pay VAT on a monthly basis in MyTax at their own initiative. The tax period is usually one calendar month. The general due date is 12th day of the second month following the end of the tax period. If the company's turnover is no more than €100,000 per calendar year, VAT can be filed and paid in quarterly periods. If turnover is no more than €30,000, VAT can be filed and paid by calendar year.



Value-added taxation

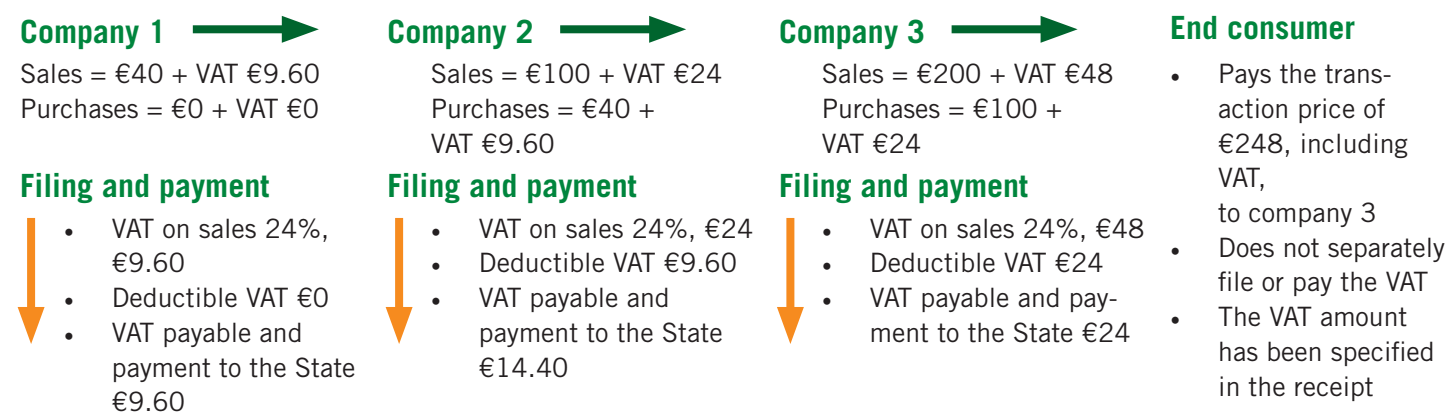
Tax period	Turnover threshold	Tax period example	Due date for tax return and payment
Calendar month	No turnover threshold	1/2022	12 March 2022
Calendar quarter	Max. €100,000	1-3/2022	12 May 2022
Calendar year	Max. €30,000	1-12/2022	28 February 2023

**Due date for tax return and payment:** 12 March 2022 / 12 May 2022 / 28 February 2023

Note that when the 12th day of the month is a Saturday or Sunday, the return and the payment must arrive at the Tax Administration on the next business day, e.g. 12.6.2022 on 13.6.2022.

**Principles of VAT:**

VAT is ultimately paid by the end consumer. Companies act as the collectors and remitters of VAT by paying the VAT on their sales and by deducting VAT from their purchases relating to VAT liable operations. The chart below demonstrates a simple chain of sales reflecting the logic of VAT when filing and payment are allocated between different companies.



**Tax Administration / State of Finland receives**

The VAT accrued by the State is in total €9.60 + €14.40 + €24 = €48. This corresponds to the amount of VAT that the consumer pays when buying the product.

In certain situations – for instance, when a company exports products from Finland to third countries – deductible VAT may exceed the payable VAT. In these circumstances, the company receives deductible VAT on their tax account. Example: A company purchases products in Finland from a Finnish seller. The deductible VAT is €100. All products are then exported to third countries. Because exports are taxed at 0% VAT, the company's VAT account will only contain the deductible VAT, which means that the company receives a refund (€100) from the Tax Administration.

**Excise duty**

The EU minimum tax level for industrial electricity is applied from 1 January 2021. Harmonized excise duties in the EU Member States are regulated by a directive. The directive is implemented in a national legislation. The harmonized excise duties apply to alcohol and alcoholic beverages, most tobacco products, liquid fuels, electricity, and certain other fuels. National non-harmonized excise duties are levied on soft drinks, beverage packages, and waste delivered to municipal landfill sites.





## Being an employer

- Regular employers must register into the Tax Administration's register of employers.
- A company acting as an employer is obligated to withhold tax and health insurance contributions from the employee's wage or salary and remit them to the Tax Administration.
- In addition, an employer needs to arrange mandatory insurance contracts for employees, including a pension insurance contract as defined by law. Pension and insurance contributions are paid to the insurance companies selected by the employer.
- Tax withholding is based on the tax card or tax-at-source card that the employee has provided to the employer. A tax card can be updated whenever it may be necessary.
- Employers must report earned income details to the Incomes Register within five days from the payment (read more: [www.tax.fi](http://www.tax.fi)).
- Employers can pay tax-exempt travel expense allowances if certain conditions are met.
- Fringe benefits (phones, cars, etc.) are considered taxable earned income.
- When a Finnish employee works abroad, her/his domestic employer still has obligations in Finland.
- When a foreign employee arrives in Finland, her/his taxpayer status (e.g. residency) must be taken into account in tax assessment.
- Unlisted companies can issue shares to their employees without tax on a taxable benefit, if the price charged from every employee is not higher than the mathematical value of the shares (close to the so called substance value in practice).

## Individual taxation

### Resident taxpayers

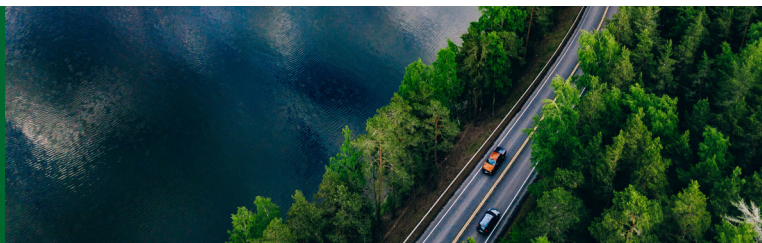
In general, a private person is a resident taxpayer in Finland if her/his home and place of residence is in Finland. In addition, any person who stays in Finland for longer than 6 months is considered a resident for tax purposes. A resident taxpayer pays income tax to Finland on the income she/he received from anywhere in the world. This may be limited by a tax treaty if the person is also a resident in another country.

Earned income (e.g. salaries and wages) is subject to progressive state income tax, municipal income tax, and the health insurance contribution. The employer withholds these payments from the employee's pay according to the tax rate stated on the employee's tax card. **Tax tip:** a tax percentage calculator ([tax.fi/tax-calculator](http://tax.fi/tax-calculator)) is a useful tool for estimating the amount of taxes on certain income. In addition, employer withholds pension and unemployment insurance premiums (approximately 8.40%) from the pay. Please note that the tax card is easy to update when estimated taxable income is changing.

### Example of a person who lives in Helsinki

yearly salary	tax rate	pension & unemployment insurance contributions
€30,000	12.0%	8.65%
€50,000	21.5%	8.65%
€100,000	32.0%	8.65%

Capital income (e.g. capital gains, dividends, rental income) is subject to tax at the rate of 30%, or 34% on the part exceeding €30,000.



**Individual taxation**

**Key employees** arriving from abroad can apply for a flat-rate tax of 32% instead of progressive income tax. However, this requires a monthly salary of at least €5,800.

**Non-resident taxpayers**

A private person is a non-resident taxpayer in Finland if she/he lives abroad and stays in here for 6 months or less. A non-resident taxpayer pays income tax to Finland only on the income received from a source in Finland. However, Finland’s right to tax may be limited by a tax treaty.

Earned income (e.g. salaries and wages) received by a non-resident taxpayer is subject to tax at source (35%). However, if the person’s country of residence is another EU country, Norway, Iceland or Liechtenstein,

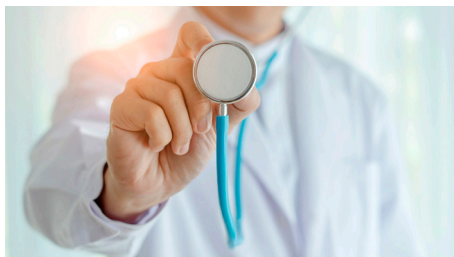
or a country that has a tax treaty with Finland, the person can request to be taxed progressively.

Capital income (e.g. dividends) is generally subject to tax at source (30%), but tax treaties typically narrow it down to 0-15%.

**Other taxes**

- **Transfer tax:** as a main rule, the recipient pays 1.6% (or 2%) of transfer tax on the disposal of shares, or 4% in the case of real estate
- **Wealth tax:** Not in use
- **Real estate tax:** General rate of real estate tax is max. 2%
- **Inheritance and gift tax:** Progressive tax scale

**With tax money, Finland pays for:**



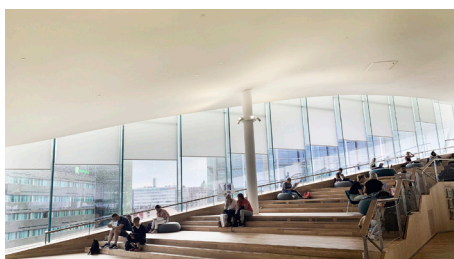
Free health and medical care



Free schools



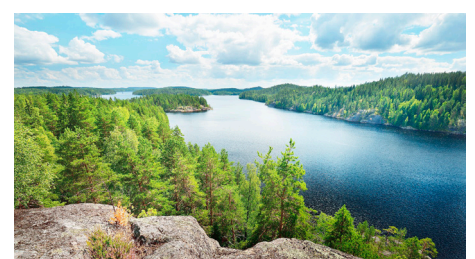
Children’s daycare



Higher education

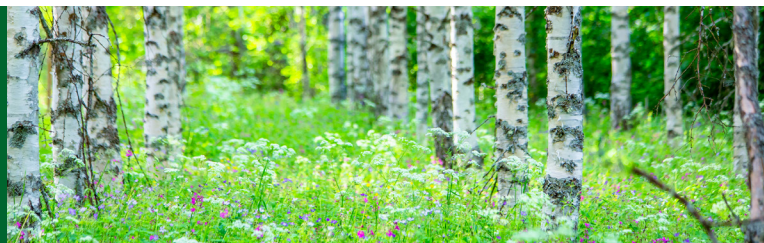


Facilities for sports, arts, and hobbies



Environmental protection

**Finland is the happiest country in the world, not because we laugh all the time but because everything works – and this is largely because of our taxes.**

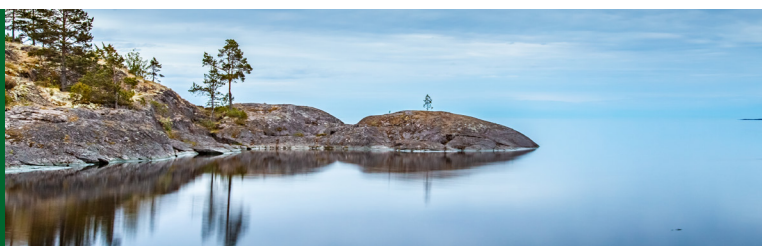


## Ten facts about feeling and being well

- **World's happiest country for fifth year in a row**  
(The World Happiness Report)
- **The number one in freedom of all the world countries in equal treatment**  
(Freedom House, Freedom in the World 2022)
- **Education in Finland answers to future needs best in the world**  
(Worldwide Educating for the Future Index 2018-2019)
- **Primary education is the world's best**  
(The Global Competitiveness Report 2017-2018)
- **The best digital public services in the EU in 2018-2020 and the second best in 2021**  
(European Commission, The Digital Economy and Society Index)
- **The air is the cleanest in the world**  
(Finnish Meteorological Institute, Finland tops WHO air quality statistics)
- **Finland is the fourth most prosperous country in the world**  
(The Legatum Prosperity Index 2021)
- **In 2019, Finland was ranked the world's safest country to visit**  
(the World Economic Forum)
- **The country that contributes most to the greater good of humanity in the world relative to its size**  
(Good Country Index 2019)

## Ten facts about business environment

- **Number one business environment in the world**  
(Global Innovation Index 2021)
- **Sustainability: Finland ranked as the 3rd best country in the world in transition to sustainable energy**  
(World Economic Forum, Energy Transition Index 2020)
- **The most stable country in the world 16th year in a row**  
(Fragile States Index 2021)
- **The second most skilled workforce in the world**  
(The Global Competitiveness Report 2019)
- **The Best Digital skills among active population in the World**  
(The Global Competitiveness Report 2020)
- **The third most innovative country in the world**  
(Innovation Champion the Consumer Technology Association 2019)
- **Helsinki is the fifth most attractive city for startups in the world**  
(The 50 Best Startup Cities, valuer.ai 2021)
- **The best protection of intellectual property rights and property rights in the world**  
(The Global Competitiveness Report 2019)
- **The world's best administration**  
(The Legatum Prosperity Index 2020: Finland)
- **Finland has again ranked as one of the least corrupt countries in the World in 2022**  
(Transparency International 2021)





# Contact information



Web sites (EN):

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Web sites (CH):

[www.vero.fi/china](http://www.vero.fi/china)

WeChat ID:



Finnish Tax  
Administration  
WeChat

5th May 2022

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