

# *Finland: Amendments regarding the taxation of a non-resident's earned income are confirmed*

January 27, 2014

## *In brief*

The Finnish government proposals to amend the Act on taxation of income of a person with limited tax liability have been confirmed without modification (see previous [Global Watch](#)). This Act addresses the taxation of a non-resident's earned income. The amended Act went into force on January 1, 2014 and should apply to income received as of this date.

Under the amended Act, a non-resident may request to be taxed on his/her income earned in Finland through tax assessment, i.e., progressive taxation instead of fixed tax-at-source. The earlier regulations on tax-at-source earned income will remain valid for those non-residents who do not apply for the non-resident tax card or express in any other way, a willingness to be taxed through tax assessment.

## *The takeaway*

The amended Act provides an opportunity for certain non-resident individuals to possibly decrease their tax burden in Finland depending on the level of earned income. However, the amended Act may also result in increased administrative burden when non-residents request to be taxed through tax assessment. In this situation, non-resident individuals must apply for a non-resident withholding tax card or make retroactive claims. Also, they must provide clarifications on their total worldwide income (i.e., documents regarding foreign-source income) as well

as file a tax return or at least review a pre-completed tax return provided by the tax office or make a claim for correction of taxation.

In contrast, a non-resident who does not request to be taxed through tax assessment should not have any reporting liabilities in Finland as the entity paying the income takes care of the tax-at-source withholding as well as the reporting liabilities in Finland.

## *Let's talk*

For a deeper discussion of how these issues might affect your business, please contact your

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