

International Assignment Services

Taxation of International Assignees Country – Finland

*Human
Resources Services*

*International
Assignment
Taxation Folio*



Table of Contents

Introduction – International assignees working in Finland.....	3
Step 1 – Understanding basic principles	4
Step 2 – Understanding the Finnish tax system.....	8
Step 3 – What to do before you arrive in Finland	14
Step 4 – What to do when you arrive in Finland	17
Step 5 – What to do at the end of the year	19
Step 6 – What to do when you leave Finland.....	21
Step 7 – Other matters requiring consideration.....	22
Appendix A – Tax rates for 2011.....	24
Appendix B – Typical tax and social security premium computation – Income from employment.....	25
Appendix C – Typical tax computation – Capital income.....	27
Appendix D – Double-taxation agreements	28
Appendix E – Social security agreements	29
Appendix F – Finland contacts and offices.....	30

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Introduction – International assignees working in Finland

This folio serves as an introduction to the principal provisions governing direct taxation of individuals. The folio reflects Finnish legislation as of January 2011.

The information given in this folio is not intended to be comprehensive, and no specific action should be taken on the basis of information contained herein without consultation. Further information and more detailed advice are available on request from our Helsinki office. Details are available at the end of this folio.

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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Menu

Step 1 – Understanding basic principles

The scope of taxation in Finland

1. An international assignee sent to work in Finland will in general become liable to Finnish tax. Finnish legislation distinguishes between full tax liability and limited tax liability. In principle, an individual who is resident in Finland is liable to tax on his worldwide income. In addition to taxes, an individual covered by the Finnish social security system is liable to pay Finnish social security contributions.
2. An individual with limited tax liability is subject to Finnish income tax on income arising from sources in Finland.
3. Finland has concluded a tax treaty with approximately 70 countries for avoiding double taxation. Details are in Appendix D. In most treaties the credit method is used to avoid double taxation.

Tax liability

4. An individual is considered to be resident in Finland if he/she has his permanent home and habitual abode in Finland or if he/she stays in Finland continuously for more than six months. The six-month period is not tied to a calendar year and a temporary absence does not break the continuity. Thus, an individual may be regarded as resident in Finland for part of the year and nonresident for the rest of the year.
5. An international assignee staying in Finland not more than six months in total is taxed as a nonresident.
6. A Finnish national is, however, deemed to be resident in Finland even if he/she is not present in Finland for a continuous period of more than six months until three calendar years have elapsed from the end of the year in which the person left the country, unless the person can prove that he/she has not maintained substantial ties with Finland during the tax year (the so called three-year-rule). After the three-year period the burden of proof is reversed and the tax authorities have to prove that the individual still has substantial ties to Finland.

Dual residence

7. An individual who is deemed to be resident in Finland may, at the same time, be considered resident in another country under its domestic legislation. If there is a tax treaty concluded between Finland and that country, there are provisions in the treaty to determine in which country an individual - in the case of dual residence - shall be considered resident and how double taxation is to be eliminated. If there is no treaty between Finland and that country the double taxation is eliminated according to Finnish domestic legislation.

Finnish residents can obtain credit for final income taxes paid abroad against income taxes payable in Finland on the same income. However, other than foreign national (federal) taxes cannot be credited in Finland unless they are covered in an appropriate tax treaty. In some tax treaties the exemption with progression method is used instead of the credit method in eliminating double taxation - either as a main rule or for some income types. Foreign advance taxes can also be credited, but the credit needs to be finally confirmed when the final amount of foreign taxes is available and a claim for correction of assessment may be needed. Any unused foreign tax credits can be carried forward for 5 years.

The tax year

8. The tax year runs from 1 January to 31 December. The tax liability of a foreign resident begins from the day he/she moves to Finland and ends when he/she moves out of Finland. Basically the same tax rules apply for full year of residency as for part year of residency.

Methods of calculating tax

9. Resident individuals are subject to tax in respect of worldwide income. All income received by the taxpayer in money or in kind is subject to tax unless there is an explicit provision to the contrary. Income is taxable for the 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/her disposal.
10. The income can accrue from three sources: business, agriculture and personal income (source of income). Costs related to each income source may be deducted only from its own source. The taxable income of each income source is calculated separately.
11. The income of an individual is divided into earned income and capital income (type of income). Capital income is precisely defined in the tax law. Capital income is the yield on property, gains on the sale of property, and other accruals based on property. All other income is taxed as earned income.
12. Capital income is taxed at a flat rate of 28%. No other taxes or social security contributions are levied on capital income
13. Taxes levied on earned income include national income tax (progressive scale), municipal income tax, and church tax (in case a taxpayer is a member of a Finnish parish). In addition to the above, social security contributions are payable by individuals covered by the Finnish social security system. See Appendix A.

Foreign expert tax regime

14. If a foreign expert moves to Finland and becomes a tax resident, his or her employment income from work performed in Finland for a Finnish company may, on certain conditions, be subject to 35% flat rate tax instead of progressive tax rates.
15. Conditions for the expatriate/foreign expert tax regime include the following:
 - The work performed must require special knowledge;
 - The length of the assignment must be more than 6 months (otherwise the assignee is regarded as nonresident and the regime is not applicable). As of January 1, 2007 the regime applies for a maximum of 48 months from the start of the assignment beginning January 1, 2007 or later; after that period, the expatriate is taxed according to the normal rules;
 - Monthly gross cash salary must be at least € 5,800. This condition has to be met for every month that the regime is applicable;
 - The employee may not be a national of Finland and may not have been tax resident in Finland during 5 calendar years preceding the year of commencement of the employment in Finland.
16. The Finnish employer withholds the 35% tax from the employee's cash salary; also the fringe benefits are calculated into the taxable basis.
17. An application for the regime must be filed within 90 days from the commencement of the employment.

Place of assessment

18. Taxes are levied in the municipality in which the individual was domiciled at the end of the preceding calendar year (31 December). In the year of arrival, taxes are levied in the municipality in which the individual is first registered.

Husband and wife

19. Spouses are taxed separately on their income. Spouses are responsible for the completion of their own income tax returns. As a general rule, deductions granted to each spouse are the same as those granted to single persons.
20. Cohabitants and spouses who permanently live apart are not regarded as a married couple. Cohabitants who have previously been married to each other or have a child are, however, treated as a married couple. Also, partners of the same sex are treated as a married couple for tax purposes if they have registered their relationship.

Minors

21. Children are taxed on their own income.

Social security

22. In Finland social security contributions are paid partly by the employee and partly by the employer. An employee who belongs to the Finnish social security system is liable to pay the sickness insurance premium (2.01%), the employee's employment pension premium (4.7% or 6.0% for employees of age 53 or more) and the employee's unemployment insurance premium (0.60%). The two latter premiums are deductible in calculating the taxable income. The sickness insurance premium payable to the tax authorities is divided in two classes, daily allowance premium 0.82% and Medicare premium 1.19%. Only the daily allowance premium is deductible in employee's taxation. The employer collects the aforementioned premiums from the employee's salary monthly. However, the sickness insurance premium is not collected from a foreign employee if the employee either stays in Finland for less than four months or provides the tax authorities with a certificate showing that he/she belongs to the social security system of his/her home country.
23. As a basic rule the individual belongs to the social security system of the country in which he/she lives and works. However, the EC regulations 883/2004, 1408/71 and the social security treaties concluded by Finland make it possible for foreign employees seconded to Finland to remain subject to the social security of their home country and be, thus exempt from the Finnish statutory social security premiums.
24. In order for the employee to stay in the social security system of his/her home country, the employee has to apply for a certificate of posting (A1, E101 or certificate of coverage) provided by the social security authorities in his/her home country before moving to Finland. An employee with a certificate of posting is not liable to pay any or all (depending on the social security treaty) social security contributions to Finland. In cases where Finland and the individual's home country have not concluded a social security treaty, the social security is arranged according to Finnish domestic legislation. However, each case should be investigated separately and exemptions to the above rule are possible.
25. Employees are advised to seek separate advice on the social security treatment in cases of split payroll, residence-based social security, and spouse coverage.
26. The employer (the Finnish company or the Finnish permanent establishment of the foreign company) is liable to pay to the tax authorities the employer's social security charge (2.12%), if the employee is covered by the Finnish social security system. In addition, all employers are liable to take out pension, accident,

unemployment and group-life insurances for the employees working in Finland and not holding a valid certificate of the home country social security coverage and pay the respective insurance contributions to the appropriate Finnish insurance companies. In 2011 the level of these employer contributions total is approximately 21% – 23.49% on average.

27. As of January 1st 2009 a new exemption has been introduced to the employers' pension insurance obligation for foreign employers. This new legislation concerns employers who reside outside European Union, ETA, Switzerland or those countries that Finland has a social security treaty with. The exemption is applied to assignments that start after the enforcement date. The foreign employer that is sending employees to work in Finland for a period of two years or less will be exempted of the obligation to take out the Finnish employment pension insurance for its expatriates. The exemption is automatic and, therefore, no application process is required. The exemption does not apply if the Finnish social security legislation applies due to European Union (EU) social security agreement or social security treaty or if the employee is under Finnish social security system immediately before the start of an assignment in Finland. If the assignment is planned to last longer than two years or if the assignment is prolonged during the employee's stay in Finland so that it exceeds the time limit, the employer can apply for an extension to the exemption from the Finnish employment pension insurance obligation for up to five years from the start of the assignment. In order to apply for the extension the employer has to prove that the pension insurance for the said expatriate has been duly taken care of outside Finland during the assignment. If the assignment in Finland lasts for longer than five years, the employer must take out the Finnish employment pension insurance according to the normal Finnish pension insurance legislation after the exemption time (two years or through application five years) has elapsed. It should also be noted that the exemption applies only to the employment pension insurance. The other statutory Finnish social security premiums shall always be paid unless the employee holds a valid certificate A1, E101 or certificate of coverage.

Diplomats, embassy personnel, etc.

28. Some special provisions apply to diplomats, embassy personnel and, in certain cases, employees working on ships and planes, as well as students, researchers and artists.

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Menu

Step 2 – Understanding the Finnish tax system

General principles

29. An individual who moves to Finland becomes liable to Finnish income taxes either as a resident or as a nonresident individual.
30. Finland taxes residents on their worldwide income. Residents are taxed according to progressive tax rates for national tax purposes and flat rates for municipal (and church and social security) tax purposes. Normally an individual will also be liable to the employee's part of the social security contributions.
31. A nonresident individual occasionally (for less than six months in total) working in Finland is taxed on Finnish-source income only. Tax treaties may provide, however, that under certain conditions even this income may not be taxed in Finland. Nonresidents are taxed at flat rates in accordance with the Nonresidents' Tax Act.

Taxation of employment income

Employment income

32. All income derived from employment is taxable earned income. It does not matter whether the remuneration is paid in cash or benefits in kind. Benefits in kind may include, for example, lunch provided by the employer, luncheon vouchers, housing, a company car, and a telephone. The value of these benefits is determined annually by the National Board of Taxes. If the value of the benefit is not determined directly in tax legislation or by the National Board of Taxes, the taxable value of the benefit is deemed to be its fair market value.

Stock purchase plans

33. An employment related right to subscribe new shares of a company at a price below market value is treated as taxable earned income to the extent the discount is more than 10% of the market value of the shares of the subject company. If only a minority of the staff is entitled to this advantage, the whole difference between the fair market value of the shares and the subscription price is taxable earned income. There are specific rules of determining the fair market value for tax purposes in share issues offered to employees.

If existing shares are used in a stock purchase plan, the aforementioned 10% tax-free discount is not available even though a majority of the staff would be entitled to participate in the plan.

Stock option plans

34. Taxable earned income also includes the benefit from an employment-related right to obtain or subscribe shares in a company for a price below their current value under convertible bonds, option loan, option warrant or other comparable arrangement (employment-related option).
35. The value of the benefit is deemed to consist of the fair market value of the shares at the moment of exercising the employment-related option less the total price paid for the shares and the employment-related option. The income is deemed to be taxable earned income for the year in which the employment-related option is exercised. The employment-related option is deemed to be exercised at the time the employee

acquires the underlying shares. The so-called six-month rule may be applied also to stock option benefits (see paragraphs 40-41), but there are some special requirements that have to be met in order for these benefits to be tax exempt on the basis of the six-month rule.

36. Transfer of an employment-related option (e.g. some of the options) is treated in much the same way as its exercise. In such a situation, the taxable value of the benefit is deemed to consist of the transfer price of the employment-related option. However, if the option is transferred to the inner circle of the employee or donated, the transfer is not considered as an exercise of the option and the benefit, which arises in later exercise of the options, is taxed as earned income of the original receiver of the options.

Exempt benefits

37. In principle all benefits are taxable. However, some benefits are prescribed by law as tax exempt. The following benefits are tax free if considered as customary and reasonable and they are available for all employees:
- A general health care service program provided by the employer;
 - Staff discounts on goods or services produced or sold by the employer;
 - Anniversary presents or other small gifts that are not in money or in a comparable form;
 - Benefit from recreational or leisure-time activities and cultural activities arranged by the employer;
 - Benefit of free or reduced tickets available to all employees of transport enterprises; and
 - Under certain circumstances, nursing provided by an employer to an employee's sick child.
38. Tax-free amounts of daily allowances and mileage compensation relating to temporary business trips are fixed annually by the National Board of Taxes.

Foreign source employment income

39. Residents of Finland are generally taxed on their worldwide income. In cases where income from employment abroad is taxable in more than one country, double taxation is eliminated either in accordance with a tax treaty or domestic law.
40. The Finnish internal tax legislation contains an exception to the worldwide taxability. According to the so-called six month rule, salary income derived by a resident individual from employment abroad that lasts at least six consecutive months is basically tax exempt in Finland. However, if the employee remains covered by the Finnish social security, the social security contributions are still payable.
41. On average, for each full month of employment abroad, the employee may visit Finland at the maximum of six days without forfeiting the exemption. Moreover, if a double tax treaty exists between Finland and the host country, then the treaty must give the host country a right to tax the salary income earned there. Otherwise the salary income is subject to normal progressive income taxes in Finland, even if the employment period abroad exceeds six months. The exemption contains force major clauses and is not applicable to persons employed by the State, a Finnish trade association or persons working on board Finnish ships or aircraft.

Directors' fees

42. Directors' fees paid by a Finnish company are always considered taxable income in Finland, regardless of whether the Board meetings are held in Finland or not.

Deductions and allowances

43. As a basic rule, costs related to acquiring income are deductible from gross taxable income. All residents are entitled to a standard deduction of € 620, however, at the maximum the amount equal to the amount of taxable salary and similar earned income. In addition to the main rule the Income Tax Act lists certain deductions and allowances of which the most common are listed below:
- Commuting expenses from home to work using the cheapest means of transport (i.e. bus or train). Expenses in excess of € 600 are deductible up to € 7,000;
 - Membership fees paid to trade unions and unemployment funds;
 - Employee's obligatory employment pension insurance premium and the unemployment insurance premium. There are no specific articles regarding the tax deductibility of obligatory social security contributions paid abroad by international assignees. Therefore each case has to be investigated separately;
 - Voluntary pension insurance premiums paid to a Finnish insurance company (including a Finnish branch of a foreign insurance company) or insurance company located within the European Economic Area (EEA). Such premiums may be deductible from capital income under certain conditions and limitations. If the amount of other deductible items from capital income and voluntary pension insurance premiums exceed the amount of capital income, a special capital income deficit is established. Up to a certain limit, the special capital income deficit may be credited against income taxes payable on earned income. Also, if an individual who has not been resident in Finland for the five years preceding his or her move to Finland pays premiums in a foreign voluntary pension scheme and is taken out at least one year before the individual moved to Finland, he/she is entitled to a deduction for the annual premiums paid during the year of arrival and the three following years. Deductibility of the foreign premiums is subject to the same rules that apply to domestic premiums;
 - Interest expenses relating to acquisition or renovation of an individual's or his/her family's permanent home, study loans guaranteed by the Finnish State or the government of the Province of Åland or an EEA state, and loans related to the acquisition of taxable income are deductible from capital income without limitations. However, if the capital income does not cover the interest expenses, a capital income deficit is established. Up to a certain limit, the capital income deficit may be indirectly credited against taxes payable on earned income;
 - For municipal taxation purposes, an allowance on earned income under certain conditions and limitations with the maximum amount of the deduction being € 3,750
 - A new deduction from income tax was introduced starting from 1st January 2009. Under certain conditions and limitations the tax payer is allowed a maximum of € 740 deduction from taxes according to earned income received during the tax year.
44. Many deductions and allowances have been abolished during the past few years. Nondeductible expenses include those incurred in acquiring or maintaining tax-exempt income, as well as expenses related to a taxpayer's living costs, i.e., medical costs, rent and expenses for household management, and child care. However, it is possible under certain conditions to deduct from taxes expenses for repairing an individual's house (permanent or leisure time home) and nursing provided in an individual's house (household deduction). The household deduction may be allowed after the deductible expenses exceed € 100. The maximum deduction from income tax is € 3,000 per year.
45. Donations to universities within the EEA receiving public funding are deductible if the donation is at least € 850. The maximum deduction is € 250,000. This is a temporary provision applicable between tax years 2009 and 2011.

Taxation of capital income

General principles

46. Capital income is defined under the Finnish Income Tax Act to include the yield on property, gains on the sale of property, and similar accruals based on property.
47. From the aggregate amount of capital income, all costs incurred in acquiring and maintaining the income can be deducted.

Interest income

48. Interest income is capital income. The tax on interest income is normally withheld at source.
49. Interest on domestic bank deposits and various bonds are subject to a final withholding tax of 28%. The bank takes care of the withholding and submits the withheld funds to the tax authorities.
50. The interest paid on loans or deposits by someone other than a bank or an issuer of bonds marketed to the public is taxed at the capital income tax rate of 28%. This income has to be declared in the individual's tax return.
51. Interest arising from foreign sources is fully taxable capital income in Finland. Normally taxes withheld in the source country are credited in Finland on the basis of the relevant tax treaty or domestic legislation.

Dividend income

52. 70% of Dividends from publicly quoted shares and shares quoted on the Main List of the Helsinki Exchange is taxed as capital income. 30% of the aforementioned dividends are tax exempt. Dividends from shares quoted on other lists of the Helsinki Exchanges and dividends from non-quoted shares are divided into capital income and earned income parts according to the shares' mathematical (corrected net asset) or market value (foreign shares) at the end of the fiscal year preceding the tax year. 9% of the aforementioned value is regarded as capital income and the rest as earned income. However, € 90,000 of the capital income part per year per individual is tax exempt and 70% of the rest of the capital income part is subject to the flat tax rate of 28% and 30% is tax exempt. Also from the earned income part, 70% is subject to the normal tax rates applicable to earned income and 30% is tax exempt.

If the distribution of dividends is based on work input or performance of the shareholders, not on their share ownership, the dividends are regarded as salary (or other remuneration for work) for tax purposes and are fully taxed as earned income.

53. The aforementioned rules apply also to foreign dividends, if the company distributing the dividends is a company mentioned in article 2 of the Directive 90/435/EEC on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states or Finland and the company's state of residence have concluded a double tax treaty that is applicable to the dividends. Otherwise foreign dividends received by a resident individual are taxed as earned income without any exemptions.
54. Distributions of profits by foreign investment funds are treated in Finland as taxable capital income, if not otherwise stated in a tax treaty.

Rental income

55. Rental income is taxed as capital income. Costs incurred in acquiring and maintaining the income is deductible.

Capital gains

56. Capital gains are taxed as capital income. In calculating the taxable capital gain, the acquisition costs (including the original cost of purchase plus improvement expenses) and transfer costs are deducted from the sales price.
57. An individual is always entitled to deduct a minimum amount of 20% of the sales price, regardless of the original acquisition cost. However, if the property has been owned for at least ten years, the amount is 40%. If the standard deductions are used, neither the actual acquisition price nor actual sales costs are deductible.
58. If the property is acquired by inheritance, will or gift, the individual may deduct from the sales price either the value used for inheritance or gift tax purposes or the standard deduction explained above.
59. A gain upon the disposal of a dwelling is tax exempt if the dwelling has been owned and at the same time used by the taxpayer or his family as their permanent home continuously for at least two years.
60. Capital gains are totally tax exempt if the total sales price of all taxable items sold during the tax year is less than € 1,000. Consistently, annual capital losses are not confirmed for tax purposes if the total acquisition cost of all taxable items sold during the tax year is less than € 1,000.

Capital deficit and losses

61. A capital deficit (not including loss on the disposal of property) may be carried forward for ten years. The deficit can be offset against future capital income. However, up to a certain limit, the deficit can be indirectly credited against taxes payable on earned income for the same tax year in which the capital income deficit is borne.
62. Losses on the disposition of property may be carried forward for five years and offset against capital gains only. A loss from the disposition of a dwelling is not deductible if a gain from the disposition of the dwelling would have been tax exempt. Neither capital deficits nor losses can be carried back.

Taxation of nonresidents

General principles

63. Nonresidents are taxed on their income derived from Finland. A statutory exemption applies to interest derived from Finnish bonds, debentures, and receivables not considered comparable to equity, deposits in banks, and foreign trade accounts.
64. The Income Tax Act includes a list of types of income that are considered to be Finnish source income. The list is not exhaustive. It includes, for example:
 - Income from real property or from a flat held by virtue of shares in a residential housing company or any other real estate company if the real property is located in Finland;
 - Wages, salaries and pensions paid by the state, a Finnish municipality or any other domestic statutory body;
 - Salaries and wages paid for employment exercised solely or mainly in Finland for the benefit of a local employer in the private sector, as well as pensions based on such employment;
 - Director's fees from a Finnish company, regardless of whether the Board meetings are held in Finland or not;
 - Remuneration paid for nonresident artists and sportsmen for their performances in Finland;

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- Dividends from Finnish limited liability companies, cooperatives, or other corporate bodies;
 - Interest paid by a debtor resident in Finland;
 - Capital gains from the sale of real property located in Finland and from the sale of shares in a Finnish residential housing company or in any other company if more than half of the company's total assets consist of real property situated in Finland.
65. Generally nonresidents are taxed in Finland on the aforementioned income unless otherwise stated in a relevant tax treaty. The different income taxes levied on residents are replaced by a single tax at source. The tax is levied either by withholding the tax from the gross payment or by assessment.
66. If the payer is liable to withhold tax at source, the tax is computed on the gross amount of the income. Unless a lower tax rate is provided by a tax treaty, the tax at source rate is 28% on dividends, interest payments, royalties and imputation credits, and 35% on income from employment and pensions. In general no deductions are allowed except a standard deduction of € 510 per month or, if the income is accrued from a time period of less than one month, € 17 per day is deducted from the income subject to the 35% tax withholding. The deductions are available if the employee has obtained a tax-at-source tax card from the tax office. Remuneration to artists and sportsmen is subject to 15% tax at source. In some cases it is also possible to pay tax-exempt daily allowances and reimbursements of expenses to an employee. Furthermore in the case of students and trainees, special deductions may be granted. Teachers and researchers may be entitled to full tax exemption according to the relevant tax treaty. If the individual's pay from Finland constitutes 75% or more of his/her total annual gross earned income, and he/she is a resident of an EU/EEA country, the individual can after the income year in Finland claim for a progressive taxation instead of the flat 35 percent tax if that is more beneficial him/her. The claim can be made by filing the Finnish income tax return. It is required that the individual provides a certificate from the tax authority of his/her home country showing his/her total annual gross income.
67. Any income not subject to final withholding of tax-at-source is subject to income tax assessment. Examples of such income are rental income, capital gains and pension. The income of a nonresident individual is divided into capital income and earned income in the same way as the income of a resident. A nonresident individual has to pay national income tax at a flat rate of 28% on capital income and final tax-at-source on earned income. No municipal or church tax is levied. Basically nonresidents staying in Finland over four months are also subject to Finnish social security contributions, if there is no certificate of posting or similar certificate of coverage available.

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Menu

Step 3 – What to do before you arrive in Finland

General

68. Before moving to Finland, you are advised to contact your home country local registration office and tax authorities for exit procedures. The following should be taken into account before arriving in Finland.

Residence permits

69. If you are a citizen of Denmark, Iceland, Norway, or Sweden, then you may enter, stay, and work in Finland without any permits.
70. If you are an EU/EEA national, you do not need permits to Finland. You are freely entitled to live, seek for employment, and work in Finland. If the stay lasts longer than three months, you must however register your residence at the local police office.
71. A national of any other country planning to work in Finland basically needs both a worker's residence permit and a residence permit. Exemptions to the worker's residence permit requirements are available. No separate work permits are issued. You must file your permit applications with the Finnish embassy or consulate in your country of residence. The first residence permit must be obtained before entering to Finland.

Employment contracts

72. Finnish labor laws including regulations on wages, working time, annual holiday and work safety, applies to all persons working in Finland, regardless of their nationality. In Finland it is customary to have a written employment contract, which specifies your rights and obligations as an employee and the rights and obligations of your employer. The act on posted employees sets also same minimum provisions (working hours, annual vacation etc.) to be observed by the Finnish and foreign employers if the inbound employer's working in Finland exceeds eight days, regardless of the fact that the parties of employment have agreed upon the governing law. It should also be noted that in order to get a residence permit to Finland the inbound employee shall have written assignment agreement clarifying the terms of temporary assignment in Finland e.g. compensation, employer, annual vacation, working hours, notice periods, length of assignment, etc.

Social security

73. If you intend to stay under the social security of your home country, please note that the required documents (A1/E101/E106 or similar document) should be obtained before arriving to Finland. See paragraphs 22-25.

Transferring personal possessions

74. Before arriving in Finland you should bear in mind that certain items may be prohibited or the importation of them restricted. These not only includes the more obvious items such as firearms and drugs, but also certain goods such as animal products, plants, part of plants and live animals. Also the importation of certain articles made from protected species is prohibited. It should also be noted that some restrictions exist regarding tobacco products and alcoholic beverages.

Personal property

75. Nationals of EU member states may move freely within the territory of the EU. With certain exceptions there are no restrictions on transferring personal property when you move to Finland from another EU Member State. The personal property of EU nationals is in general free from duties and VAT. Personal property brought within the EU, other than taxable vehicles, need not be entered for customs clearance.
76. All the personal property brought to Finland from outside the EU must be cleared through customs, that is, a declaration must be submitted for their release for free circulation at the place of importation. The personal property of an individual coming from outside EU may be granted relief from duty and VAT, but the following conditions must be fulfilled before entering into Finland in order to qualify for customs and tax relief:
- Relief from customs duty may be applied by individuals whose main place of residence has been outside the Community (in a third country) for a continuous period of at least 12 months;
 - The goods have been owned and, in the case of non-consumable goods, used by the immigrant for at least six months in a non-EU country before the date of immigration; and
 - The goods are intended to be used for the same purpose at the new main place of residence in Finland.
77. A relief from customs duty is granted only in respect of goods declared to Customs for release for free circulation within twelve months from the date of change of the normal place of residence. The goods may be imported in several consignments within the time limit of 12 months.
78. You may be allowed to take goods into Finland free of customs duty and VAT in advance of arriving in Finland if you undertake within six months to establish your main place of residence in Finland. This authorization is granted by a District Customs Office. You must also provide security determined by the District Customs Office.
79. You may not lend, give as security, hire out, sell or transfer, whether for a consideration or free of charge, these goods in question without prior notice to the District Customs Office, until 12 months after the date on which their entry for free circulation was accepted. Otherwise, customs duty and VAT are collected on them.

Vehicles

80. A private person residing permanently outside Finland may temporarily import a vehicle into Finland for his own need free of car tax and use it in Finland on the following conditions:
- The vehicle is registered outside Finland, and the registration is valid;
 - The vehicle is used in Finland during a continuous or interrupted term of six months within a period of 12 months; and
 - The use of the car is not connected with purchasing the vehicle in Finland.
81. By making an application to the District Customs Office the time period may be extended by up to one year (in addition to the initial six months). When using the vehicle in Finland, the vehicle should be covered by traffic insurance recognized here.
82. You may not sell, lend or in any other way allow somebody residing permanently in Finland to use the vehicle that was exempted from car tax under the temporary importation rule. However, your family members as well as individuals who may themselves qualify to import a vehicle abroad for temporary use are not under the above restrictions.

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83. If the temporary importation rule does not apply, the car tax is reduced by a maximum of €13,450 if the following conditions are met:
- The immigrant has stayed abroad continuously for at least one year immediately before moving to Finland;
 - The vehicle has been in the ownership of the immigrant or his spouse, or in such a possession that leads to ownership, and used by them for at least six months immediately before moving to Finland; and
 - The vehicle (including motorcycles) may not be sold or transferred for three years after importation, during which time the vehicle must be in the use of the immigrant in Finland for at least one year.

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Menu

Step 4 – What to do when you arrive in Finland

Registration

84. When you move to Finland, you have to make a written Change of Address Notification (muuttoilmoitus) no later than a week after your arrival. A new notification is required every time you move within Finland and also when you leave the country permanently. However, if the stay in Finland lasts for less than a year, there is no liability to file the aforementioned notification.
85. If you move from a Nordic country, then you need, in addition to a Finnish Change of Address Notification, an Internordic Migration Form (yhteispohjoismainen muuttokirja) from the municipal authorities of the country you move from. The Inter-Nordic Migration Form is forwarded to the local register office in your place of residence in Finland.
86. When your name is entered in the population information system, you will be given a Finnish personal identity code. The population information system forwards the information to, among others, the Social Insurance Institution (KELA) and to the tax authorities. If you are entitled to Finnish social security based on your residence, you will receive a Sickness Insurance Card (KELA-kortti) from your local KELA-office. In case there is no liability to file the Change of Address Notification due to the fact that the stay in Finland is less than a year, the personal identity code can be obtained from the tax authorities.

The citizens of EU countries are liable to register themselves with the local police if their stay on Finland exceeds three months.

Tax card

87. If your stay in Finland lasts for less than six months, then you are taxed as a nonresident. Your Finnish employer withholds a flat rate of 35% from your gross income less standard deductions (see item 75) and files periodic and annual notifications on the amounts withheld with the tax authorities. If a relief is available under either Finnish internal legislation or a tax treaty, then you need to apply for a tax-at-source card in order to be sure that a lower percentage than 35% can be applied or standard deductions granted (510 €/17 €). If it is uncertain whether the six-month limit will be exceeded, then tax-at-source is collected initially. A tax card is granted on application when it has been verified that the 6-month limit will be exceeded.
88. However, where you expect to stay for at least six months, you should apply for a tax card immediately upon arrival. The tax card includes a tax rate calculated by the tax authorities to cover your ultimate tax liability on your estimated level of income. Monthly withholding of income taxes is made by the employees according to this percentage, but the total annual withholding does not necessarily cover your final tax liability due to the effects, for example, of salary increases, bonuses, and new deductions.
89. In order for the foreign expert tax regime (see paragraphs 14-17) to be applied, an application must be filed within 90 days from the commencement of working in Finland.

If your employer has no permanent establishment or representative in Finland, you can apply for self-payment preliminary tax instead of a tax card, pay a supplementary tax payment at your own discretion or pay the final taxes after assessment, because in this case the employer does not have a liability to withhold income taxes monthly

Child benefit

90. A child benefit is payable if you belong to the Finnish social security system. The child benefit is paid for every child under 17 living in Finland. The amount of the benefit per child is € 100.40 to € 182.73 per month depending on the number of children. The child benefit is not taxable income in Finland.

Opening bank accounts

91. An international assignee that is resident here is free to open a bank account even before he/she has a Finnish personal identity code.
92. Individuals coming to Finland are free to bank and spend or transfer assets to or from Finland. There are no restrictions or regulations on transfers, deposits, or spending. However, for statistics purposes, you are required to report the purpose of payments to the local bank carrying out the transaction.

Vehicle tax

93. Currently cars registered in Finland and weighing less than 3,500 kg are subject to vehicle tax ranging from € 95 to € 984 per year depending on the age of the car and the fact whether it uses petrol or diesel. As of 1 March 2011 the vehicle tax relating to new cars will be determined based on the carbon dioxide emissions. The tax ranges from € 20 to € 600 per year. The vehicle tax relating to older cars, which do not have the amount of CO₂ emission registered in the database, will be determined based on the total weight of the car and the tax ranges from € 75 to € 485 per year. The tax is assessed in advance for the period of one year. The tax is calculated on daily basis. During the transitional period from 1.3.2010 to 28.2.2011 the tax will be assessed partly based on the old calculation and partly based on the new calculation.

Driver's license

94. EU/EEA licenses are valid in Finland without time limits.
95. A driver's license issued in any country observing the Geneva or Vienna International Road Traffic Conventions is, under certain conditions, valid in Finland for 12 months. After 12 months the license has to be exchanged to a Finnish license.
96. Other foreign licenses are not valid in Finland and have to be replaced with a Finnish license. This normally involves taking a driver's test in Finland.

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Menu

Step 5 – What to do at the end of the year

Tax return

97. The tax is assessed for a tax year. The tax year is the calendar year. Individuals registered with the tax authorities will receive a pre-completed tax return form. The completed tax return must be submitted to the authorities around middle May in the year following the tax year. The pre-completed tax return is based on the information that the tax authorities received directly from the payers of income. If there is nothing to add or correct on the pre-completed tax return, the taxpayer does not have to file any tax return. In case the individual has received income abroad she/he is self liable to supplement the tax return by the missing information and file the form and enclosures with the tax office. It should be noted that the reporting liability may be wider than the final tax liability, e.g. individual staying for more than six months in Finland has a liability to report his/her income in the tax return even though the tax treaty restricts Finland's taxation right.
98. As a basic rule a nonresident individual is not liable to file a tax return. However, if he/she has Finnish-source income that is subject to an income tax assessment (instead of tax at source being collected) in Finland, then a tax return should be filed.

Tax assessment

99. The final tax is assessed on the basis of the information given on the tax return and various control information gathered by the tax authorities.
100. The tax assessment is usually completed by 31 October in the year following the tax year, during the so-called assessment year. During August – October of the assessment year the tax authorities will send you a tax statement. Any excess taxes are usually refunded in December in the assessment year. Interest is paid on the refund.
101. If, on the other hand, the final tax exceeds the paid preliminary taxes, residual tax is payable in two installments, in December of the assessment year and February on the following year. Interest is levied on the residual tax. The tax shall be paid on time even if an appeal is submitted.
102. A punitive tax increase is levied if the taxpayer, for instance, neglects to file a tax return, does not give further information on request or intentionally gives incorrect information. The punitive tax increase may be up to 30% of the amount of income added to the taxable amount.

Appeals

103. A taxpayer who is dissatisfied with the assessment may appeal to the assessment adjustment board of his/her regional tax office within five years after the end of the assessment year. The decision of the assessment adjustment board can be appealed to the provincial administrative court also within five years from the end of the assessment year. The decision of the administrative court may be challenged as a final appeal to the Supreme Administrative Court within 60 days from receiving the decision of the lower court, but only if the Supreme Administrative Court grants a permission to appeal.

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Menu

Step 6 – What to do when you leave Finland

Registration formalities

104. When leaving Finland, the registration authorities shall be notified of the change of address. The change-of-address notification should be filed in writing. If a KELA-card has been obtained, then it should be returned.

Tax return

105. The tax return shall be filed for the year of departure in a normal way. This should generally be done in May the year following the year of departure when a pre-completed tax return has been received.

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Menu

Step 7 – Other matters requiring consideration

Tax on real property

106. Tax on real estate is payable on real estate situated in Finland. The most important exemptions from the tax liability are for forested and agricultural land. The real estate tax is payable by those who own the taxable property at the beginning of the calendar year. Tax is calculated on the taxable value of the real property. In general, the rate may vary between 0.32% and 3.0% of the taxable value. Municipalities will annually decide within allowed limits what percentage is applied in each municipality.
107. The municipality may impose a separate real estate tax on a vacant plot if the plot is situated in a town plan area and it is not in residential use or under construction. The tax rate on a vacant plot may vary between 1% and 3%.

Transfer tax

108. Transfer tax is imposed on transfers of real property located in Finland and Finnish securities. Tax on transfers of real property is 4% and on transfer of securities 1.6% on the transfer price. Transfer of listed company securities is in most cases tax exempt. In addition, no transfer tax is imposed if both the seller and the purchaser are nonresidents (except the cases of transferring shares in Finnish real estate companies).
109. There is no liability to transfer tax if the transfer is due to an inheritance, donation, or a division of property subject to a matrimonial right. Also, no tax is imposed if a person between 18 and 39 years of age acquires his first owner-occupied permanent home.

VAT

110. The Finnish VAT rate is 23%. Lower rates are applied to specified items.

Restrictions of ownership

111. Anyone living and working in Finland has the right to buy real estate, regardless of his/her nationality.
112. Since 1993, international assignees have also been exempted from the requirement of obtaining special permission to own shares. This applies equally to shares in condominiums and companies.

Inheritance and gift tax

113. These taxes are imposed on property acquired by inheritance, will or gift. Inheritance tax is levied to a person who receives immovable or movable property through inheritance or will if the deceased, the inheritor, or the beneficiary was resident in Finland at the time of death. Immovable property located in Finland and shares of a company, the assets of which consist mostly of immovable property, are always subject to inheritance taxation in Finland.
114. Gift tax is levied to a person who receives immovable or movable property as a donation if the donor or the beneficiary is resident in Finland at the time of donation. Immovable property situated in Finland and shares of a company, the assets of which consist mostly of immovable property, are always subject to gift taxation in

Finland. The taxable amount of gifts is calculated cumulatively in three-year periods. This means that if gifts received from the same person are € 4,000 or more in three years, the donor will be liable to pay gift tax.

115. The tax is levied on both resident and nonresident beneficiaries. The taxable value of the inheritance, gift or bequest is based on the fair market value of the property at the date of death/donation. The tax rate applicable to the inheritance or to the gift depends on the beneficiary's relationship to the deceased or donor. The tables below apply if the inheritor or donor is the spouse (including a cohabitating partner if the partners have a common child or if they have previously been married), father, mother of the deceased or donor and to any linear descendent of deceased/donor or spouse (including stepchild/adopted child).

Gift tax rates 2011

Value of taxable property over (Euros)	Not over (Euros)	Tax on lower amount	Percentage on excess
4,000	17,000	100	7%
17,000	50,000	1,010	10%
50,000	And Above	4,310	13%

Inheritance tax rates 2011

Value of taxable property over (Euros)	Not over (Euros)	Tax on lower amount	Percentage on excess
20,000	40,000	100	7%
40,000	60,000	1,500	10%
60,000	And Above	3,500	13%

116. As concern other than the aforementioned recipients, the tax rates are considerably higher than the above tables show.

Relief from inheritance tax may be available to nonresidents under the terms of special tax treaties. Finland has tax treaties on inheritance taxes with the following countries: Denmark, France, Iceland, the Netherlands, Norway, Switzerland, and the United States. The treaty between Nordic countries also covers gift tax.

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Menu

Appendix A – Tax rates for 2011

Individual tax rates for 2011

The national income tax rates vary between 6.5% and 30%:

Taxable income over (Euros)	Not over (Euros)	Tax on lower amount	Percentage on excess
15,600	23,200	8	6.5%
23,200	37,800	502	17.5%
37,800	68,200	3,057	21.5%
68,200	And Above	9,593	30%

The municipal income tax rate varies between 16.25% and 21.50% depending on the municipality. For example in Helsinki the rate is 18.5%.

A member of the Evangelic-Lutheran Church or Orthodox Church is liable to pay church tax, which varies between 1.0% and 2.00%. For example in Helsinki the rates are 1.0% (Evangelic-Lutheran) and 1.6% (Orthodox).

The rate of sickness insurance premium payable on taxable income determined for municipal taxation is divided in two classes, the daily allowance premium is 0.82% and the Medicare premium is 1.19% (2011).

The employee's employment pension premium is 4.7% and 6.0% for those of age 53 years or more and the employee's unemployment insurance premium is 0.60%, both calculated on the gross salary.

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Menu

Appendix B – Typical tax and social security premium computation – Income from employment

Assumptions

- Salary - € 100,000
- Annual bonus - € 20,000
- Free use of company car (Volvo V70 2.4D/2011)
- Housing benefit (100 m2/1995/Helsinki region) $[(7.90 * 100m2)+152]*12$

Tax and social security computation	€	€
Salary	100,000.00	
Bonus	20,000.00	
Company car	9,720.00	
Housing	11,304.00	
Gross income		141,024.00
Less – specific deductions:		
Standard deduction	(620.00)	
Unemployment insurance premium	(846.14)	
Daily allowance premium	(1,156.40)	
Employment pension insurance premium	(6,628.13)	
Total deductions		(9,250.67)
Taxable earned income		131,773.33
Taxes payable		
Municipal income tax (18.5%) *	24,370.07	
Church tax (1.0%) *	1,317.73	
National income tax	28,665.00	
Sickness insurance Medicare contribution	1,568.10	
Sickness insurance daily allowance	1,156.40	
Unemployment insurance premium	846.14	

Tax and social security computation	€	€
Employment pension insurance premium	6,628.13	
<i>Total taxes</i>		64,559.57
<i>Net salary</i>		55,440.43

* Presuming the person lives in Helsinki and he/she belongs to the Evangelical Lutheran Church of Finland.

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Menu

Appendix C – Typical tax computation – Capital income

Assumptions

- Dividends from Stock Exchange Shares - € 20,000
- Cost of administration - € 200
- Rental income - € 10,000
- Maintenance charge - € 1,000
- Interest expenses relating to rental income - € 10,000

Tax computation	€	€
70% of dividends	14,000	
Rental income	10,000	
Gross income		24,000
Less – specific deductions:		
Cost of administration	(200)	
Maintenance charge	(1,000)	
Interest expenses	(10,000)	
Total deductions		(11,200)
Taxable capital income		12,800
Taxes payable		
Capital income tax - 28%	3,584	
Total taxes		3,584

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Menu

Appendix D – Double-taxation agreements

Finland has concluded a tax treaty for avoidance of double-taxation and the prevention of fiscal evasion with respect to taxes on income and on capital with the following countries (treaties in force on 1 January 2011):

Argentina	Faroe Islands	Luxembourg	Slovak Republic
Armenia	France	Macedonia	Slovenia Blank
Australia	Georgia	Malaysia	South Africa
Austria	Germany	Malta	Spain
Azerbaijan	Greece	Mexico	Sri Lanka
Barbados	Guernsey	Moldova	Sweden
Belarus	Hungary	Montenegro *	Switzerland
Belgium	Iceland	Morocco	Tanzania
Bermuda	India	Netherlands	Thailand
Bosnia and Herzegovina *	Indonesia	New Zealand	Turkey
Brazil	Ireland, Rep. of	Norway	Ukraine
Bulgaria	Isle of Man	Pakistan	United Arab Emirates
Canada	Israel	Philippines	United Kingdom
Cayman Islands	Italy	Poland	United States
China, P.R.	Japan	Portugal	Uzbekistan
Croatia *	Jersey	Republic of Korea	Vietnam
Czech Republic	Kazakhstan	Romania	Yugoslavia
Denmark	Kyrgyzstan	Russia	Zambia
Egypt	Latvia	Serbia *	
Estonia	Lithuania	Singapore	

* The treaty with former Yugoslavia is to be regarded as remaining in force.

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Menu

Appendix E – Social security agreements

Social security agreements

EC regulations 883/2004, 1408/71 and 574/72 apply to EU/EEA member states:

Austria	Greece	Norway
Belgium	Hungary	Poland
Chile	Iceland	Portugal
Cyprus (the Greek part)	Italy	Romania
Czech Republic	Latvia	Slovakia
Denmark	Liechtenstein	Slovenia
Estonia	Lithuania	Spain
Finland	Luxembourg	Sweden
France	Malta	United Kingdom
Germany	Netherlands	

Switzerland: the aforementioned regulations are applicable on the basis of the agreement on free movement between Switzerland and the EU.

Other agreements

Australia (1 st July 2009)	Chile	USA
Canada and Quebec	Israel	

Agreement on treatment of temporary visitors

Australia	Hungary
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Menu

Appendix F – Finland contacts and offices

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Menu

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