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Global Mobility Services
Taxation of International Assignees Country – Finland

People and Organisation

Global Mobility Country Guide (Folio)

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Country Finland

Introduction:	International assignees working in Finland	4
Step 1	Understanding basic principles	5
Step 2	Understanding the Finnish tax system	10
Step 3	What to do before you arrive in Finland	18
Step 4	What to do when you arrive in Finland	21
Step 5	What to do at the end of the year	23
Step 6	What to do when you leave Finland	25
Step 7	Other matters requiring consideration	26
Appendix A	Tax rates for 2017	28
Appendix B	Typical tax computation - income from employment	29
Appendix C	Typical tax computation - capital income	31
Appendix D	Double-taxation agreements	32
Appendix E	Social security agreements	33
Appendix F	Finland contacts and offices	34

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Global Mobility Country Guides

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 July 2017.

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 in Appendix F.

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 tax in Finland. 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 80 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 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 individual left the country, unless the individual 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 other 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 permanently moves out of Finland. Basically the same tax rules apply for full year of residency as for part year of residency (please see sections 29. — 31. for more details regarding foreign nationals´tax liability in Finland).

Methods of calculating tax

9. Resident individuals are subject to tax in respect of their worldwide income. All income received by the individual 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 30%. Capital income exceeding 30,000.00 EUR is taxed at flat rate of 34 %.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.

Furthermore the public broadcasting tax is levied in addition to the abovementioned state, municipal and church taxes. The rate of public broadcasting tax is 0.68%. However, the maximum amount payable amounts to 143 €, which is reached when the taxable income (earned and capital income in total) amounts to 21,029,00 €. No public broadcasting tax is collected from individuals whose taxable income is less than 10294,00 € for pensioners. For salary earner the limit is 11.044,00 €.

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). The regime applies for a maximum of 48 months from the start of the assignment; after that period, the expatriate is taxed according to the normal progressive rates;

– 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 preceeding 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 together are, however, treated as a married couple for tax purposes. 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 (1.58%), the employee's employment pension premium (6.15% or 7.65% for employees of age 53 or more) and the employee's unemployment insurance premium (1.60%). 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 1.58% and medicare premium which in 2017 is 0.00%. The daily allowance premium is deductible in calculating the taxable income. 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 is covered by 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 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 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 sickness insurance charge (1.08%), if the employee is covered by the Finnish social security system. In addition, all employers are liable to take out employment 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 2016 the level of these employer contributions total was approximately 22.09% on average.

27. There is available an exemption concerning the employers' employment pension insurance obligation of the foreign employers. This exemption concerns employers who reside outside European Union, ETA, Switzerland or those countries that Finland has a social security treaty with. The foreign employer that is sending employees to work in Finland for a period of two years or less will be exempted from 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.

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 Finnish 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 Act on the Taxation of Income of a Person Subject to Limited Tax Liability.

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, lunch vouchers, housing, a company car, and a telephone. The value of these benefits is determined annually by the Finnish Tax Administration. If the value of the benefit is not determined directly in tax legislation or by the Tax Administration, 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.

36. Transfer of an employment-related option (e.g. sale of the option rights) 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 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 Finnish Tax Administration.

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 € 750, 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 € 750 are deductible up to € 7,000;
- Membership fees paid to trade unions and unemployment funds;
- Employee's obligatory employment pension insurance premium, the unemployment insurance premium and the daily allowance part of the compulsory sickness insurance premium.There are no specific provisions 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 five years preceding his or her move to Finland pays premiums in a foreign voluntary pension scheme that has been 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. It should be noted that amount equaling to 45 % of the interest expenses on mortgage related to family's permanent home are deductible whereas interest expenses on mortage related to acquiring income are fully deductible. The deductible amount is ought to lower down to 35 % during the tax year in 2018. 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 € 3,570.

– Under certain conditions and limitations the tax payer is allowed a maximum of € 1,420 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 € 2,400 per year.

Taxation of Capital Income

General principles

45. 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.

46. From the aggregate amount of capital income, all costs incurred in acquiring and maintaining the income can be deducted.

Interest income

47. Interest income is capital income. The tax on interest income is normally withheld at source.

48. Interest on domestic bank deposits and various bonds are subject to a final withholding tax of 30%. The bank takes care of the withholding and submits the withheld funds to the tax authorities.

49. 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 30%. This income has to be declared in the individual's tax return.

50. 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

51. 85% of Dividends from publicly quotes shares are taxed as capital income. 15% of the aforementioned dividends are tax exempt.

As concern dividends from non-quoted shares 25% of the dividend corresponding to an annual return of 8% calculated on the mathematical value of the share is regarded as taxable capital income up to a maximum limit of EUR 150,000. 85% of the dividend exceeding EUR 150,000 is considered as taxable capital income. With respect to the portion exceeding the 8% calculated on the mathematical value of the share 75% of the dividend is considered as taxable earned income. 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.

As concern dividends received from Finland, an individual residing in an EU/EEA country may claim taxation under the rules applicable to individuals resident in Finland, if the individual can show that the Finnish tax-at-source (30% or a lower percentage provided by a tax treaty) cannot be fully credited in the individual's home country. A certificate from the home country tax authorities is needed.

52. The aforementioned rules apply also to foreign dividends, if the company distributing the dividends is a company mentioned in article 2 of the Directive 2011/96/EU (as amended 2013/13/EU) 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.

53. 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

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

Capital gains

55. 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.

56. 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.

57. 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.

58. 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.

59. 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

60. 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.

61. Losses on the disposition of property can be offset against any kind of capital income as of year 2016. 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

62. 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.

63. 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;
- Salaries and wages received from a foreign employer for work performed in Finland when the foreign leasing company has leased the employee to a Finnish company.
- 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;
- 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.

64. 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.

65. 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 30% 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-at-source 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. A resident of an EU/EEA country can claim for a progressive taxation instead of the flat 35 % tax if that is more beneficial to him/her. If the individual's pay from Finland constitutes of 75% or more of his/her total annual gross earned income, a claim can be made to exclude home country income from Finnish tax calculation. Otherwise home country income will be taken into account when determining progressive rate for Finnish earned income tax liability. The claim for a progressive taxation and the exclusion of home country income can be made either when applying for a tax card or after tax year by filing the Finnish income tax return. The claim must be backed by a certificate of earned income given by home country tax authority.

66. 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 30% on capital income (34 % on capital income exceeding € 30,000) 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.

Step 3
What to do before you arrive in Finland

General

67. 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

68. If you are a national of Denmark, Iceland or Sweden, then you may enter, stay, and work in Finland without any permits.

69. 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 immigration office.

70. 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 Finland.

Employment contracts

71. 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 Posting of Employees sets also same minimum provisions (working hours, annual vacation etc.) to be observed by the Finnish and foreign employers if the inbound employee works temporarily, regardless of the fact what the parties of employment have agreed upon the governing law if the Finnish regulations are more beneficial than the home country provisions. As of September 2017 the employers seconding employees temporarily to Finland have a liability to file an electronical notification on the posted employees working temporarily in Finland. 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

72. If you intend to stay under the social security of your home country, please note that the required documents (A1 certificate of coverage or similar document) should be obtained. See paragraphs 22-25.

Transferring personal possessions

73. 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

74. 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, does not need be customs cleared.

75. 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. A relief relating to VAT and customs duties may be granted to the personal property of an individual coming outside EU (except for e.g. alcohol and tobacco), but the following conditions must be fulfilled before entering into Finland in order to qualify for the relief:

- Relief from customs duty can 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 (for special cases also a shorter period may be accepted by Finnish customs);
- 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.

76. A relief from customs duties is granted only in respect of goods declared to Customs within twelve months from the date of the change of residence. The goods may be imported in several consignments within the 12-month period.

77. It may be allowed to transfer goods to Finland without paying customs duties and VAT before moving to Finland if the main place of residence is established in Finland within six months. This authorization is granted by the Customs. A security determined by the Customs must also be provided.

78. It is not allowed to 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 Customs, 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

79. A private person residing permanently outside Finland may temporarily import a vehicle into Finland for his own use without paying the Finnish car tax. The car can be used in Finland on the following conditions:

- The vehicle is registered outside Finland (valid registration);
- The vehicle is not used in Finland more than six months within a period of 12 months;

- The use of the car is not connected with purchasing the vehicle in Finland; and
- The vehicle is insured (traffic insurance) and the insurance is valid in Finland.

80. By making an application to Tax Authorities before the initial time period of six months ends, the time period may be extended by up to one year (in addition to the initial six months).

81. It is not allowed to 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, the family members as well as individuals who would themselves qualify to import a vehicle abroad for temporary use are not under the above restrictions.

Step 4
What to do when you arrive in Finland

Registration

82. When moving to Finland, a written Change of Address Notification must be filed no later than a week after the arrival. A new notification is required every time of moving within Finland and also when leaving the country permanently. However, if the stay in Finland lasts for less than a year, there is no liability to file the aforementioned notification.

83. When moving from a Nordic country, an Inter-Nordic Migration Form (yhteispohjoismainen muuttokirja) should be obtained from the municipal authorities of the country where moved from. The Inter-Nordic Migration Form is then forwarded to the local register office in the place of residence in Finland.

84. When the name is entered in the population information system, the individual 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 entitled to Finnish social security based on the residence, a Sickness Insurance Card (KELA-kortti) will also be provided by 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 nationals of EU countries are liable to register themselves with the Immigration Office if their stay on Finland exceeds three months.

Tax card

85. If the total stay in Finland lasts for less than six months, the individuals are taxed as a nonresident. The Finnish employer withholds a flat tax-at-source of 35% from your gross income less standard deductions (see item66) 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, a tax-at-source card need to be applied 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. Moreover a resident of another EU/EEA can claim for a progressive taxation even during stays below 6 months (more details on item 65). In addition to a tax card/tax-at-source card, all individuals working on construction sites must obtain a Finnish tax number at the local tax office. The tax number must be obtained regardless of the length of the stay in Finland.

86. However, where it is expected to stay for at least six months in Finland, a tax card should be applied immediately upon arrival. The tax card includes a tax rate calculated by the tax authorities to cover the ultimate tax liability on your estimated level of income. Monthly withholding of

income taxes is made by the employer according to this percentage, but the total annual withholding does not necessarily cover the final tax liability due to the effects, for example, of salary increases, bonuses, and new deductions.

87. 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

88. A child benefit is payable if the child is covered by 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 € 94,88 to € 172,69 per month depending on the number of children. The child benefit is not taxable income in Finland.

Opening bank accounts

89. An international assignee that is resident here is free to open a bank account even before he/she has a Finnish personal identity code.

90. 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, it is required to report the purpose of payments to the local bank carrying out the transaction.

Vehicle tax

91. Currently cars registered in Finland are, in general, subject to vehicle tax depending on the age of the car and the fact whether it uses petrol or diesel. The vehicle tax relating to new cars is determined based on the carbon dioxide emissions. The tax ranges from € 106,21 to € 651,52 per year. The vehicle tax relating to older cars, which do not have the amount of CO_2 emissions registered in the database, will be determined based on the total weight of the car. The tax is assessed in advance for the period of one year. The tax is calculated on a daily basis.

The amount of vehicle tax is increased by a driving force tax if the driving force of the car is other than petrol. The amount of the tax is determined based on the type of car and type of driving force. The amount of tax relating, e.g. to personal vehicles with a diesel engine is 0.055 EUR per 100kg of the total mass of the car levied per day.

Driver's license

92. EU/EEA licenses are valid in Finland without time limits.

93. 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 24 months. After 24 months the license has to be exchanged to a Finnish license. The abovementioned concerns also driver's licenses issued in Hongkong, Macao or Taiwan.

94. 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.

Step 5
What to do at the end of the year

Tax return

95. 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 mid May in the year following the tax year. The pre-completed tax return is based on the information that the tax authorities have 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.

96. 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

97. 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.

98. The tax assessment is completed by 31 October in the year following the tax year (the so-called assessment year). During August – October of the assessment year the tax authorities will send a tax statement. Any excess taxes are usually refunded in December in the assessment year. Interest is paid on the refund.

99. If, on the other hand, the final tax exceeds the paid preliminary taxes, residual tax is payable in two installments, in November 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.

100. 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

101. 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. As of tax year 2017, the appeal period is three years from the beginning of the calendar year following the assessment. The decision of the assessment adjustment board can be appealed to the provincial administrative court also within five years from the beginning of the next year following the end of the assessment year. For tax year 2017 and years after that, the appeal period is 60 days of the date when you received notice of the adjustment board's decision. 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 Administrative court, but only if the Supreme Administrative Court grants a permission to appeal.

Step 6
What to do when you leave Finland

Registration formalities

102. 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

103. 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.

Step 7
Other matters requiring consideration

Tax on real property

104. 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 0.41 % and 1,8 % of the taxable value. Municipalities will annually decide within allowed limits what percentage is applied in each municipality.

105. 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 2 % and 6 %.

Transfer tax

106. 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 transfers of residential limited liability shares 2% on the transfer price. The transfer tax for other non-listed securities is 1.6%. 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).

107. 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

108. The Finnish VAT rate is 24%. Lower rates are applied to specified items.

Restrictions of ownership

109. Anyone living and working in Finland has the right to buy real estate, regardless of his/her nationality.

110. International assignees are also are also entitled to own shares. This applies equally to shares in condominiums and companies.

Inheritance and gift tax

111. 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.

112. 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 € 5,000 or more in three years, the donee will be liable to pay gift tax.

113. 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 2017

Value of taxable property Over (Euros)	Not Over (Euros)	Tax on lower amount	Percentage on excess
5,000	25,000	100	8%
25,000	55,000	1,700	10%
55,000	200,000	4,700	12%
200,000	1,000,000	22,100	15%
1,000,000	And above	142,100	17%

Inheritance tax rates 2017

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	200,000	3,500	13%
200,000	1,000,000	21,700	16%
1,000,000	-	149,700	19%

114. 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, Switzerland, and the United States. The treaty between Nordic countries also covers gift tax.

Appendix A:

Tax rates for 2017

Individual tax rates for 2017

The national income tax rates vary between 6.25% and 31.5%:

Taxable Income Over (Euros)	Not Over (Euros)	Tax on lower amount	Percentage on excess
16,900	25,300	8	6.25%
25,300	41,200	533	17.5%
41,200	73,100	3,315.50	21.5%
73,100-	and above	10,174	31.5%

The municipal income tax rate varies between 16.50% and 22.50% 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 2.20 %. For example in Helsinki the rates are 1.0% (Evangelic-Lutheran) and 1.8 %(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 1.58% and the medicare premium is 0,00% (2017).

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 (BMW 320i Twinpower Turbo 320i Touring)
- Housing benefit (100 m2/1995/Helsinki city centre)

Tax and social security computation	€	€
Salary	100,000.00	
Bonus	20,000.00	
Company car	10,260.00	
Housing	17,964.00	
Gross income		**148,224.00**
Less — specific deductions:		
Standard deduction	(750.00)	
Unemployment insurance premium	(2,371.58)	
Daily allowance premium	(2,341.94)	
Employment pension insurance premium	(9,115.78)	
Total deductions		**(14,579.30)**
Taxable earned income		**133,644.70**
Taxes payable		
Municipal income tax (18.5%) *	24,724.27	
Church tax (1.0%) *	1,336.45	
Yle Tax	143.00	
National income tax	29,245.58	

Tax and social security computation	€	€
Sickness insurance daily allowance	2,341.94	
Unemployment insurance premium	2,371.58	
Employment pension insurance premium	9,115.78	
Total taxes Net salary (after taxes) Net salary (after taxes and social security premiums)		**57,791.24** **90,432.76** **50,721.40**

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

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	€	€
85% of dividends	17,000	
Rental income	10,000	
Gross income		**27,000**
Less — specific deductions:		
Cost of administration	(200)	
Maintenance charge	(1,000)	
Interest expenses	(10,000)	
Total deductions		**(11,200)**
Taxable capital income		**15,800**
Taxes payable		
Capital income tax - 30%	4,740	
Total taxes		**4,740**

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 2017):

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

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

Appendix E:
Social security agreements

EU regulation on social security

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

Austria	Greece	Norway
Belgium Bulgaria	Hungary	Poland
Croatia	Iceland	Portugal
Cyprus (the Greek part)	Ireland 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.

Social security agreements

Australia	Chile China	USA South Korea
Canada and Quebec	Israel	India

Agreement on Medical Treatment of Temporary Visitors

Australia

Appendix F:
Finland contacts and offices

Contacts and offices

Risto Löf Helsinki		**Sanna Väänänen** Helsinki	
Tel:	+358 20 787 7811	**Tel:**	+358 20 787 7804
Email:	risto.lof@fi.pwc.com	**Email:**	sanna.vaananen@fi.pwc.com

Helsinki
PricewaterhouseCoopers Oy
Itämerentori 2 | FIN-00101 Helsinki
Finland

Tel:	+358 20 787 7000
Fax:	+390 9 657120