Taxation of international executives: Finland

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KPMG

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Overview and Introduction

1 Overview and Introduction

Individuals are classified either as resident or non-resident taxpayers. Individuals resident in Finland are taxed on their worldwide income. A non-resident individual is subject to income tax in Finland only on income from Finnish sources. An individual resident in Finland for only part of a tax year is generally taxable in Finland on their worldwide income only for the period that they were resident. For the portion of the year that they were not resident in Finland, they would be taxable only on any Finnish-source income.

The tax year for individuals is the calendar year. The official currency of Finland is the Euro (EUR).

Income tax is calculated by applying a progressive state tax rate schedule (maximum 44 percent in 2024) and a flat municipal tax rate (varies from municipality to municipality, e.g., in Helsinki 5.30 percent in 2024) to taxable income. Investment income up to EUR 30,000 is taxed at 30 percent and investment income exceeding EUR 30,000 is taxed at 34 percent in 2024, church tax and employee's sickness insurance contribution may be levied in connection with income taxation.

Herein, the host country/jurisdiction refers to the country/jurisdiction to which the employee is assigned. The home country/jurisdiction refers to the country/jurisdiction where the assignee lives when they are not on assignment.

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Income tax

2 Income Tax

2.1 Tax Returns and Compliance

When are tax returns due? That is, what is the tax return due date?

3 April (if an entrepreneur), 9 May, 16 May or 23 May (in 2024).

What is the tax year-end?

31 December.

What are the compliance requirements for tax returns in Finland?

Tax returns are due 2 April (if an entrepreneur), 7 May, 14 May or 21 May (in 2024). The date will be printed on the pre- completed tax return form. If a taxpayer has not received a pre-completed tax return form, they have to file a tax return by 21 May (2024).

Residents

All individual taxpayers will receive a pre-completed tax return form in March or April. They have to check the tax return and, if necessary, send it back with corrections to their local tax office.

The tax office may extend the time for filing pre-completed tax returns. An extension for a couple of weeks may be granted. The application must be filed prior to the tax return filing due date and must contain justification for granting the extension.

The final tax assessment will be made by the end of the following the tax year. If an insufficient amount has been withheld/advance tax paid, additional instalments are due between July and February. For most taxpayers, the first instalment is due in August or September. If the tax withheld/advance tax paid exceeds the final total taxes and levies, a tax refund will take place. Interest charges are levied if the final tax liability exceeds preliminary tax paid. For the tax year of 2024 the rate is 6 percent. A EUR 20 deduction, or at most an amount equalling the interest charges levied, can be made from the final interest charges levied in case final tax liability exceeds preliminary tax.

The employer is required to withhold tax on all salaries paid to the employee. The amount of the withholding is determined on a progressive basis by the amount of the salary including fringe benefits. However, a foreign employer without a permanent establishment in Finland paying salaries from abroad is not liable to withhold Finnish payroll tax from salaries.

The penalty for failing to pay the assessed taxes on time is 11,0 percent. A tax increase penalty of 0,5-10,0 percent can be imposed, for instance if there are faults or missing information in the tax return. A lump sum penalty for late filing of the tax return for an individual is usually EUR 50. The law also makes other penalties in certain cases possible, i.e., a penalty of up to 50 percent on added tax.

Non-residents

Non-residents, who have not been residents during the tax year, do not need to file a tax return on their wage income.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Finland?

Residents

State tax rates are as follows:

Income tax table for 2024

Taxable income bracket		Total tax on income below bracket	Tax rate on income in bracket
From EUR	To EUR	EUR	Percent
0	20,500	0,00	12,64
20,500	30,500	2,591,20	19,00
30,500	50,400	4,491,20	30,25
50,400	88,200	10,510,95	34,00
88,000	150,000	23,362,95	42,00
150,000	Over	49,318,95	44,00

Municipal tax is levied at flat rates. The tax varies between 4.40 percent and 10.80 percent in 2024 depending upon the municipality. It should also be noted that the tax rates applied in the Åland Islands differ from the above-mentioned rates. The local communities of the Evangelical-Lutheran and Orthodox churches levy church tax. Church tax is imposed at flat rates between 1,00 percent and 2,25 percent (2024) that are set annually for the following year by each community's ecclesiastical council.

A public broadcasting tax (Yle-vero in Finnish) was introduced on 1 January 2013. The amount of the public broadcasting tax in 2024 is 2.5 percent of the amount in excess of EUR 14,000 of the earned and capital income, but the maximum annual amount is EUR 163 per person.

Non-residents

The salary income of a non-resident is subject to a flat tax rate of 35 percent on earned income. However, a standard deduction of EUR 510 per month or EUR 17 per day is granted if this is stated in the employee's tax-at-source card. An individual considered as a key person can apply for a source tax rate of 32 percent from the beginning of 2020, earlier the tax was 35 percent.

Since beginning of year 2014 it is possible for non-residents, provided that certain criteria are met, to apply for a progressive tax rate instead of the flat 35 percent source tax rate. The progressive tax rate for non-residents is calculated based on their worldwide income. Thus non –residents need to provide Finnish tax authorities information on their worldwide income when applying the progressive tax rate.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Finland?

An individual is treated as resident if they have a permanent home or habitual abode in Finland or otherwise has stayed in the country/jurisdiction for a period of more than 6 months. When moving abroad a Finnish citizen is still considered as a Finnish tax resident for the year they move abroad and the following 3 full calendar years, unless they produce evidence that they have not maintained substantial ties to Finland during the tax year in question.

Is there, a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

There are no de minimis number of days rule as such when it comes to residency start and end date.

What if the assignee enters the country/jurisdiction before their assignment begins?

The residency status is based on the arrival date.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Finland?

No obligation exists to file a tax return before leaving the country/jurisdiction, but a person with unlimited tax liability in Finland needs to file a tax return in Finland according to normal tax return filing schedules (that is, 7 May, 14 May or 21 May in 2024).

What if the assignee comes back for a trip after residency has terminated?

In principle, residency will not be extended by a trip after residency has terminated. However, it shall be noted that residence is regarded as still being valid if it can be concluded from the circumstances that the taxpayer still resides in Finland. Therefore, case-by-case consideration needs to be made.

Communication between immigration and taxation authorities

Do the immigration authorities in Finland provide information to the local taxation authorities regarding when a person enters or leaves Finland?

Normally the travel dates are not informed by the customs officials to the tax authorities. However, the tax authorities may have access also to this information upon request. The company and employee should also be aware that the information regarding work permits, visas, and social security is available to the tax authorities by the labor administration, immigration authorities, and social security authorities. In addition, the tax authorities have access to the information in the Population Information Register in which the moving dates informed by the person are recorded (every person moving to, from or within Finland must make a notification of moving to the post office/Population Information Register).

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

If an assignee has been resident in Finland during the tax year, they shall file a tax return for the tax year in question on their taxable income. The taxpayer should inform their home address to the Finnish tax authorities so that they can send them a pre-completed tax return.

2.5 Economic employer approach

Do the taxation authorities in Finland adopt the economic employer approach to interpreting Article 15 of the Organisation for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in Finland considering the adoption of this interpretation of economic employer in the future?

No. The Finnish tax authorities normally look at who is the legal employer (that is, with whom the employment contract is concluded) and normally have not deemed that there would be an economic employer in Finland in case there is a recharge of costs (which could make the income taxable in Finland), especially if the costs are not charged directly as salary costs but for example, as a part of management fee. Please note, however, that as there are no written guidelines regarding this issue, there is some level of risk that an economic employer could be deemed to exist in Finland, especially if the amount charged consists directly of the employee's salary and social security (or other associated) costs. This issue could come up for example, in connection with a tax inspection of the Finnish company and could also affect the employee's taxation. We also have a case from Helsinki administrative court few years back, where the economic employer concept was adopted, but no changes to Finnish legislation or tax authorities´ guidance exist, so far. A draft legislation was introduced in 2022 with the aim of implementing the economic employer concept in Finland from 1 January 2023. However, the legislation was withdrawn and currently the economic employer concept is not applied in Finland. However, the economic employer concept may be introduced at some point, as this seems to be the general trend.

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

Not applicable.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

Taxable income includes all compensation received by an employee, including amounts derived directly or indirectly from the work performed for the employer.

These include the following:

- base salaries
- expatriation premiums
- bonuses
- indemnities with some exceptions pension contributions (unless certain provisions are met)
- cost-of-living allowance
- housing allowances/reimbursements
- fringe benefits
- reimbursements of foreign and/or home country/jurisdiction taxes
- home leave reimbursements
- representation and entertainment allowance
- travel expenses (excluding transportation, hotels, and meals up to a certain amount)
- entertainment expenses
- profit sharing schemes
- incentive compensations
- under certain conditions the taxation of pension benefits can be deferred until benefits are received
- under certain conditions employment related stock options are taxable at the time that the option is exercised
- professional and business activities; taxable income includes profits shown in the statutory accounts required for self-employed individuals a tax payment made on behalf of the employee by the employer is taxable earned income to the employee if a greater amount of money has been used for such payment than what has been withheld from the employee's pay
- the benefit is attributed to the tax year during which it has been earned.

The taxable income of an individual is divided into two categories: investment income and earned income. Taxable investment income includes yield from property, capital gains, and other income, which can be judged to be derived from assets.

All income other than investment income is regarded as earned income.

Intra-group statutory directors

Will a non-resident of Finland who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group company situated in Finland) trigger a personal tax liability in Finland, even though no separate director's fee/remuneration is paid for their duties as a board member?

Simply the appointment as a statutory director for a group situated in Finland does not trigger any specific personal tax liability in Finland. However, there are special rules on taxation of fees/remuneration paid for duties as board member or equal (see below).

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Finland?

Yes.

According to the general rule, non-residents, who have not been residents during the tax year, do not need to file a tax return on their wage income. But director's fees or remuneration paid for duties as a member of a board of directors or other corresponding governing body of a Finnish legal entity, are regarded as income earned in Finland, even though the meeting or work for which the fee or remuneration is paid has been executed abroad. This triggers taxation in Finland regardless of physical presence.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Finland (i.e., as a general management fee where the duties rendered as a board member is included)?

No. Director's fees or remuneration paid for duties as a member of a board of directors or other corresponding governing body of a Finnish legal entity, are always regarded as income earned in Finland (wherever it is charged).

c) In the case that a tax liability is triggered, how will the taxable income be determined?

According to normal rules. The fee or the remuneration for a non-resident is tax at a flat 35 percent tax rate (tax-at-source tax rate). For remuneration to the CEO a monthly tax at source deduction (EUR

510) can be made, or if the income has been earned in less than a month, EUR 17 per day can be deducted, before assessing the taxable income. If the CEO is taxed with the 32 percent key employee's tax-at-source tax rate, no deductions are allowed.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Finland? If so, please provide a general definition of these areas.

All employment income is taxable except for certain pensions and social security benefits. In addition, income attributable to continuous work abroad by a Finnish resident for a period of at least 6 months may under certain preconditions be exempt from Finnish income tax.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Finland?

Finnish-source employment income earned by a foreign employee is taxed at a flat rate of 32 percent for a maximum period of 84 months if:

- the employee becomes resident in Finland when the work in Finland begins

- the cash salary of the expert is at least EUR 5,800 per month they work in Finland excluding fringe benefits
- the work demands special expertise
- the expatriate is not a Finnish citizen, nor have they been tax resident in Finland for the preceding 5 years
- the salary is regarded as Finnish-source income and paid by a Finnish entity.

The foreign expert is not allowed any deductions or allowances on the income to which the 32 percent flat rate tax applies (prior to 2020 the tax rate was 35 percent). Before beginning work in Finland or, at the latest, within 90 days from beginning the work in Finland an application must be filed with the Regional Tax Office in order to qualify for the special tax regime.

The maximum period of applicability for the special expatriate tax-at-source was lengthened from 48 to 84 months from 2024 onwards. This also applies to individuals that have received special expatriate tax-at-source cards before 2024, if their previous tax-at-source card was valid on 31.12.2023. Such individuals may request a new special expatriate tax-at-source card from the Tax Administration to extend the total length of the special tax regime to the new maximum of 84 months.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Finland? If so, how?

Non-residents, who are not members of a board of directors or other corresponding governing body of a Finnish legal entity, are not subject to Finnish income tax on compensation attributable to services mainly performed outside Finland for a Finnish private sector employer.

Salary earned by a resident from working abroad is subject to income tax in Finland except where the provisions of the 6-month rule are met. However, foreign income tax paid on the same income is credited against Finnish taxation.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Finland? If so, how?

A progressive tax schedule for investment income has been in force since 1 January 2012. Investment income up to EUR 30,000 is taxed at 30 percent, whereas investment income exceeding EUR 30,000 is taxed at 34 percent. These percentages apply unless otherwise stated in an applicable tax treaty.

Taxable investment income includes the following:

- interest income on bank deposits and bonds
- dividends paid to residents
- capital gains

In the computation of taxable capital gains, the taxpayer has an option to deduct either the acquisition cost of the asset (reduced by any depreciation), or 20 percent of the sales proceeds for assets that have been owned for a period of less than 10 years, or 40 percent if the period is at least 10 years.

Capital gains on the sale of the taxpayer's own dwelling are exempt if they or their family members have occupied it as an owner for at least 2 years before the sale.

Capital losses may be deducted primarily from capital gains, however, if there are no capital gains, then the deduction can secondarily be made from other capital income (rule introduced in 2016). The deduction can be made for the same tax year and the following 5 years. Capital losses do not create a deficit in the capital income category.

Dividends, interest, and rental income

Dividends from publicly listed companies

In the case of dividends from publicly listed companies, 85 percent is taxed as investment income and 15 percent is tax exempt (as from 2014). Until 2013 only 70 percent was taxable and 30 percent tax-free.

Dividends received from non-listed companies

As from 2014 an annual return of 8 percent is calculated on the mathematical value of the shares in non-listed companies. 25 percent of dividends are taxable until EUR 150,000 within 8 percent return. 75 percent of dividends exceeding EUR 150,000 will be taxable and 15 percent tax exempt (within 8 percent annual return) and 85 percent taxed as capital income. Of the amounts of dividends exceeding the annual return of 8 percent 75 percent will be taxed as earned income and 25 percent is tax exempt.

Dividends from non-listed companies where the dividends are paid based on work performed by the receiver of the dividends or a person in their sphere of interest, is taxed as earned income of the person who has performed the work.

Interest

According to the general rule in the Income Tax Act, interest is taxable as income from capital. For interest income on bank deposits and bonds see Taxation of Investment Income and Capital Gains.

Rental income

Rental income is taxed as an investment income. The tax rates are 30 percent or 34 percent.

Gains from stock option exercises

Gains from stock option exercises are taxable as earned income if it concerns employment stock options. Sale of shares received through exercise of employment stock options are taxed as investment income at 30 or 34 percent.

Foreign exchange gains and losses

Exchange rate gains constitute taxable income in Finland also in relation to other than business activities. An exchange rate gain based on an outstanding exchange credit is taxable investment income. Also, an exchange rate gain based on a loan for the stabilization of exchange is taxable investment income if the loan was taken for the purposes of acquiring income. The gain realizes for taxation in the year during which the currency is changed to Euros. An exchange rate gain of an individual, which is not connected with income acquisition activities, however, is tax exempt up to EUR 500 in a year.

The Income Tax Act includes a special provision on the deductibility of exchange rate losses. An exchange rate loss, which relates to a loan that was raised for income acquisition purposes, is deductible from the taxpayer's investment income. The loss cannot be deducted from capital gains. The loss is deductible in the tax year during which the payment was made.

Principal residence gains and losses

A capital gain derived from sale of an apartment or from sale of a house, which has served as the owner's or their family's permanent home for an uninterrupted period of at least 2 years during the period of ownership, is exempt. In other cases, the capital gain of a principal residence will be taxed at a tax rate of 30 or 34 percent.

Capital losses may be deducted primarily from capital gains, however, if there are no capital gains, then the deduction can secondarily be made from other capital income. The deduction can be made for the same tax year and the following 5 years. Capital losses do not create a deficit in the capital income category. Losses arising from the disposal of the permanent home are not deductible if the capital gain from such a disposal has been tax exempt.

Capital losses

See Principal Residence Gains and Losses.

Personal use items

Capital gains are not regarded as taxable income if the total value of the sold property is no more than EUR 1,000. Capital gains on sales of habitual household effects, as well as other personal items, are tax exempt.

Gifts

Gift tax is levied on the following property received as a gift.

- Any property, if the donor or the beneficiary was resident in Finland at the time of donation.
- Real property situated in Finland and shares or other rights in a corporate body where more than 50 percent of the total gross assets of that corporate body consist of real property situated in Finland.

No gift tax is levied on household effects received as gifts and intended for the beneficiary's (or their family's) personal use and for which the value does not equal or exceed EUR 5,000. No gift tax is levied on gifts received solely for the beneficiary's education or maintenance.

Gifts are also non-taxable, in addition to the above mentioned, to the extent a person receives such gifts from the same donor within a period of 3 years, the gifts are aggregated for the purpose of computing the EUR 5,000 limit and the gift tax liability.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in Finland? If so, please discuss?

Capital gains of specified transfers of businesses and farms to descendants may be tax exempt if certain conditions specified by the income tax act are fulfilled.

Pre-CGT assets

Not applicable.

Deemed disposal and acquisition

See above section Are Investment Income and Capital Gains Taxable in Finland.

2.12 General deductions for income

What are the general deductions from income allowed in Finland?

In general, the taxpayer is allowed to deduct for income tax purposes all expenses incurred in acquiring and maintaining chargeable income in the computation of the taxable income in each category. No deduction is allowed for expenses related to exempt income and domestic expenses (except expenses of certain domestic work).

The following items are considered as allowed:

- A work-related standard expense deduction of EUR 750.
- Union membership fees and unemployment fund payments.
- Commuting costs from the place of residence to the place of employment using the cheapest means of transportation (only costs between EUR 900and EUR 7,000).

- Voluntary pension insurance payments paid to a Finnish insurance company or to a Finnish branch of a foreign insurance company are deductible from investment income, but certain ceilings apply. Also, foreign voluntary pension payments are deductible if certain conditions are met.
- The medical treatment premiums are not deductible from taxable income. However, the employee's statutory pension and unemployment insurance payments as well as daily allowance premiums are deductible items.
- Deduction for work related secondary apartment.

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Finland?

Relating to assignees whose salaries are paid by Finnish companies there is no guidance or case law from the tax authorities on how tax reimbursement should be handled. Generally, income becomes taxable for an individual based on the cash principle (that is, the moment when the income is paid or is available to the employee).

From 2008 onwards, the tax authorities have adopted new rules regarding net salary agreements when the salary is paid from abroad. Under these circumstances, a gross-up is required in the year the work is completed and the salary is paid.

2.14 Calculation of estimates/prepayments/withholding

The employer is required to make a withholding on all salaries paid to the employee. The applicable withholding tax percentage is stated in the employee's tax card. The tax percentage is generally progressive, and it is determined by the tax authorities based on the amount of the annual salary including fringe benefits.

Pay-as-you-go (PAYG) withholding

When the employee is regarded to be a resident, the employer shall withhold the payroll taxes according to the rates stated in the employee's tax card in every payroll period.

However, if the salary is paid by such a non-resident employer that does not have a permanent establishment in Finland for income tax purposes and that is not registered as an employer with the tax authorities and if the payment of wages only takes place as a direct electronic transfer of funds from a foreign bank, the said employer does not have to withhold any tax from the wages paid out. However, the foreign employer will still have reporting obligations. In these cases, a resident employee working in Finland has to contact the local tax office for instructions on how to pay the withholding tax themselves monthly to the regional tax office's account. Nevertheless, if the salary is paid in Finland by a so-called substitute payer, it is the payer that has the withholding tax obligations.

If the employee is regarded to be non-resident in Finland and has a tax-at-source card, the employer makes a 35 percent withholding. However, before calculating the 35 percent tax, the employer may first make a standard monthly deduction of EUR 510 or EUR 17 per day (if this is mentioned on the tax card). If the employee is considered as a key employee, the employer makes a 32 percent withholding.

If the non-resident has applied for a progressive tax rate the taxes are withheld by the employer according to the tax card rates.

If the employee does not provide their employer a tax card or a tax-at-source card, the employer has to levy a withholding tax of 60 percent on the wages including any fringe benefits.

PAYG instalments

When are estimates/prepayments/withholding of tax due in Finland? For example: monthly, annually, both, and so on.

The withheld taxes are remitted monthly to tax authorities on employer's own initiative. The due date for remitting is the 12th of the month following the payment month. New rules apply to the late- payment penalty charges of self-assessed taxes.

For late filing of earnings payment reports the following applies. If the first return for the tax period is filed late, a day- based charge of EUR 3 per day is imposed for the first 45 days. The maximum amount of this late penalty charge is EUR 135,00. If the first tax return for the tax period is filed late by more than 45 days, the day-based part equals EUR 135,00 in total and in addition, a penalty payment equal to one percent of the income declared late (up to a maximum of EUR 15 135,00 per month) will be added on top of the EUR 135,00.

Filing a replacement return (a correction return) is a procedure for correcting the errors in a previously filed return. No late penalty is imposed on such a return if it is filed before 45 days have elapsed after the filing deadline of the original return. However, late filing by more than 45 days additionally causes one percent to be imposed of the tax that is filed late.

Late remittance of withheld payroll tax is subject to an annual late payment interest. For 2024 it is 11 percent.

In case the employee is responsible for the advance tax themselves, the amount of annual instalments vary from one to twelve depending on the payable amount. The taxpayer will be sent an advance tax demand note, as well as transfer slips. The due date is the 23rd of each month.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Finland? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

In order to avoid double taxation, Finnish residents are upon a written request entitled to a tax credit for income subject to foreign tax. Foreign national taxes may be credited against the Finnish national income taxes, as well as the municipal income tax and the church tax. The maximum amount of foreign tax credit is the Finnish tax payable on the foreign income. Any residual credit may be carried forward to the following 5 tax years.

If provided for by a tax treaty, an exemption from Finnish tax is applied instead of a tax credit.

2.16 General tax credits

What are the general tax credits that may be claimed in Finland? Please list below.

There are several credits that may be claimed.

General income

Deduction from state tax varies depending on taxable income, maximum EUR 2,140 per year (in 2024). If the taxpayer has reached the age of 65 years before January 2024, the maximum credit is EUR 3,340.

Household deduction

The amount of the deduction depends on the nature of the work:

— House renovation, improvement, or maintenance: deduction is 40 % of the amount paid for the work to a company registered in the Prepayment Register, or 15 % of wages and 100 % of social security contributions paid to an employee hired for the work. The maximum annual amount of the deduction is EUR 2 250 per person.

— Household work, nursing and care, and work on replacement of oil heating: deduction is 60 % of the amount paid for the work to a company registered in the Prepayment Register, or 30 % of the wages and 100 % of social security contributions paid to an employee hired for the work. The maximum annual amount of the deduction is EUR 3 500 per person.

The deduction is made as a credit from tax (as opposed to deduction from income). The two maximum amounts (EUR 2 250 and EUR 3 500) are not cumulative; therefore, the maximum amount of the deduction for a single taxpayer in 2024 is EUR 3 500.

Maintenance liability (child support payments)

The taxpayer who is liable for maintenance is entitled to a maximum EUR 80 deduction per each minor aged child.

2.17 Sample tax calculation

This calculation[3] assumes a married taxpayer resident in Finland with two children who comes to Finland to work on a local contract for 3 years, from 1 January 2022 until 31 December 2024. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.

	2022 USD	2023 USD	2024 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expenses	20,000	0	20,000
Home leave	5,000	0	0
Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Exchange rate used for calculation: USD 1,00 = EUR 0,90.

Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- Interest income is not remitted to Finland.
- The company car is used for business and private purposes (employee pays for gas/petrol) with an estimated taxable value EUR 580 per month.
- The employee does not belong to the Finnish church.

- The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.
- Assumption lives in Helsinki and is under 53 years old.
- The employee is covered by the Finnish social security scheme.

Calculation of taxable income

Year-ended	2022 EUR	2023 EUR	2024 EUR
Days in Finland during year	365	365	365
Earned income subject to income tax			
Salary	90,000	90,000	90,000
Bonus	18,000	18,000	18,000
Cost-of-living allowance	9,000	9,000	9,000
Housing allowance	10,800	10,800	10,800
Company car	6,960	6,960	6,960
Moving expenses	18,000	0	18,000
Home leave	4,500	0	0
Education allowance	2,700	2,700	2,700
Total earned income	159,960	137,460	155,460
Other income	5,400	5,400	5,400
Total income	165,360	142,860	160,860
Deductions	16,474	14,509	14,663
Total taxable income	148,885	128,350	146,196

Calculation of tax liability

Year-ended	2022 EUR	2023 EUR	2024 EUR
Taxable income as above	148,885	128,350	146,196
Finnish tax thereon (including sickness insurance contribution, 1,96 percent for 2022 and 2023, 1,52 percent for 2024)	58,923	48,185	55,212
Mandatory Finnish pension and unemployment contributions	13,836	11,890	12,343

Please note that the tax calculation considers employee's social security contributions which are paid by an employee who belongs to the Finnish social security scheme and are deductible for tax purposes.

These social security payment amounts are not separately shown earlier. Also note that other income has been taxed as investment income at a rate of 30 percent.

From 2020 onwards, 50 percent of moving expenses paid by employer is exempted from income tax for the employee. Such relocation must be due to the location of the working place – this is meant to always apply when moving to Finland from abroad to work for an employer located in Finland.

However, this applies only when moving to Finland.

[1]Certain tax authorities adopt an 'economic employer' approach to interpreting Article 15 of the OECD model treaty which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country/jurisdiction for a period of less than 183 days in the fiscal year (or a calendar year of a 12-month period), the employee remains employed by the home country/jurisdiction employer but the employee's salary and costs are recharged to the host entity, then the host country/jurisdiction tax authority will treat the host entity as being the 'economic employer' and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied, and the employee would be subject to tax in the host country/jurisdiction.

[2]For example, an employee can be physically present in the country/jurisdiction for up to 60 days before the tax authorities will apply the 'economic employer' approach.

[3]Sample calculation generated by KPMG Oy Ab, a Finnish limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residency considerations for short-term assignments

A foreign employee is treated as a Finnish resident if they stay in Finland for a continuous period exceeding 6 months during 1 or 2 calendar years. It shall be noted that the stay in Finland may be regarded as continuous despite of a temporary absence from the country/jurisdiction.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

According to the general rule, all social security premiums shall be paid when a person is working in Finland, regardless of the length of the working period in Finland.

If a foreign employer assigns an employee, who does not belong to a pension scheme of an EU/EEA or a social security agreement country/jurisdiction, to Finland, they should not be insured for pension purposes if the length of the assignment does not exceed 2 years.

If the assignment will last for less than 6 months, the assignee will be considered non-resident and a flat source tax will be withheld instead of normal progressive payroll tax.

3.3 Taxable income

What income will be taxed during short-term assignments?

Normally, during short-term assignments (lasting less than 6 months in total) only employment income (remuneration paid in-cash or in a form of fringe benefits) will be taxed in Finland.

The employment income related to a short-term assignment may be tax exempt on the basis of the relevant tax treaty.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short- term assignment in Finland?

If the assignment is deemed as a business trip as determined in the Finnish tax law, travel expenses, daily allowances and housing may be provided exempt of tax. Please note that the current tax practice regarding temporary business trips is unclear and these issues need case-by-case investigation.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in Finland? If so, what are the rates for employers and employees?

Employer and employee 2024

Type of insurance	Paid by employer	Paid by employee	Total
Statutory pension insurance premium (on average)	17,34	7,15/8,65	24,81
Unemployment insurance premium (on average)	0,27/1,09	0,79	1,06/1,88
Accident insurance premium (on average)	0,57	N/A	0,57
Group life insurance premium (on average)	0,06	N/A	0,06
Employer's sickness insurance premium	1,16	N/A	1,16
Daily allowance premium	N/A	1,01	1,01
Medical treatment premium	N/A	0,51	0,51
Total (on average)	19,95	9,46	29,41

Daily allowance premium is 0,00 percent if the income of individual is under EUR 16,499 annually.

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Finland?

Inheritance and gift tax are imposed on property acquired by inheritance, bequest, or gift. Inheritance tax is levied on the individual share of each beneficiary, not on the estate of the deceased as a whole. Taxable property includes real estate, shares, and movable property, wherever situated, if the deceased or heir or beneficiary lived in Finland at the time of death.

Beneficiaries are divided into two classes.

- Class I – Spouses, children, spouse's children, adopted children, parents, adoptive parents, and direct heirs of children or adopted children, betrothed in certain circumstances, and common-law spouses if the couple has been married before or if they have had a child.
- Class II – Other relatives and strangers. Inheritance tax rates in Class I are as follows:

Inheritance tax rates in Class I are as follows:

Value of taxation property (EUR)	Basic tax amount	Plus percent on the 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 – over	149,700	19

Inheritance tax rates in Class II are as follows:

Value of taxation property (EUR)	Basic tax amount	Plus percent on the excess
20,000 – 40,000	100	19
40,000 – 60,000	3,900	25
60,000 – 2,00,000	8,900	29
2,00,000 – 1,000,000	49,500	31
1,000,000 – over	297,500	33

Gift tax rates in Class I are as follows:

Value of taxation property (EUR)	Basic tax amount	Plus percent on the 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 – over	142,100	17

Gift tax rates in Class II are as follows:

Value of taxation property (EUR)	Basic tax amount	Plus percent on the excess
5,000 – 25,000	100	19
25,000 – 55,000	3,900	25
55,000 – 2,00,000	11,470	29
200,000 – 1,000,000	53,450	31
1,000,000 – over	301,450	33

4.3 Real estate tax

Are there real estate taxes in Finland?

Real estate property situated in Finland is subject to real estate tax. The revenue goes to the local municipality. Land used in forestry or agriculture are exempted.

Real estate tax is payable by those who own taxable property at the beginning of the calendar year.

The amount of real estate tax is based on the tax value of the real property. Tax rates vary in different municipalities between 0.41 percent and 6.00 percent of tax value. The rate for houses used for living is between 0.41 percent and 1.00 percent of the tax value.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Finland?

The standard rate of VAT is 24 percent. In addition, two reduced rates are in use: 14 percent, which is applied on food and animal feed, and 10 percent, which is applied for example to passenger transportation services. Tax is computed on the total charge for goods or services, excluding the amount of tax.

4.5 Unemployment tax

Are there unemployment taxes in Finland?

The employer pays one part, and the employee pays the other part of the unemployment insurance contribution. The unemployment insurance contribution is collected by the accident insurance company together with the statutory accident insurance contribution. In 2024, the unemployment insurance contribution paid by the employer is 0.27 percent on the total amount of gross salaries up to the amount of EUR 2,337,000 and 1,09 percent on the exceeding amount. Correspondingly, the unemployment insurance contribution paid by the employee is 0,79 percent of gross salary.

4.6 Other taxes

Are there additional taxes in Finland that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Municipal tax

Municipal tax is levied at flat rates. The tax varies between 4,40 percent and 10,80 percent in 2024 depending upon the municipality.

In municipal and national taxation, if an individual's taxable earned income is between EUR 2,500 and EUR 7,230, a deduction is made of 51 percent of the portion of income, which exceeds EUR 2,500. For the part of the income that exceeds EUR 7,230, the deduction is 28 percent. The maximum deduction is EUR 3,570. The allowable deduction is gradually phased out for taxpayers with income higher than EUR 14,000.

If taxable income in municipal and national taxation after certain deductions is not more than EUR 3,980 (2024), a deduction equal to the amount of taxable income is available. The deduction is reduced by 18 percent of the portion of income which exceeds EUR 3,980. For salary income exceeding EUR 25,4870, no deduction is allowed.

Net wealth taxes

As of January 2006, the net wealth tax has been abolished.

Church tax

The local communities of the Evangelical-Lutheran and Orthodox churches levy church tax. Church tax is imposed at flat rates between 1.00 percent and 2.25 percent (2024) that are set annually for the following year by each community ecclesiastical council. Church tax is levied on the same taxable income as determined for municipal tax purposes.

Transfer tax

Alienation of real estate and securities are subject to transfer tax. The tax rate is 4 percent of purchase price or other remuneration for real estate and 1,6 percent for securities other than shares in housing companies. For shares in housing companies the tax rate is 2 percent as of 1 March 2013. Alienation of shares of listed companies via the stock exchange is exempt. There are certain other exemptions of the rule.

Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction’s fiscal or banking authorities?

Yes. According to Assessment Procedure Act, a taxpayer has a duty to file a report to the Finnish Tax Administration considering their taxable income, deductions, wealth, debts and other information relevant to the taxation.

As to what is considered taxable income, a person with unlimited tax liability is obligated to pay tax on income or wealth received from Finland and elsewhere. A person with limited tax liability pays tax only on income received from Finland or on wealth in Finland.

05

Immigration

5 Immigration

Following is an overview of the concept of Finland's immigration system for skilled labor.

(E.g., which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

This summary provides basic information regarding business visits to, and work authorization for, Finland. The information is of a general nature and should not be relied upon as legal advice.

Most foreign nationals who intend to engage in active, productive employment in Finland will need a Residence Permit with a permission to work. Depending on the purpose of travel to Finland and the type of work to be conducted, there are different types of residence permits that will apply to the occasion, and which vary in their processes and processing times. For all residence permit types, foreign nationals must collect documentation and in certain situations translate and legalize documents.

Citizens of other Nordic countries/jurisdictions have an unrestricted entry to Finland and can start working in Finland without a residence permit or a visa. However, when citizens move from the Nordic countries to Finland for longer than 6 months local registration at DVV is required. For more information, please see: [Moving between the Nordic countries | Digital and population data services agency (dvv.fi)]

EU citizens have the right to Freedom of movement, which means they have unrestricted access to the Finnish labor market. A residence permit or visa is not required from EU citizens in order to either enter or work in Finland. The same rules apply to citizens of Iceland, Liechtenstein, Norway and Switzerland. However, EU citizens must register their right of residence in Finland if staying over 3 months without interruptions.

For more information, please see: [EU citizen - Maahanmuuttovirasto (migri.fi)]

Unless evidence can be provided that one is an EU/EFTA national, a permit will be required to work and reside in Finland.

For third-country/jurisdiction nationals, Finland distinguishes further between Non-Visa Nationals and Visa Nationals. Non-Visa Nationals can enter Finland for business visitor purposes without the need to apply for a visa. Visa Nationals are citizens of countries/jurisdictions who are neither part of the EU/EFTA nor from Visa exempt countries/jurisdictions.

Residence permit can be applied from the home country/jurisdiction or in some cases in Finland. Issued residence permit will allow employee to enter Finland without a separate visa.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter Finland as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

If Non-European nationals visit Finland as either tourists or business visitors, they are allowed to enter Finland as tourists or business visitors for up to 90 days within a 180-day rolling period. See below if the visitor is required to obtain a Schengen visa.

Visa requirements for each citizenship: https://um.fi/visa-requirement-and-travel-documents-accepted-by-finland

A business visa is meant for the applicants whose main purpose of travel is to perform and attend to business activities, e.g. following:

- Meetings
- Conferences
- Trainings
- Trade fairs

The short-stay calculator on the following website can be used for calculating the period of allowed stay under the Schengen rules:

Short-stay Visa Calculator | Migration and Home Affairs (europa.eu)

In addition to Finland, the following countries/jurisdictions are considered as Schengen member states: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland.

Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

Visa nationals are required to obtain a Schengen (C) visa to be able to enter Finland for business visitor activities. The Schengen Visa is typically issued for multiple entries. Although circumstances may vary, a business visitor may receive authorization to visit Finland for up to 90 days within a 180- day rolling period.

The application for the Schengen Visa must be filed at the Finland embassy/consulate/VFS application center in the respective country/jurisdiction of residence in order to be allowed to enter Finland for up to 90 days within a 180-day rolling period.

With regards to the permitted activities and permitted duration of stay, please see answers to question above.

It should be noted however, that certain other tasks may also be performed under a visa (or as a non-visa national) without a residence permit, but these cases always require a case by case assessment.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

Preliminary document list:

- Job title and job description
- Highest educational degree
- Employment contract/Invitation letter
- Passport
- Color passport photograph
- Travel insurance

Supporting documents (as the required appendices vary by country, contacting the Finnish mission is recommended to make sure which ones you need. The mission may request certain documents to show the purpose, conditions, and duration of the visit. Examples of such documents are tickets, a confirmation of hotel reservation, proof of financial means, a private invitation letter and an official invitation)

General process overview and estimated time needed for each step:

1 Document gathering (1-2 weeks)

2 Book visa appointment at the Finnish embassy/consulate/VFS application center at the place of residence (1 day)
3 Prepare Visa application (1-2 days)
4 File Visa application with the Finnish embassy/consulate/VFS application center at the place of residence (processing time is approximately 15 days)
5 Obtain Visa and travel to Finland (1 day)

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

No, only Schengen visa.

5.2 Long-Term Assignments

What are the main work permit categories for long-term assignments to Finland? In this context outline whether a local employment contract is required for the specific permit type.

Local employment contract is not required for the permit types listed below.

Residence permit for person employed as a specialist

Monthly salary must be at least EUR 3,638 in the year 2024 . Fringe benefits are not counted towards this sum. In addition to the salary threshold, another requirement for the Specialist permit is a higher education degree or otherwise acquired special expertise through work experience or another type of education Work tasks must require special expertise.

Eu blue card

Monthly salary must be at least EUR 5,457 in the year 2024. Fringe benefits are not counted towards this sum. In addition to the salary threshold, other requirements for the EU Blue Card permit are a minimum one-year employment relationship and a higher education degree that takes at least three years to complete. Work tasks must require high- level competence.

ICT residence permit (residence permit application for employment – intra- corporate transfer)

The ICT permit (Intra-Corporate Transfer) is a temporary residence permit for managers, specialists or trainees, when the employee is transferred internally to Finland within a company or group of companies.

Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).

Employee submits the residence permit application online.

Identification must be done at the Finnish Embassy/ VFS Global application center or when applied in Finland in Immigration Service. This must be completed before the application is being processed.

Original documents need to be presented during the identification. Residence permit card will be delivered on average within 1–2 months.

Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?

There are minimum salary levels for the residence permit for a specialist (EUR 3638 per month) and the EU Blue card (EUR 5457 per month). Allowances are not generally taken into account.

Finland does not have a minimum wage set at national level. The minimum wage requirement is determined under collective agreements or similar. If there is no collective agreement or if the person will be working part-time, the salary must be at least EUR 1,399 per month in 2024 (applied to blue collar permit type).

Is there a fast-track process which could expedite the visa/work permit?

Yes, the residence permit application can be fast-tracked and decision received in two weeks if certain conditions apply and the employee is coming to Finland to work

- as a specialist
- with the EU Blue Card
- as a start-up entrepreneur
- as a specialist or manager with an ICT residence permit

in top or middle management of the company Spouse and children can also fast track their residence permit applications if they apply at the same time with the main applicant.

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/local hire)?

Generally, once the residence permit has been granted, the employee can start working from the starting date of the valid residence permit.. Certain exceptions may apply.

Can a short-term permit/business visa be transferred to a long-term permit in Finland?

Finland does not distinguish between short term and long-term permits. A business visa cannot be transferred to a residence permit - an application for a residence permit needs to be submitted. It is possible to apply for a residence permit from Finland (applying from abroad is however recommended).

Is it possible to renew work and residence permits?

Yes. Application for extension should be filed 1–3 months prior to expiry.

Is there a quota or system or a labor market test in place?

No, not for international assignments.

5.3 General Immigration Related Questions

Would it be possible to bring family members to Finland?

Yes, immediate family members.

Is it possible to obtain a permanent residence permit?

Yes.

What if circumstances change after the Work and Residence application process (e.g. change of employment or personal situation, including job title, job role or salary)?

Permit type may need to be updated.

How long can a permit holder leave Finland without their permit becoming invalid?

Their fixed-period or temporary residence permit will be cancelled if:

- they move from Finland permanently
- they otherwise reside outside Finland for a permanent purpose for 2 years uninterrupted.

Must immigration permissions be cancelled by the end of the assignment/employment?

Depending on circumstances, the permit may need to be cancelled.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Certain penalties may apply depending on the type of non-compliance.

For instance, if a non-EU/EFTA national is hired without a valid work permit, financial sanctions EUR 1,000 to EUR 30,000 may apply.

Employer needs to pay return costs of employee, if influenced the employee's entry or residence.

Further financial administrative penalties and fines apply, depending on the gravity of breach with employment and working conditions according to Finnish Employment law, collective agreements, Aliens Act, Act on Posting Workers and Criminal Code of Finland. More severe punishments may apply after further investigation.

5.4 Other Important Items

List any other important items to note, or common obstacles faced, in Finland when it comes to the immigration processes.

Translated, legalized or apostilled documents may be needed.

The employee can be issued with a D visa if she/he is applying for or have been granted one of the following residence permits:

- Residence permit for a specialist
- EU Blue Card
- Residence permit for a start-up entrepreneur
- Residence permit for a specialist or manager on the basis of intra-corporate transfer (ICT residence permit)
- Residence permit for work in the top or middle management of a company
- Residence permit for studies
- Residence permit for a researcher

Also spouse and children can also apply for a D visa if they are applying for a residence permit on the basis of family ties.

With D visa, the person can travel to Finland immediately after the following conditions are met:

- a positive decision has been received on the residence permit application; and
- the D visa sticker has been attached to the applicant's passport

The residence permit card will be delivered to the person in Finland. On average, the D visa allows the person to travel to Finland for 1–2 weeks earlier than usual.

Application for extension should be filed 1–3 months prior to expiry.

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