



Field for **GROWTH** and **SUCCESS**

FINLAND FACT BOOK

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FOCUS AREAS OF **FINNISH BUSINESS**

BIOECONOMY

World-class Finnish expertise in future growth areas.

CLEANTECH

First-class cleantech competence from Finland.

R&D AND INNOVATION

Finland at the top of R&D spending per capita.

HEALTHCARE AND WELLBEING

Excellent research opportunities in Finland.

ICT

Great ICT market potential with R&D expertise.

TRAVEL AND TOURISM

Finland's dynamic business climate and unique environment

MANUFACTURING

A nation of builders with high productivity.

RETAIL

Finland central to Russia and Nordic and Baltic countries.

MINING

The right geology and a long mining tradition in Finland.

WELCOME TO FINLAND

DEAR READER

Finland is an economically and politically stable society and has been a member of the European Union since 1995. The Finnish economy is knowledge-based and strong on innovation. The longstanding national investments in innovation and a forward-looking technology policy have produced world class expertise in many sectors of the Finnish economy. For many years Finland has also been among the top countries globally in terms of R&D spending per capita.

Finland has several high-tech clusters with many technology companies that have cutting-edge expertise. Finland's particular strengths include Information & Communication Technology (ICT), Cleantech, Renewable Energy, Health Care and the Pharmaceutical, Bio and Medical Industries, as well as the Mining, Forest and Chemical Industries.



Thanks to the close cooperation between business and the institutes of higher learning, companies can benefit directly from the academic excellence of the Finnish universities.

Finland welcomes international companies and entrepreneurs to explore the various business opportunities and excellent infrastructure that our country can offer. All companies registered in Finland enjoy the same benefits, grants and access to the national technology programs, irrespective of the nationality of the company's ownership.

Ministry of Employment and the Economy and our national investment promotion agency Invest in Finland are pleased to give you further information and assistance for the successful establishment of your business in Finland.

Sauli Niinistö

President of the Republic of Finland

WHY FINLAND?

HOW CAN A NATION OF FIVE MILLION CONSISTENTLY TOP
NUMEROUS INTERNATIONAL SURVEYS?

In Finland, you have a dynamic business environment where everything works. Thanks to its early adoption of information technology, unique co-operation between educational and research institutions and industry, as well as a skilled workforce receptive to new technologies, Finland is an ideal test bed for new solutions and technologies. Couple this with a sophisticated infrastructure, highly competitive operating costs and strategic location in Northern Europe, and you have a market that offers great opportunities for success and solid growth.

Non-existent corruption and minimal red tape are additional reasons for establishing a business

in Finland. It is our experience that foreign companies locate in Finland for the long-term and enjoy high return on investment. Today, foreign-owned companies account for more than 20% of corporate turnover in Finland, and their number is constantly growing.

Finland has become the base for a number of foreign companies taking advantage of the vibrant start-up scene, highly educated employees and their work ethic. Although the high-tech sector is the best known globally, Finland has also managed to thrive with traditional industries such as forestry and metals. Companies are also investing heavily in new industries such as biofuels.

AN INCENTIVE DESTINATION FOR BUSINESS TRAVEL

You will, of course, find the best hotels, fine dining, international events and venues, and modern meeting and convention facilities across the scale. That is to be expected of an area that especially welcomes business visitors.

What you will not find elsewhere is the unique combination of adventure and soothing silence, in one of the purest natural settings in the world. Winter or summer, there are plenty of new and stimulating experiences to be gained. We like to think of them as making business a pleasure.

BETWEEN EAST AND WEST AVERAGE FLIGHT TIME TO HELSINKI



Photo: Vastavalo

EXCELLENT DESTINATION FOR BUSINESS

1st

IN WEF'S HUMAN CAPITAL INDEX

(Quantifies how 124 countries are developing and deploying their human capital and tracks progress over time.)

1st

IN HIGHER EDUCATION AND TRAINING **

1st

IN THE HEALTH AND PRIMARY EDUCATION

**

1st

IN INNOVATION **

1st

COUNTRY IN EUROPE IN LEARNING SKILLS AMONG 15-YEAR- OLDS *****

2nd

IN AVAILABILITY OF SKILLED LABOUR ***

2nd

IN EDUCATIONAL SYSTEM ***

3rd

LEAST CORRUPTED COUNTRY IN THE WORLD ****

4th

MOST COMPETITIVE ECONOMY IN THE WORLD (out of 144 countries) **

4th

IN TALENT (out of 60 countries) ***

BERLIN
2h

STOCKHOLM
55min

BEIJING
7h 40min

SHANGHAI
9h 5min

*Human Capital Report 2015

** The World Economic Forum, Global Competitiveness Report 2014–2015

*** IMD, World Talent Report 2014

**** Transparency International 2014

***** OECD's PISA study 2012

FACTS

ABOUT FINLAND

TOTAL AREA

338,435 km²

of which 90% land and 10% internal waters. Of the land area 77% is forests and other woodland and 9% agricultural land.

NATURAL RESOURCES

- forests
- copper
- iron ore
- other minerals
- fresh water



DISTANCES

1,160km
from north to south,
540km
from west to east



TIME

UTC +2 HOURS

during winter,

UTC +3 HOURS

during summer

POPULATION

5.5 million

POPULATION DENSITY

17.9
inhabitants per km²

LIFE EXPECTANCY AT BIRTH

Females
83.5
years



Males
77.5
years

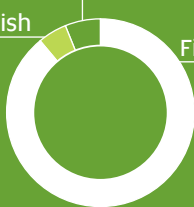


LANGUAGES

Others **6%**

Swedish
5%

Finnish
89%



RELIGIOUS COMMUNITIES

Lutheran **75%**

Orthodox **1%**

No religious affiliation **22%**

BIGGEST CITIES

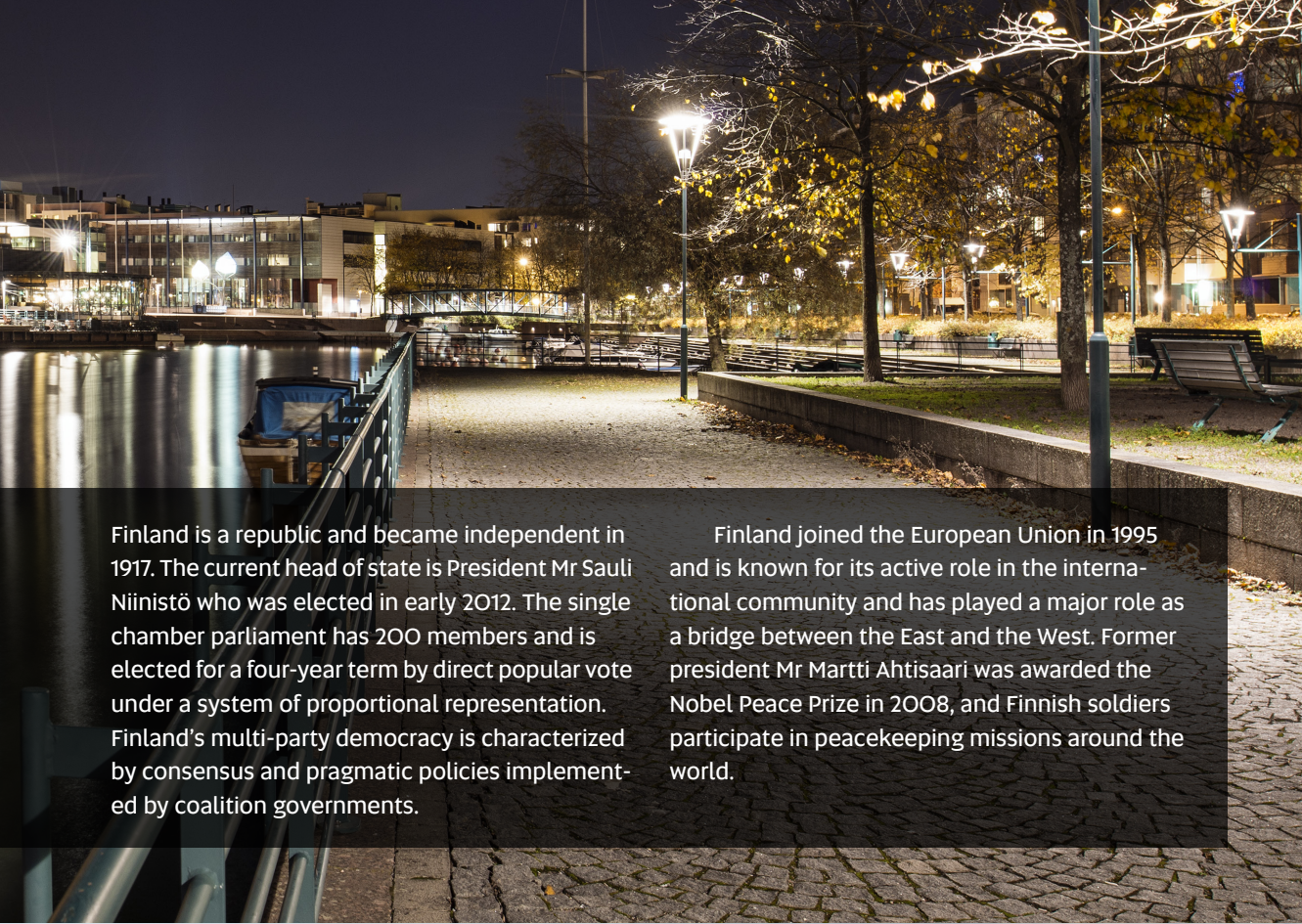




A STABLE POLITICAL SYSTEM **BOOSTS** **THE ECONOMY**

THE FUND FOR PEACE (FFP) RANKED FINLAND **THE MOST STABLE COUNTRY IN THE WORLD** FOR THE SECOND CONSECUTIVE YEAR IN 2014. THE SCORE IS BASED ON KEY POLITICAL, SOCIAL AND ECONOMIC INDICATORS AND MORE THAN 100 SUB-INDICATORS, INCLUDING PUBLIC SERVICES, INCOME DISTRIBUTION, HUMAN RIGHTS AND THE RULE OF LAW.





Finland is a republic and became independent in 1917. The current head of state is President Mr Sauli Niinistö who was elected in early 2012. The single chamber parliament has 200 members and is elected for a four-year term by direct popular vote under a system of proportional representation. Finland's multi-party democracy is characterized by consensus and pragmatic policies implemented by coalition governments.

Finland joined the European Union in 1995 and is known for its active role in the international community and has played a major role as a bridge between the East and the West. Former president Mr Martti Ahtisaari was awarded the Nobel Peace Prize in 2008, and Finnish soldiers participate in peacekeeping missions around the world.

GEOGRAPHY, NATURAL RESOURCES AND CLIMATE

Finland is a country of forests, lakes and islands. Areas of exceptional natural beauty include Lapland in the north, the Lakeland region in eastern Finland and the archipelago along the south-western coast. It is Europe's largest archipelago, and also includes the semi-autonomous province of Åland (Ahvenanmaa). Inland, there are 187,888 lakes dotted with islands. Space and a rare tranquillity are some of Finland's greatest assets.

Finns like to call their forests Green Gold because they are its most important natural resource. Other resources include peat, fresh water

resources and minerals, for example iron ore, copper, lead, zinc, chromite, nickel, cobalt, gold, silver, phosphate, limestone, talc, quartz and uranium.

Finland's climate has four distinct seasons. The summers are usually fairly warm with temperatures rising above +20 degrees Celsius. In Lapland, the sun does not set during the summer months. Finnish winters can be cold and temperatures below -20 degrees are not uncommon. The mean temperature in Helsinki in July is +17 degrees and -5.7 degrees in February.



BETTER LIFE IN **FINLAND**

FINLAND PERFORMS WELL IN MANY MEASURES
OF **WELL-BEING, HIGH LIVING STANDARDS,
EDUCATION AND CLEAN AND SECURE
ENVIRONMENT** IN THE OECD'S BETTER LIFE INDEX.

	Finland	OECD
INCOME Average household net-adjusted disposable income per capita, USD/year (OECD is average)	27,927	25,908
EMPLOYMENT People in paid job, aged 15 to 64	69%	65%
EDUCATION Adults (aged 25 to 64) who have the equivalent of a high-school degree	85%	75%
LIFE EXPECTANCY years	81	80
QUALITY OF AIR The level of air pollutant particles, micrograms/m ³	15.2	20.1
QUALITY OF WATER People satisfied with the quality of their water	94%	81%
SAFE SOCIETY People believing that they know someone they could rely on in time of need	95%	88%
SATISFACTION WITH LIFE General satisfaction with life (scale 0–10)	7.4	6.6

Source: OECD Better Life Index 2014



ECONOMY AND BUSINESS OUTLOOK



Finland's GDP amounted to EUR 204 billion in 2014. The European Commission has forecasted that the GDP will increase slightly (+0.8%) in 2015 and speed up further in 2016 (+1.5). The export of goods and services is forecasted to grow 2.1% and 3.9% in the following two years.

Fitch Ratings, the international rating agency, affirmed in March 2015 the long-term credit ratings of AAA for the Republic of Finland. Moody's rating is Aaa and Standard & Poor's AA+.

Finland's economy is firmly integrated into the global economy, and foreign trade plays an

important part. According to Customs Finland, Finland's exports of goods amounted to EUR 55.8 billion in 2014. The major export groups were basic manufactures (e.g. wood products and metals); machinery, equipment and transport equipment; chemicals and related products; and mineral fuels.

The value of imports was EUR 57.6 billion. The main import product groups were machinery, equipment and transport equipment and mineral fuels. In 2014, other EU member countries accounted for 57% of Finnish exports of goods and 58% of imports of goods.

GOVERNMENT POLICY IN A KNOWLEDGE-BASED ECONOMY

The government of Finland views entrepreneurial activity as the bedrock of Finland's competitiveness and is committed to providing companies with the world's best operating environment. Finland's economic policy aims at improving productivity through the utilization of new ideas, the creation and rapid adoption of new technology, a highly skilled workforce and the intelligent organization of work. A knowledge-based competitive

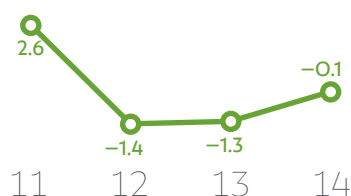
edge is seen as the result of a more diversified array of skills – in science, technology and business.

One of the key long-term factors contributing to the success of the Finnish economy has been the constructive partnership between the government, employers and trade unions. The Finnish system has produced a level of political stability and economic continuity undreamt of in most countries.

MAIN ECONOMIC INDICATORS

GDP

(change, %)



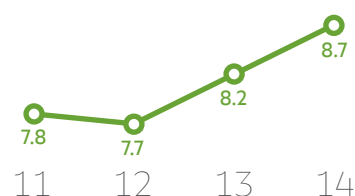
EXPORTS

(change, %)



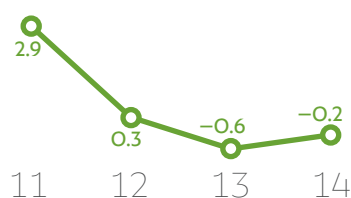
UNEMPLOYMENT RATE

(%)



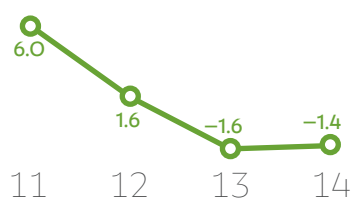
PRIVATE CONSUMPTION

(change, %)



IMPORTS

(change, %)



GROSS DOMESTIC PRODUCT, FINLAND

GDP (at current prices,
EUR billion)

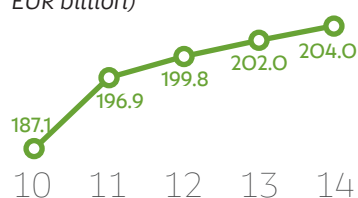
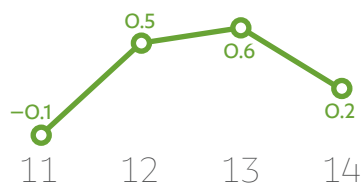




Photo: Jussi Hellstén

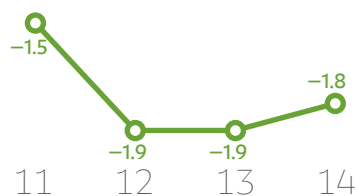
GOVERNMENT CONSUMPTION

(change, %)



CURRENT ACCOUNT

(% of GDP)



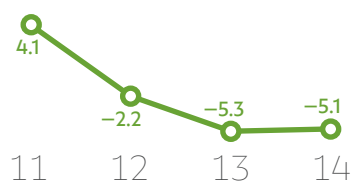
GDP PER INDUSTRY

Industry share of the GDP
at basic prices in 2014

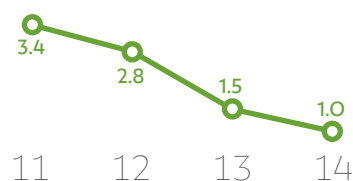
- Primary production **2.9%**
- Secondary production **26.8%**
- Services **70.4%**

NET INVESTMENTS

(Gross fixed capital formation,
change, %)



INFLATION

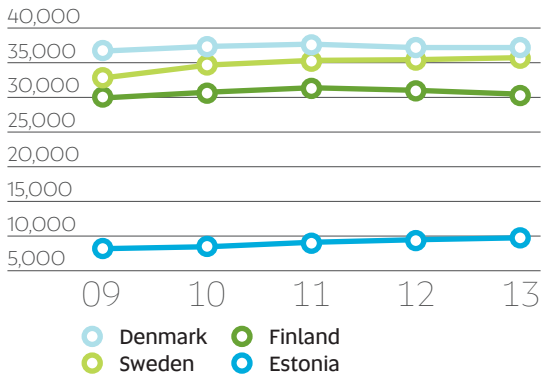


Source: Statistics Finland
(2013 and 2014 preliminary data)



GDP PER CAPITA

Real gross domestic product, per inhabitant, EUR



Source: Eurostat

MAJOR EXPORT COUNTRIES

Share of Finland's export in 2014

Germany	12%
Sweden	11%
Russia	8%
United States	7%
Netherlands	6%

Source: Finnish Customs

TOP 10 EXPORT PRODUCTS

EUR billion in 2014

1. Diesel fuel	5.9
2. Coated paper and paperboard	3.8
3. Stainless steel	2.1
4. Sawn goods	1.5
5. Pulp	1.4
6. Uncoated paper and paperboard	1.2
7. Cars and other vehicles	1.1
8. Electricity transformers and frequency changers	1.0
9. Medical instruments	1.0
10. Medication	0.6

Source: Finnish Customs

TOP EXPORT INDUSTRIES

Structure of the Finnish Exports of Goods, EUR million in 2013

Technology industries	24,999
Chemical industry	13,810
Forest industry	11,219
Food industry	1,420
Primary production	1,090
Textile and clothing industry	761
Power and water supply	425
Mining and quarrying	273
Other	2,049

Source: Finnish Customs

FOREIGN DIRECT INVESTMENTS (FDI)

As one of the most competitive and open economies in the world, Finland has a great deal to offer foreign investors and also much to gain from foreign direct investment (FDI). Statistics show that most foreign-owned companies actually grow faster and perform better than the local companies after establishing themselves in the Finnish market.

Foreign direct investment in Finland is often related to knowledge-driven investments.

Finland has several high-tech clusters with many small technology companies that have cutting-edge expertise but lack capital and have limited access to the global markets. These include companies specializing in wireless and mobile solutions, health care and life sciences, and new materials and processes. Finnish companies also have extensive know-how in the cleantech sector, including biomass-powered energy technologies, combined heat and power production, and power plant automation. Finland is one of the industrialized world's leading users of bioenergy and a developer of combustion technologies and effective fuel chains. One of the sectors which is expected

grow markedly in the future is business services. This trend is expected to continue as outsourcing is gaining ground and economic activities are diversified. In the public sector many municipalities are merging and also looking for new outsourcing possibilities.

Important reasons for coming to Finland include safety, the clean environment, and the small scale of bureaucracy and corruption. Finland's modern infrastructure, logistics and communications networks are also attractive to many companies.

Many companies that invest in Finland use it as a base to also manage their business in the Nordic countries, the Baltic region and Russia. A significant share of the transit trade from the EU to Russia passes through Finland. Finland also offers the fastest and least congested air route from Northern Europe to Asia.

FDI INCREASE FOR THE SECOND CONSECUTIVE YEAR

Foreign direct investment (FDI) increased slightly in Finland during 2014 compared to the previous

-
1. **Open Economies** are likely to attract FDI inflows
 2. **Favourable Tax Infrastructure** can help to attract FDI inflows (e.g. corporate tax from 24% down to 20% 2014 in Finland)
 3. Strong emphasis and enforcement on **Intellectual Property Rights** (IPR) protection can help to attract FDI
 4. **Skilled-labour availability** serves as a major investment driver for foreign firms

year. 2014 was a challenging year for FDI due to the fragile economic situation globally and in Europe as well as the uncertainty created by the crisis in the Ukraine and the sanctions against Russia.

The availability of competent labour is one of the most important factors influencing investment decisions. The ongoing structural change in the ICT sector has increased the supply of competent labour in Finland and this pool of skilled workers has attracted the attention of international companies and resulted in major investments. In the future, investments in the ICT sector are expected to focus particularly on automotive electronics and software, smart traffic, health and wellbeing technology, game industry, wireless technology, industrial internet, cyber security and data centres.

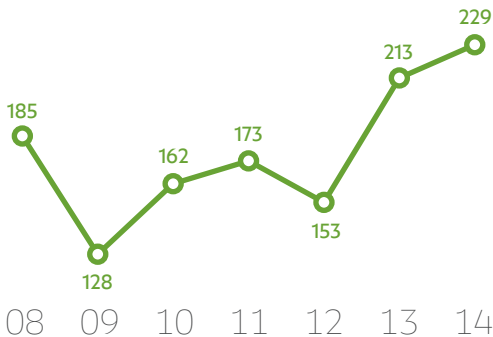
Finland's strong industrial base, know-how and excellent availability of wood raw material provide a good platform for bioeconomy and other cleantech investments.

THE MOST POPULAR SECTORS FOR INVESTMENTS

- Information and communications technology
- Business services
- Healthcare and wellbeing
- Retail trade
- Environmental technology

FOREIGN DIRECT INVESTMENTS

Number of new foreign-owned companies coming to Finland 2008–2014



Source: Invest in Finland

TOP 5 INVESTING COUNTRIES

The major source countries for FDI in Finland in 2014

- Sweden
- United Kingdom
- United States
- France
- Norway



Health technology attracts investors

Finland has internationally high standards of medical research and world-class companies in the health technology. There is a vibrant scene of Finnish startup companies, and the innovative environment and high level investment in research and development attract also international investors.

The American healthcare company GE Healthcare has announced that it would create a hub for the development of medical data transfer technology Helsinki. The total sum of the investment that will span over a period of three years is EUR 28.5 million. Tekes (the Finnish Funding Agency for

Technology and Innovation) will support GE's research programme with EUR 10 million in funding.

VTT (Technical Research Centre of Finland) will act as the programme's key research partner, produce content and technology and support the realisation of GE's programme.

Likewise, Samsung Electronics, one of the biggest global manufacturers of consumer electronics, is looking for opportunities in the Finnish health technology. The company has partnered up with a new Vertical Startup Accelerator based in Espoo Innovation Garden near Helsinki.

Supercell tops game charts

The Finnish game industry has been growing dramatically during the last past years. Rovio's Angry Birds have been leading the way and the latest success story is Supercell, the Finnish mobile game developer, which has topped the download charts for iPhones, iPads and Android devices.

Since its founding in 2010, Supercell has brought three games to the market – Clash of Clans, Hay Day and Boom Beach.

In 2013, Supercell sold 51 per cent of its shares to the Japanese SoftBank Group and its GungHo game company. In 2015 SoftBank increased its stake to 73 per cent. The investment offers Supercell resources that will bring its games to hundreds of millions of new consumers particularly in Asia.

In 2014, with just 150 employees, Supercell made EUR 1.55 billion in revenues, up from EUR 519 million a year earlier. Earnings before interest, tax, depreciation and amortisation rose from EUR 243 million to EUR 515 million.



EU's biggest **gold producer**

Finland has overtaken Sweden to become the largest producer of gold in the European Union. EU's largest gold mine is located in Kittilä in northern Finland (150 kilometres north of the Arctic Circle) and is owned by the Canadian company Agnico Eagle.

The Kittilä underground mine is extracting one of the largest known gold deposits in Europe.

According to Agnico Eagle the mine life is estimated through 2036, which makes Kittilä company's longest-life mine. Kittilä's proven and probable reserves contain 4.5 million ounces (29 million tonnes at 4.9 g/t gold).

Ore has been mined from underground since 2010.



RESEARCH, DEVELOPMENT & INNOVATION

Expertise and innovations play an increasingly important role in Finland's future strategy. Innovation refers to competence-based competitive advantage that can emerge from scientific research, technology, business models, service solutions, design, brands or methods of organizing work and production. Capitalized as innovations, competence-based competitive advantages promote the advancement of businesses, society and wellbeing.

Finland ranks well in international comparisons concerning technological and scientific infrastructure, qualified personnel and partnership with private and public sector.

78,900 people worked in research and development in Finland in 2013. More than half of them

worked in companies and the rest were divided between public sector, non-profit organizations and the university sector. Total investments for research and development were EUR 6.7 billion euros.

Businesses in the Helsinki region invest over 40% of all investment in research and product development by the Finnish companies. Businesses and the institutions of higher education work closely together in R&D: 70% of companies with R&D activities cooperate with universities and universities of applied sciences. The public sector spent more than 2.0 billion EUR in R&D funding in 2013. This sum is about 1% of gross domestic product, which is a high level internationally.

TEKES

Tekes (the Finnish Funding Agency for Technology and Innovation) is the main government financing and expert organization for research and technological development in Finland. Tekes finances industrial R&D projects as well as projects in universities, polytechnics and research institutes. It focuses especially on challenging, innovative and risk-intensive projects.

In 2014 Tekes made 2,750 positive funding decisions. Funding for companies and research organisations were 550 million euros.

Tekes funds its target projects through low-interest loans or grants, depending on the stage of the innovation and the nature of the proposed project. Tekes also awards financing to foreign owned companies registered in Finland. The financed project should contribute to the Finnish economy.

» www.tekes.fi

VTT

VTT Technical Research Centre of Finland is a non-profit-making research organization, which the largest multi-technological applied organization in Northern Europe. It provides high-end technology solutions and innovation services. Striving to improve its clients' competitiveness and competence, VTT combines different technologies, creates new innovations and a substantial range of world-class technologies and applied research services.

VTT uses its extensive international scientific and technology network to produce information, upgrade technology knowledge and create business intelligence and value added to its stakeholders.

VTT's over 1,500 customers are both domestic and foreign companies as well as public organizations in Finland and abroad. VTT employs over 2,600 people.

» www.vtt.fi



THE RELATIONSHIP BETWEEN R&D
INTENSITY AND COMPETITIVENESS
FACTORS IS VERY STRONG: FINLAND IS
**THE SECOND MOST COMPETITIVE
COUNTRY** IN EUROPE AND **THE MOST
INNOVATIVE COUNTRY IN THE WORLD.**

The World Economic Forum, Global Competitiveness Report 2014–2015

INNOVATION STRENGTHS

Selected rankings for Finland

1st

- Qualified engineers
- Information technology skills
- Development and application of technology
- Funding for technological development
- Public and private sector ventures

2nd

- R&D personnel per capita
- Skilled labor

IMD World Competitiveness Yearbook 2014

EXPENDITURE ON R&D <i>Gross domestic expenditure (GERD) in select- ed counties, estimated % of GDP in 2013</i>	
Finland	3.31
Sweden	3.3
Germany	2.85
France	2.23
Netherlands	1.98
Italy	1.26
EU (28 countries)	2.01

Eurostat

FINLAND HAS A **HIGH NUMBER OF PATENT APPLICATIONS** IN RELATION TO THE COUNTRY'S POPULATION 5.5 MILLION. IT HAS MORE RESIDENT PATENT FILINGS PER MILLION PEOPLE THAN SOME OF THE OTHER NORDIC COUNTRIES SUCH AS SWEDEN, DENMARK, AND ESTONIA.

World Intellectual Property Organization



Innovative Cities Programme

(INKA)

The Innovative Cities programme (2014–2020) aims to generate new business and new companies from high-quality competence. The programme is managed by Tekes (the Finnish Funding Agency for Technology and Innovation) underpinned by close local cooperation and pooling of resources between science, education, companies and the government.

Development environments include demonstration and testing platforms for new technologies and services and new operating models for competence-based entrepreneurship.

Major investments for the future made by the cities, for example in energy and water supply, waste management, housing, transport and health care, have as yet not been exploited as development platforms for innovations. Development and piloting will be carried out in authentic development environments.

Seven other urban regions have been approved as partners:

- **Bioeconomy:** Joensuu, Jyväskylä and Seinäjoki
- **Sustainable energy solutions:** Vaasa, Lappeenranta and Pori
- **Future health care:** Oulu, Kuopio, Helsinki Metropolitan area, Tampere and Turku
- **Smart cities and industrial regeneration:** Tampere, Lahti, Oulu, Helsinki Metropolitan area and Turku
- **Cyber security:** Jyväskylä

PRINCIPAL INDUSTRIAL AND **BUSINESS SECTORS**



FINLAND HAS DEVELOPED WORLD-CLASS EXPERTISE IN SECTORS LIKE **CLEANTECH, FORESTRY, METAL** AND **MACHINERY MANUFACTURING, ICT INDUSTRY** AND **SERVICES, AND HEALTH AND WELLBEING**. INTERNATIONAL INVESTORS AND COMPANIES CAN BENEFIT FROM THE CLUSTERS AND CENTRES OF EXPERTISE IN THESE BUSINESS SECTORS THAT AIM TO MAXIMIZE THE BENEFITS OF RESEARCH, NETWORKING AND INTERNATIONAL COOPERATION.

TECHNOLOGY INDUSTRIES

The technology industry is the most important export industry in Finland. Technology companies operate in international markets with operations constituting over 50% of all Finnish exports.

Nearly 300,000 Finns work in technology companies, while a total of around 700,000 people work in the technology sector either directly or indirectly. The industries are responsible for 80% of all investment in research and development carried out in Finland.

The technology cluster covers five sectors: metal industry, electronics and the electro-technical industry; mechanical engineering; information technology industries; and consulting engineering and architectural services. Several companies in this cluster are Finland's leading exporters and internationally recognized as innovation pioneers.

Finnish metal processing is well known for its efficient utilization of energy and raw materials, and holds world-leading positions in a number of processes. More than half the world's copper and a third of all nickel is manufactured using the flame melting technology developed by Finns. State-of-the-art cruise ships are built in Finland's shipyards.

Finnish companies engaged in electronics and electrotechnical activities generate innovative

solutions which are employed in production processes all over the world, from underground trains to wind power plants, from space technology to sports and medicine.

More information at the Federation of Finnish Technology Industries:

» www.teknologiateollisuus.fi

TURNOVER IN THE TECHNOLOGY INDUSTRY	
Turnover EUR million in 2013	
Electronics and electrotechnical industry	15,782
Mechanical engineering (metal goods, machinery, transport equipment)	27,153
Metals industry	8,840
Consulting engineering	5,048
Information technology	8,341

Finnish Technology Industries, Statistics Finland

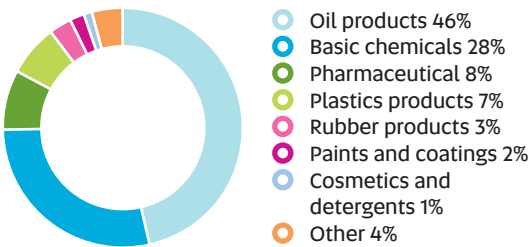
CHEMICAL INDUSTRY

The chemical industry is Finland's second largest manufacturing sector accounting for 21 per cent of the total industrial production of the country (in 2013). The range of products manufactured is huge, with most of them being used in other industries, especially forestry and agriculture. Products include plastics, paints, oil products, pharmaceuticals, environmental products and petrochemicals. Finnish chemical industry employs approximately 34,000 people.

About 2/3 of the chemical production goes to export. In 2014, the value of exports of the chemical industry totalled EUR 12.9 billion which was 23 per cent of Finnish total exports.

EXPORTS OF THE FINNISH CHEMICAL INDUSTRY

By product group in 2014



Source: Kemianteollisuus ry (Finnish Chemical Industry)

FOREST INDUSTRY

The Finnish forest industry accounts for approximately 18 per cent of Finland's industrial output value and around 15 per cent of Finland's industrial jobs.

The value of Finnish forest industry exports (including furniture) totalled EUR 11 billion in 2013. The forest industry accounts for approximately 20 per cent of Finland's export revenue and it is an important employer, especially in regional areas. The industry directly employs about 48,000 people in Finland.

There are 49 paper, paperboard and pulp mills operating in Finland. There are also about 130 industrial sawmills as well as wood-based panel mills and other companies in the wood products industry.

The share of forest industry investments in the entire factory industry's fixed investments in Finland has ranged from about a fifth to a third. Forest industry companies have invested approximately EUR 100 million a year in research and development functions in Finland.

FOREST INDUSTRY IN FINLAND		
Production 1000 tonnes/m³ in 2014 and exports, % of production		
Paper (tonnes)	7,450	94%
Paperboard (tonnes)	2,950	95%
Chemical pulp (tonnes)	7,000	40%
Sawn wood (m³)	10,900	69%
Plywood (m³)	1,160	87%

Finnish Forest Industries Federation, Finnish Customs

MINING INDUSTRY

Finland has a long history of mining activity, and Finnish metallurgical technology and manufacturers of mining equipment are well known throughout the international mining community.

Finland has excellent geological databases, good infrastructure and readily available exploration services. These factors make exploration industry a favourable investment and operating environment, with significant potential for new discoveries as many commodities are still highly under-explored.

According to the Ministry of Employment and the Economy there were 46 mines and quar-

ries operating in Finland in 2013. Present activity is concentrated on gold, platinum group metals, base metals, diamonds and industrial minerals.

According to the Fraser Institute's Annual Survey of Mining Companies, Finland is the world's most attractive jurisdiction for mining investment. The report rates 122 jurisdictions around the world based on their geologic attractiveness and the extent to which government policies encourage exploration and investment.

The Fraser Institute is an independent Canadian policy think-tank. This is the fifth consecutive year the institute ranks Finland among the global top 10 for mining investment.

CLEANTECH

The cleantech industry is already one of the strongest cornerstones of the Finnish economy. In 2013, the Finnish cleantech industry continued to grow by 5%, with the total industry turnover growing by EUR 1.2 billion from the previous year.

The total turnover of the Finnish cleantech industry was EUR 25.8 billion in 2013. 2/3 of the companies are planning new investments, 88% are planning to expand to new markets and 90% are aiming to create new cleantech jobs in Finland during the next 5 years. There are lots of cleantech companies in Finland looking for international partners. Also, the Finnish cleantech environment offers interesting greenfield opportunities.

More information:

» cleantechfinland.com

Finland has a technically skilled talent pool of **99,000 cleantech & renewable energy professionals**

WORLD-CLASS EXPERTISE IN MANY FIELDS

Finland is in cleantech among the leading nations in e.g.:

- Resource efficiency (energy and materials)
- Energy efficiency
- Environmental measuring technology
- Clean industrial processes
- Biomass
- Combined heat and power (CHP)
- Recycling technology
- Wind energy
- Water solutions

BIOECONOMY

Finland aims for a low-carbon, energy-efficient society founded on the use of renewable natural resources and recycled materials. For Finland bioeconomy brings currently an annual output of EUR 60 billion euros, growth of exports, new jobs and increased well-being, with due respect for the environment.

Bioeconomy means an economy, which utilizes the biological natural resources and turns them into food, energy, and other products and services. It is characterized by the use of clean technolo-

gies, which save the environment and by efficient recycling of materials. Finland's rise to become one of the world's most prosperous countries is based on our ability to utilize renewable natural resources, forests, clean water and clean nature.

Finland has top-notch expertise in sustainable forest bioeconomy. Finland has strong know-how in technology, construction, energy, chemistry, food and health sciences.

More information:

» bioeconomy.fi

Front runner in wood-based biodiesel

The world's first wood-based renewable diesel biorefinery has started commercial production in Lappeenranta, Finland. The new investment of the Finnish company UPM is a showcase of biomass-based new innovations of the global forestry product company. According to the company, advanced biofuels business has excellent growth potential.

The main raw material of the UPM's biorefinery is crude tall oil, which is a residue of chemical pulp production.

Total investment of the biorefinery has been EUR 150 million and the refinery produces approximately 120 million litres of biodiesel yearly. According to UPM, the BioVerno biodiesel will decrease vehicle greenhouse gas emissions by up to 80%.

ICT

Finland has much to offer international investors and companies in the ICT sector, including first-rate availability of talented and qualified ICT engineers, and easy access to public R&D funding and development networks.

Finland has developed a very strong mobile cluster driven by Nokia. Other ICT clusters in Finland include game developing, digibusiness, ubiquitous computing and the nanotechnology cluster.

Nokia has driven the development for a uniquely strong mobile technology cluster in

Finland. The Finns love new gadgets and many services and technologies have been introduced in Finland much earlier than in other countries. International companies use Finland as a test laboratory for experimental launches of new products and services. Google has constructed its most eco-efficient data centre on the Finnish coast.

Applications are also being developed for ubiquitous computing, health care and the elderly, bio- and nanotechnology, security and environmental purposes.

PLATFORM FOR INNOVATIVE COMPANIES

The Strategic Centres for Science, Technology and Innovation (SHOKs) are a unique cooperation platform for innovative companies and spearheading research. The centres are intended to constitute national choices for the best investment targets for limited resources.

The promotion of even closer cooperation between business life and the world of research is set as an objective. At the core of the objective is generating top-level expertise on a global scale and the critical mass required by it for strategically selected fields.

Six centres are in operation:

- Energy and the environment CLEEN Ltd,
» www.cleen.fi
- Finnish Bioeconomy Cluster FIBIC Ltd,
» www.fibic.fi
- Metal products and mechanical engineering FIMECC Ltd ,
» www.fimecc.com
- Built environment innovations RYM Ltd ,
» www.rym.fi
- Health and wellbeing SalWe Ltd,
» www.salwe.fi
- Information and communication industry and services DIGILE,
» www.digile.fi



BUSINESS ENVIRONMENT





BUSINESS ENVIRONMENT

Finland's business environment is characterized by a well-functioning partnership between the public and private sectors. The public institutions that underpin Finland's economic development are highly ranked in international comparisons. The governmental regulators perform effectively and transparently, and support the private sector to drive the economy forward.

Finland's corruption level is among the lowest in the world and there is a strong respect for the law in both the business world and the society at large.

Finland's security environment is often at the top of the global rankings.

The cost of doing business in Finland is competitive and the corporate tax rate is one of the

lowest in Europe. Foreign-owned companies have full access to investment incentives and dynamic innovation environment available in Finland.

The country's workforce is highly educated and computer literate, so skills and know-how are readily available. Foreign investors can also draw

on the Finns' expertise in doing business with the neighbouring countries in terms of logistics, cultural knowledge, language skills, and experience in venture capital operations.

Science, technology and innovation are nur-

tured at the highest level of the Finnish government and through the effective framework that brings together companies, universities, research institutes and public funding bodies.

WEF HAS RANKED
FINLAND AS THE **FIFTH
BEST COUNTRY IN THE
WORLD FOR TRADE.**

(The Enabling Trade Index 2014)



Business incubators

Business incubators provide affordable working-space, training, mentoring, matchmaking and other useful services for the vibrant Finnish start-up ecosystem.

There are 14 incubators in Finland (Helsinki region, Oulu, Tampere and Turku). Probably the best known of them is Start-up Sauna, an accelerator for the most promising start-ups from Nordics, Eastern Europe and Russia. In 2014, 145 companies had graduated from Startup Sauna, raising more than USD 37 million in funding. Startup Sauna's working space is situated at Aalto University's campus near Helsinki. Aaltoes, a student community, is the largest, most active community for young entrepreneurs in the whole of Europe.

Every November the community organizes Slush, which is the largest tech and start-up conference and get-together of start-ups and investors in Northern Europe.

Photo: Jussi Hellstén/Slush 2014

INNOVATION ENVIRONMENT

Finland is internationally known for its high level of innovation and technological expertise. Finnish innovations include the text message (SMS), lactose free dairy products, Xylitol tooth friendly sweetener and the Linux computer operating system, to name but a few.

A strong commitment to innovation and R&D by both the private and public sectors has played a crucial role in Finland's development into one of the leading knowledge-based economies in the world. Finland's R&D expenditure has consistently been above 3% of GDP since the turn of the millennium.

The number of R&D personnel in Finland was 78,900 in 2013. This was about 3% of all employed people – the share is one of the highest in the world. The number of doctorates has nearly doubled in the last ten years.

The Ministry of Employment and the Economy oversees Finland's technology policy. The key expert and funding organizations in the Finnish innovation environment are Tekes, the Academy of Finland and Sitra (the Finnish Innovation Fund). They run technology and research programmes which connect industry and the academia, as well as provide funding for the best scientist and R&D companies in Finland. At the regional level, the technology policy is implemented by the ELY Centres (Centres for Economic Development, Transport and the Environment).

Universities and polytechnics form the higher education sector, which is exceptionally dense and regionally comprehensive by international comparison. Finland also has governmental research institutes and several science parks, business incubators and technology centres. The knowledge transfer between business and

universities is one of the key features of Finland's economy and innovation policy.

TRANSPARENCY AND ANTI-CORRUPTION

In Nordic countries corruption is less of a problem than in many other countries and one significant reason is the solid tradition of transparency in the administration.

A report by Transparency International shows that in 2014, Finland was the least corrupted country in the world along with New Zealand and Denmark. The index draws on a number of expert opinion surveys that poll perceptions of public sector corruption. While many countries are perceived to be facing serious domestic corruption, Finland's high levels of civil service integrity continue to facilitate business and public sector efficiency. The police force is regarded as the most trusted and reliable organization in the country.

The low level corruption makes doing business in Finland more straightforward than in most

places and is one of the attractive features of the country as an investment location.

TRANSPORT INFRASTRUCTURE

Advanced transport infrastructure and logistics are key strengths of Finland's domestic economy and its lively trade with the Nordic and Baltic countries, the EU, Russia and Asia. Business is served by extensive road network and railways, and a vast network of waterways, canals and sea lanes. As the eastern border of the EU, Finland is the ideal business gateway to Russia. The countries share the same rail gauge, so rail cars do not require modification or reloading when they cross the border.

Government-owned Finavia Corporation maintains a network of 24 airports in Finland and the air navigation system covering the entire country. In 2013, the Finnish airports had 19.0 million passengers, of which 15.3 million at Helsinki Airport.

The Helsinki-Vantaa Airport is recognized





CHEAPER ELECTRICITY FOR DATA CENTERS

The Finnish government has amended the law on electricity tax in order to lower the tax rate paid by data center companies operating in Finland. In 1 April 2014, the electricity tax rate fell from 1,703 cents per kWh to 0,703 cents per kWh.

To qualify for the lower tax rate, the data center operation must be the primary business of the company and the data center should have a total power usage of at least 5 MW. The lower electricity tax rate already applies to industrial, mining and agricultural activities in Finland.

Finland has attracted major data center investments from companies like Google, Telecity-Group and Atos thanks to its cool climate, highly skilled IT-professionals and well-functioning infrastructure. The lower electricity tax rate is set to further boost Finland's competitiveness as a cost-effective location for data centers.

The latest data center investments in Finland include the construction of a large facility in Mäntsälä by the Russian search engine giant Yandex.

among the world's best international airports in IATA and ASQ surveys. In 2013, Finavia decided to initiate an approximately EUR 900 million development programme for Helsinki Airport. The extensive investment programme is part of the airport's preparations for growth and for serving 20 million passengers a year in the early 2020s.

Helsinki Airport is an increasingly popular gateway to Asia as the fastest route between Northern Europe and Asia.

Finland's fully automated, state-of-the-art ports are highly specialized and rank among the safest and fastest in the world. Car ferries and container ships serve the region with regular daily departures. The biggest port Vuosaari Harbour in Helsinki has been built in a key location for efficient transport connections in a total market area of 80 million consumers.

ENERGY

Foreign investors in Finland can depend on a highly reliable and cost-effective power supply to run their business with maximum efficiency.

Finland's power generation, transmission and distribution systems are highly efficient and the price of electricity is among the lowest in Europe. EU's Eurostat figures show that in terms of purchasing power, the price of domestic electricity in Finland is about one third lower than the average price in the EU.

Finland's energy policies are focused on energy security, economic development and environmental sustainability. Power generation is decentralized across more than 400 power stations, which use several different production technologies and raw materials. This diversified approach ensures a very stable energy supply and has kept the price of electricity, natural gas, wood and peat at a competitive level.

In the overall use of renewable energy sources, Finland is one of the leaders in Europe. Energy production from solid biomass, biogas and wind power has increased in the last years.

EU statistics show about 34 per cent of energy currently comes from renewable sources.

INVESTMENT INCENTIVES

Foreign investors in Finland are eligible for a wide range of government and EU incentives on an equal footing with Finnish-owned companies.

Enterprise financing is regulated by international and national laws and statutes. The Ministry of Employment and the Economy (MEE) is responsible, within its purview, for the availability of sufficient financial resources to enterprises with regard to their needs in general and any restrictions imposed by the international financial and legal framework. In addition to taking a legislative role, the MEE is responsible for the management and control of Finnvera plc, a specialist financing company owned by the State, including its subsidiaries, and Finnish Industry Investment Ltd, a state-owned investment company. Furthermore, the MEE controls and manages the regional Centres for Economic Development, Transport and the Environment (ELY Centres) with regard to the sub-

sidies these centres grant to enterprises.

Aid to business is aimed at improving the long-term competitiveness and operating environment of enterprises, mainly SMEs. ELY Centres make most of the decisions on aid to business. MEE is involved when the aid sums are substantial.

Support for innovative business ventures can also be obtained from the Foundation for Finnish Inventions (www.keksintosaatio.fi) and the Finnish Funding Agency for Technology and Innovation www.tekes.fi.

If the business is geared towards developing countries, it is possible to obtain a subsidy with the help of the Finnpartnership business-partnership programme.

The European Regional Development Fund participates in financing of the development and operating environment projects of enterprises.



Loans and guarantees by Finnvera plc:

Finnvera improves and diversifies the financing possibilities of companies by providing them with loans, guarantees, venture capital investments and export financing. It grants credit guarantees, loans and guarantees to SMEs in particular.



Centre for Economic Development,
Transport and the Environment

Business development support for investments from ELY Centres:

Business development support for investments is a subsidy intended for funding corporate material and immaterial investments. In addition, those 3-year lease expenses of machines and equipment that correspond to the purchase price are acceptable for the funding.

Business development subsidy for developmental measures

from ELY Centres is a subsidy for the development of a company's business operations, internationalization, development of products and production methods and other significant development.



EU funding is largely channelled through the ELY Centres. It is directed to projects developing the competitiveness, know-how and operating environment of the SME sector, with a special emphasis on start-up businesses and service sector companies.

VENTURE CAPITAL

Venture capital is available from various private and public sources. The three sources of public venture capital in Finland are:

Finnvera >> www.finnvera.fi

Sitra >> www.sitra.fi

Tekes – Finnish Funding Agency for Technology:

>> www.tekes.fi

MORE INFORMATION:

- Ministry of Employment and the Economy:
>> www.tem.fi
- ELY Centres
>> www.ely-keskus.fi
- Enterprise Finland
>> www.enterprisefinland.fi

INVESTMENTS IN EARLY STAGE COMPANIES

The amount invested in Finnish early stage companies in 2014, EUR million

Finnish venture capital investments	73
Direct foreign investments	89
Business angel investments	33
Other sources including crowdfunding	11
Total	206

Finnish Venture Capital Association/www.fvca.fi

Investment support for businesses from ELY Centres is support intended for funding of the investments of rural micro businesses.

Start-up grants granted by Employment and Economic Development Office: Business start-up grants are a form of discretionary support, which can be paid to someone starting up as an entrepreneur, and they are available in the initial stages of a business operating on a full-time basis.

Transport aid may be granted for deliveries of goods produced to sparsely populated areas like Lapland, Northern Ostrobothnia, Kainuu, Northern Karelia, North Savo and South Savo.

Energy subsidies can be granted to companies for investments in energy efficiency and conservation.

Tekes

Research & development funding from Tekes:

Tekes offers funding for development projects that are innovative and accelerate the growth of the business significantly.

Capital investments from Finnish Industry

Investment, a state-owned investment company, which makes capital investments in companies during their growth and internationalization phases, as well in acquisition and merger situations. It also invests in foreign companies if the capital is used for business development in Finland.



SETTING UP A BUSINESS **IN FINLAND**

A man and a woman are sitting together, looking at a tablet. The woman is on the left, with long brown hair tied back, wearing a black top and a necklace. The man is on the right, with a beard and short dark hair, wearing a plaid shirt. They are both looking down at the tablet, which is held by the man. The background is a bright window with a grid pattern.

FOREIGN COMPANIES ARE
WELCOME IN FINLAND
AND THE PROCESS OF
**ESTABLISHING A BUSINESS
IS QUICK AND EASY.** THE
INCORPORATION PROCESS
USUALLY TAKES ABOUT 2–3
WEEKS.

SETTING UP A BUSINESS IN FINLAND

Types of business. In Finland foreign companies most commonly conduct business through private or public limited liability companies or a Finnish branch office. Business can also be conducted through general or limited partnerships or co-operatives. A foreign organization or foundation can also establish a branch in Finland for business.

More information in English on public authorities, trade regulations, and employment issues at Enterprise Finland

» www.enterprisefinland.fi

Setting up a **limited company**

Foreigner as founder of a limited company. A limited company may be established by one or more natural or legal persons (founders). At least one of the founders shall be permanently resident or, if the founder is a legal person, have its domicile in the European Economic Area – unless the National Board of Patents and Registration grants an exemption from this rule. The nationality of the founder is thus irrelevant. A legal person shall have its domicile in the European Economic Area when it has been established in accordance with the laws of a State which belongs to the European Economic Area and when its registered office, central administration or head office is in a State belonging to the European Economic Area. A person who is legally incompetent or declared bankrupt may not act as founder.

Permission of the National Board of Patents and Registration to act as founder. If a permit is required, the application, free in form, is to be submitted to the National Board of Patents and Registrations either in Finnish or in Swedish. An application fee (EUR 120) is paid for each decided permit. If permits are applied for three founders of a limited-liability company, three fees are charged (total of EUR 360). The fee is charged after the decision to grant or to deny the permit has been made.

Selecting a business name. A name must be chosen for the company before the formation documents have been completed and the company applies for entry in the Trade Register maintained by the National Board of Patent and Registration. The name must identify the business and be distinct from the business names already in the register.

More information:


- On registered business names, names pending registration and auxiliary business names at Business Information System
» www.ytj.fi
- National Board of Patent and Registration
» www.prh.fi

Trade name of a limited company. The trade name of a private limited company must include the words “osakeyhtiö” (limited company) or the corresponding abbreviation “oy” and the trade name of a public limited company shall include the words “julkinen osakeyhtiö” (public limited company) or the corresponding abbreviation “oyj”.

Share capital. A private limited company shall have a minimum share capital of EUR 2,500 and a public limited company, EUR 80,000. The share capital must be paid to the company’s account in full before the company can be entered in the Trade Register maintained by the National Board of Patents and Registration.

Registration formalities. New businesses submit the basic declaration to the Trade Register using the start-up notification form. This form can also be used for registration in the Trade Register, Tax Administration, register of VAT liable businesses, register of employers, and the tax prepayment register. For legal purposes, limited liability companies and co-operatives are only established, when they have been entered in the Trade Register maintained by the National Board of Patents and Registration. The registration fee for a private trader is EUR 110, partnerships EUR 240, and for a limited company EUR 380 (EUR 330 for online notification).

Statutory obligations. In a limited liability company an Ordinary General Meeting must be held in each accounting period, unless otherwise stipulated in the Articles of Association. All registered companies must appoint a professional auditor to audit their annual accounts, except for the smallest companies, which are exempt from this requirement. Companies must submit their annual accounts to the Trade Register. Public companies must prepare and publish interim reports at least four times a year.



Setting up a **branch of a foreign trader**

A branch refers to a part of a foreign organization or foundation that conducts continuous business or professional activities in Finland from a permanent place of business in Finland in the name and on behalf of the foreign organization or foundation. The trade name of a branch of a foreign entrepreneur established in Finland shall contain the trade name of the foreign entrepreneur with a supplement, which indicates that it is a branch – e.g. CDE Cargo Ltd., branch of Finland. A trade name may be registered in two or several languages if the expressions in the different languages correspond to each other in their contents. The notification fee of a branch of a foreign trader is EUR 380. If the trader opening the branch is from a country outside the European Economic Area (EEA), it will also need a permit from the National Board of Patents and Registration for the establishment of the branch. The permit costs EUR 120.

Acquisition of a business

Finnish law does not impose any restrictions on foreign ownership; foreigners may also acquire Finnish enterprises, their business operations, or become partners in an existing enterprise. The object of acquisition may be, for example, a private undertaking; shares in a general or limited partnership; the entire stock of a limited liability company; or a majority of the shares. You can become a member of an existing cooperative by paying the participation share.

A large number of transfers of businesses to younger generations are expected in Finland in the next few years. According to different estimates, between 60,000 and 80,000 enterprises are going to change hands in the next few years. If no new owner can be found within the family, an alternative is to sell the business to a third party.



THE STAGES OF SETTING UP A COMPANY

IN FINLAND IN A NUTSHELL

1. Selection of the form of the enterprise
2. Resolving licensing issues for the business
3. Arranging finance
4. As for limited company:
Incorporation documents –
 - a) Memorandum of association
 - b) Articles of association
5. Registration of a new enterprise:
It is possible to apply for entry to the Finnish Trade Register and the records of the Central Tax Administration using the same form
6. Insurance
7. Organization of accounting



EMPLOYMENT AND **THE** **LABOUR** **MARKET**

Photo: Ari-Pekka Darth



EMPLOYMENT AND THE LABOUR MARKET

TRADE UNIONS IN FINLAND

An important function of trade unions in Finland is to run unemployment funds, which provide earnings-related unemployment benefits. These are typically much higher than the basic unemployment allowance provided by KELA (the Social Insurance Institution of Finland).

EMPLOYMENT CONTRACTS

In employment contracts and employment relationships, employers must comply with the minimum requirements on employment terms and conditions stated in a nationwide collective labour agreement considered to be representative in the sector. An employee posted to Finland is entitled to the salary determined by a universally valid Finnish collective labour agreement for the sector.

According to the Employment Contracts Act, the employer must provide the employee with a description of the most essential terms and conditions of employment if they are not indicated on a written employment contract. An employment contract can be made for a specified period or until further notice. In an employment contract the employee personally commits to working for the employer under its management and supervision

against wages or other compensation. An employment contract can be made for a specified period or until further notice. An employment contract for a specified period requires a justified reason. An employment contract can be made in writing, orally or electronically. There are no requirements regarding the form of an employment contract. However, it is recommended that contracts be made in writing, indicating all the terms and conditions.

EMPLOYER COSTS TO BUSINESS

Statutory contributions by employers include:

- Employers' health insurance (social security) contribution
- Unemployment insurance
- Earnings-related pension (TyEL) insurance contribution
- Group life insurance premium
- Occupational accident insurance

ACCIDENT AND PENSION INSURANCE

The employer has a statutory obligation to take out accident and pension insurance for the employees; the employees are also provided with group life assurance and unemployment insurance in connection with the statutory accident insurance. The employer must arrange for statutory occupational health care.

TAX AND SOCIAL SECURITY

The employer is responsible for paying any withheld taxes and social security contributions to the tax authorities, and for submitting annual notifications to the tax authorities, and the pension and accident insurance companies, with information on the wages and salaries paid to employees.

A TYPICAL BREAKDOWN OF PAYMENTS MADE BY THE EMPLOYER FOR AN EMPLOYEE <i>With a salary of EUR 3100 in 2015, EUR/month</i>	
Salary	3,100.00
Earnings-related pension insurance contribution (19.00% on av. for employer)	589.00
Employers' social insurance contribution (2.08%)	64.48
Unemployment insurance (av. 0.8% for employer)	24.80
Total employer costs	3,778.28

TERMS AND CONDITIONS OF EMPLOYMENT

Working hours. Regular working hours are usually at most 8 daily hours and 40 weekly hours. In a two week period the working hours are not more than 80 hours and in a three week period 120 hours. The weekly hours may also be arranged in longer periods during which the average weekly hours do not exceed 40 hours. Working hours may be arranged by law or collective agreements alternatively, for example in two or three week periods.

Holidays. An employee has a right to receive pay also for the time he/she is on annual holiday. Normally holiday leave accumulates 2 days (when employment has lasted less than 1 year) or 2 1/2 days for each holiday credit month. Normal wages are paid for the time an employee is on holiday.

Sick pay. According to the law, an employee who is unable to work due to an illness or an accident is entitled to paid sick leave. Wages are paid for the day when the illness started and for the working days. If the employment relationship at the start of the disability has lasted for at least one month, the employee will be paid full wages for the said period. If the employment relationship has lasted for a period shorter than one month, half of the wages will be paid for the same period.

Parental leave. Parental leave lasts 158 working days taken during pregnancy or in the period following birth. It is extended by 60 working days per child in the case of multiple births. During the parental leave, Kela (The Social Insurance Institution of Finland) pays parental allowance. Both parents can take the parental leave in up to two separate periods of at least 12 working days each.



TOTAL EARNINGS BY OCCUPATION

Full-time employees monthly earnings EUR in 2014

Legislators, senior officials and managers	6,037
Professionals	4,180
Technicians and associate professionals	3,344
Clerks	2,634
Service workers and shop and market sales workers	2,471
Skilled agricultural and fishery workers	2,351
Craft and related trades workers	2,971
Plant and machine operators and assemblers	2,991
Elementary occupations	2,277

Statistics Finland

LABOUR COSTS

Cost of an hour worked and the cost per staff-year by employer sector in 2012

	Cost per hour, EUR	Cost per year, EUR
Private sector total	32.0	52,200
Manufacturing	35.1	57,900
Construction	31.8	53,700
Service Industry	30.7	49,600
Consumer and business services	30.5	49,900
Welfare services	31.5	48,400
Local government sector	29.5	45,400
Central government	37.4	56,900

Statistics Finland



VISAS, WORK AND RESIDENCE PERMITS

People from countries outside the EU may stay in Finland as tourists for three months without a permit. If they wish to work in Finland, they need to apply for a residence permit, even if the period of stay is shorter than three months. EEA and Swiss citizens, their spouses and children under 21 years of age or dependent on their parents' care do not need a work permit.

Permits for entrepreneurs and employees. The permits required depend on whether the person is from or residing in another Nordic country, an EU country or outside the EU. The notifications and permits required can include registering the right to reside in Finland, the residence permits of the entrepreneur or employees, and registration in the Population Register. Persons residing outside the European Economic Area (EEA) may also need a permit from the National Board of Patents and Registration to serve in managerial and other duties of responsibility in businesses.

VISA APPLICATIONS

Applying for a visa to the Schengen area and application form. Foreign nationals who need an entry visa are requested to apply at the nearest Finnish mission. In countries where Finland does not have a mission, another Schengen country can represent Finland in visa matters. The Schengen member states are Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland. These states have jointly agreed about the rules concerning the movement of third-country nationals in their territories and decided which countries' citizens are required to present a visa.



RESIDENCE PERMITS

Residence permits for citizens of EU and EEA countries. Citizens of the Nordic countries (Sweden, Norway, Denmark and Iceland) may freely enter Finland and reside in the country without a residence permit. They can also take up paid employment without a residence permit for an employed person. EU citizens and citizens of Iceland, Liechtenstein, Norway and Switzerland have the right to enter, reside, study, seek work, or practice a profession in Finland for three months without a residence permit. If the stay lasts longer than that, they must register their right to reside in Finland at a police department.

Residence permits for citizens of non-EU/EEA countries. Citizens from non-EU/EEA countries should apply for a residence permit first. Everyone applying for a residence permit must fill in a separate form. This applies to all children too. The application is subject to a fee, which will be charged for children too, even if they are entered in the passport or other travel document of a parent or guardian.

Application forms. The residence permit application forms for employment (OLE_TY1), for person employed as a special expert (OLE_TY2) and for self-employment (OLE_EHA) and a list of required attachments are available on the Finnish Immigration web site www.migri.fi and at Finnish embassies. The form may be submitted at a Finnish embassy or to the local police in Finland. In order for a residence permit to be granted, the applicant must have a valid passport or other approved travel document. In Finland, the residence permit with photo is in Finnish or Swedish, depending on which language the applicant chooses on the application form. There is no provision for residence permits in English, since EU legislation requires that national languages be used in each EU Member State.

First residence permit for employed persons or self-employed persons costs 500 EUR in 2015.

More information in English on acquiring residence permits at the Finnish Immigration Service:
» www.migri.fi



WORK PERMITS

Employment of a foreign national in Finland requires a residence permit, which is applied for before arriving in Finland from a Finnish mission abroad. Private entrepreneurship or the exercise of a profession in Finland requires a separate residence permit intended for entrepreneurs. Residence permits for employees or entrepreneurs are not required for citizens of EU member states or citizens of Iceland, Liechtenstein, Norway and Switzerland.

For EU and EEA citizens. EU citizens and citizens of Iceland, Liechtenstein, Norway and Switzerland can freely work in Finland if the work lasts for a maximum of three months. After that, they must register their right to reside in Finland, but they do not need a special residence permit.

For non-EU citizens. Foreign employees who are non-EU citizens and equivalent persons need a residence permit for an employed person if they

intend to work in Finland. An alien who has entered the country either with a visa or visa-free is not allowed to engage in remunerated employment in Finland but, rather, has to apply for a residence permit. A residence permit can be granted on the basis of either temporary work or work of a continuous nature.

In granting the permit, the needs of the labour market are taken into consideration. The aim of the residence permit certification is to support those who are on the employment market to gain employment. Thus, the availability of work force is also supported.

Granting a residence permit for an employed person requires that the foreigner's means of support be guaranteed. The employment office will estimate both the labour political requirements and the sufficiency of the means of support.

MORE INFORMATION:

Finnish Immigration Service » www.migri.fi
Ministry of Foreign Affairs » www.formin.fi

LEGAL FRAMEWORK – CORPORATE LAW

FINLAND HAS A CIVIL LAW SYSTEM WHERE EC LAW IS DIRECTLY APPLICABLE AND TAKES PRECEDENCE OVER NATIONAL LEGISLATION. THERE ARE SEVERAL IMPORTANT LEGAL CONSIDERATIONS TO TAKE INTO ACCOUNT WHEN ESTABLISHING A BUSINESS IN FINLAND.

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Foreign investment. There are no general restrictions on foreign investment, although authorization is required in certain regulated sectors such as banking. There are no exchange controls or currency regulations. Government subsidies are available in certain areas and usually take the form of start-up grants, subsidized loans, state guaranteed financing and freight subsidies.



Directors' liability. The managing director and members of the board and supervisory board are liable to compensate the company or the shareholders for damages caused deliberately or through negligence; and third parties for any breaches of the articles or the Companies Act.



Parent company liability. A parent company is not generally liable for its subsidiaries' debts, unless it has provided a guarantee for those liabilities.



Reporting requirements. Companies must submit their annual accounts to the Trade Register. Public companies must prepare and publish interim reports at least four times a year. There must be statutory audit in Finland of a Finnish branch office, if the company's annual accounts are not being compiled, audited or made public in the manner corresponding to the current EU rules.



Tax residency. Finnish or foreign individuals are treated as a Finnish resident if they either have their main abode and home in Finland or stay in Finland for more than six consecutive months.



Patents are protected by registration with the National Board of Patents and Registration. Protection generally lasts for 20 years.



Employer obligations. If a foreign company has a permanent establishment for the purposes of income taxation, its role as an employer in Finland is no different from that of a domestic employer. Therefore, the company should become registered as an employer, withhold money from the wages paid out, file monthly tax returns and annual employer payroll reports.



Employment regulations. The most relevant statutes regulating employment relationships in Finland are the Employment Contracts Act 2001 (ECA 2001) and Co-determination within Enterprises Act 1978 (CEA 1978). Other generally relevant statutes applicable to most employment relationships are the Working Hours Act 1996, Annual Leave Act 2005 and Safety at Work Act 2002. In general, all employers are subject to labour laws, irrespective of their size and line of business. Finnish labour laws are generally applicable to all employment relationships in Finland, including foreign employees working in Finland and Finnish employees seconded to work abroad.

TAXATION

Taxes in Finland are levied by the central government, local municipalities and the church. For businesses, the main taxes are corporation tax (profit tax) and real estate tax. Other taxes consist of an assets transfer tax (formerly stamp duty) and a withholding tax. The employers are also required to make a social security contribution.

Individuals have to pay a progressive income tax from their salaries. Foreign personnel working in Finland for longer than a six-month period are also required to pay Finnish income tax. This guarantees that all residents continue to receive top-level public health care, free schooling for children, and other valuable public services. Private individuals' income tax has come closer to the European average level in recent years in Finland.

CORPORATION INCOME TAX

Corporation (or corporate) tax is an income tax collected from limited companies and other corporations. The tax is levied of the taxable income of a corporation. The taxable income is calculated by subtracting the deductible expenses of the corporation from its taxable income. The tax rate is 20% in 2015.

VALUE ADDED TAX

VAT is an indirect tax assessed as a percentage of the value of all goods and services, unless specifically exempted. It is a consumption tax paid by the end consumer. VAT-registered businesses can deduct VAT paid on purchases for business activities from their VAT liability. The Finnish acronym for VAT is ALV.

TRANSFER TAX

Transfer tax is payable on the transfer of the ownership of securities, shares of housing companies (or similar companies), or real estate, and it is paid on the purchase price. The tax is usually paid by the buyer or other transferee.

EXCISE TAX

Excise duty is levied to provide for general government finances. The collection of excise duty can also contribute to health and social affairs, the environment, energy, transportation, or economic policy. Excise duty is levied on alcohol and alcoholic beverages, tobacco products, electricity, natural gas, hard coal, liquid fuels (e.g. petrol/gasoline) and diesel, soft drinks, sweets, ice cream, beverage packages and tall oil. Waste tax and oil waste duty are also comparable to excise duty.

PRIVATE INCOME TAX

The state levies a progressive tax on earnings. The marginal tax rates vary from 6.5% (taxable income between EUR 16,500 and 24,700 annually) to 31.75% (taxable income at over EUR 90,000 annually) in 2015.

YLE tax is meant to finance the operations of the National Broadcasting Company YLE. It applies to every adult person. The tax rate is 0.68% of annual income, but the tax has been capped at EUR 143 (in 2015). YLE tax applies also to companies which have taxable income of EUR 50,000 or more. The amount of tax varies between EUR 140 and 3,000.

Finnish municipalities levy a tax on earnings as well. In Helsinki the municipal tax rate is 18.50% in 2015.

The Evangelic-Lutheran Church and the Orthodox Church have the right to tax their members. The church tax rate is flat and is typically between 1 to 2 per cent depending on the parish.

EMPLOYEES STAYING IN FINLAND FOR MAX 6 MONTHS

If duration of stay is six months or a shorter time, employee is considered as a non-resident. This means that the payer have to withhold 35% from his/her pay as a final tax at source (Finnish: lähdevero; Swedish: källskatt). The base of this tax

not only includes cash wages but also any fringe benefits given to the employee. However, there is an upfront deduction to be made from the gross amount before the computation of tax. The employee has to have a tax card in which the deduction is specified. The amount of the deduction is EUR 510 per month, and it should be subtracted from the sum total of gross compensation, which includes cash wages and fringe benefits. If the pay period is shorter than one month, the deduction amount is EUR 17 per day.

EMPLOYEES STAYING IN FINLAND FOR LONGER THAN 6 MONTHS

If duration of stay is longer than six months, is the employee considered a Finnish tax resident. This means that he/she is taxed in Finland, and the progressive scale is implemented in the same way as in the case of a Finnish permanent resident. Payers are obligated to withhold tax and pay it forward to the tax office. The payer must follow the instructions printed in the tax card. If the employee fails to show a tax card or if the employee does not have a prepayment registration, the rate of withholding will be 60%. Unless fees paid to athletes or sportsmen are involved, wages will also be subject to the employer's social security contribution. However, this obligation will be waived if the employee has the posted employee status, and the E101 certificate, A1 certificate or a Kela-issued document is shown. In this case, the employee is not covered by the Finnish social insurance system.

MORE INFORMATION:

Finnish Tax Administration

» www.tax.fi

» www.enterprisefinland.fi

EXAMPLES OF TAX RATES IN 2015

Corporate income tax **20%**

Value added tax (VAT)
Standard **24%**

- Foodstuff and animal feed, restaurant and catering services **14%**
 - Books, medicines, use of sporting facilities, passenger transportation, accommodation and the right to use harbour, admission to cultural services and amusement parks and some other items. **10%**
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Transfer tax,
real estate **4%**

- Transfer tax for shares in housing companies, mutual real estate companies and other similar companies **2%**
 - Transfer tax on transactions with corporate stock of business companies **1.6%**
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Excise tax: Varies, usually not a percentage

MEETING FINNS IN BUSINESS

To succeed as an entrepreneur in Finland, it is important to be familiar with the norms, attitudes and customs of Finnish business culture. There are many characteristics of western, individual-based culture in Finnish society. Finns endeavour to make sensible use of their time. They follow timetables and other plans faithfully and expect the same from others, expecting well-defined targets and processes, authority and responsibilities. Finns are careful and gather background information in advance, but they make decisions quickly and thoroughly. Changing a decision is difficult without well-founded reasons. Power and responsibility are flexibly distributed with a strong streak of independence. Finns dislike being too closely supervised. Personal dignity is highly valued.

The Finnish way of thinking and working is very consistent. As a result, they sometimes shun unfamiliar modes of operation. In Finnish society, all are treated equally and the use of first names universal – but modesty is appreciated. Finns like to solve conflicts by negotiation, looking for an outcome that is fair for all. In negotiations, don't always expect immediate feedback on your comments, and enjoy taking breaks from the conversation. Finns greatly value a genuine interest in Finnish culture and enjoy discovering cultural differences.

A healthy sense of humour is an asset, and if you have the opportunity to take a sauna, try it out, your Finnish hosts will be mightily impressed.





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