Taxation in Finland

Corporate taxation in Finland

For businesses, taxes comprise a corporation tax (profit tax) and a real estate tax. Corporation tax is paid on annual taxable income minus tax-deductible expenses and losses. Corporate tax in Finland is reduced from 24,5% to 20% from 2014 on.

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.

Taxation for individuals in Finland

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. If a foreign person works in Finland for less than six months, withholding tax of 35% is paid.

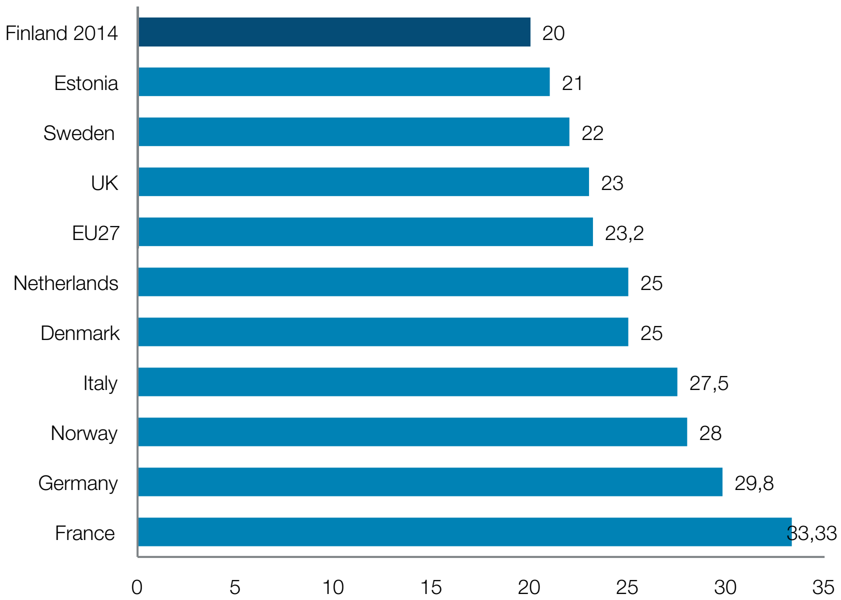
If the employer is a foreign company without a permanent office in Finland and the salary is paid through a bank, taxes are paid in the home country, not in Finland. Key foreign personnel, even if in Finland for longer than six months but not longer than 24 months, also pay the 35% income tax, when their monthly salary exceeds € 5800.

The Finnish income tax 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.

A preliminary tax on an employee's income is deducted and paid monthly by the employer who also pays social security and other compulsory premiums.

Preliminary tax deduction covers:
- The national income tax (progressive, marginal tax rates vary from 6.5 to 31.75 % in 2013)
- The municipal income tax (e.g. in Helsinki 18.5 % in 2013)
- The church tax (a flat rate from 1.00–2.00 % in 2013, depending on the municipality). The church tax is waived in cases where the employee is not a member of the Evangelical Lutheran or Orthodox churches.

Finland cuts corporate tax to 20% in 2014



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Tax rates in Finland

Value added tax (VAT)

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.

R&D Tax break for companies 2014

The Finnish government is supporting research and development activities by offering companies an additional tax deduction based on the salaries of their R&D personnel during the period 2013–2014. The additional tax deduction is for 100% of the salaries paid, and it comes on top of the normal tax deduction of salaries from the company's profits. The maximum tax deduction is EUR 400,000 and the minimum amount is EUR 15,000. The tax deduction is only applicable to limited companies and cooperatives.

Sources and further information

Finnish Tax Administration
www.vero.fi/en-US

The Taxpayers' Association of Finland (TAF)
www.veronmaksajat.fi/fi-FI/inenglish/

Examples of tax rates in Finland in 2013

Tax	Sub classes	Tax rate
Corporate income tax		24.5% (20% from 1.1.2014)
Value added tax (VAT)	Standard	24%
	Foodstuffs, restaurant and catering services and animal feed	14%
	Books, medicines, admissions to commercial sporting facilities, sporting events, cultural and entertainment events	10%
Tax on real property 2012	Real estate tax rates vary in different districts	0,60%–1,35%
	The rate for residential houses used for living (year-round living, which does not mean summer cottages)	0,32%–0,75%
Transfer tax, securities	corporate stock of business companies	1,6%
Transfer tax, single family houses and other real estate		2%
Excise tax		Varies, usually less than percentage

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