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Global Payroll Association Presents

Finland



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A Brief Country Overview and Payroll Highlights

A brief country overview:

Finland is a Nordic country in Northern Europe bordered by Sweden to the west, Norway to the north and Russia to the east. Estonia lies to the south across the Gulf of Finland. In 2013, Finland's population was around 5.5 million, with the majority living in its southern regions. In terms of area, it is the eighth largest country in Europe and the most sparsely populated country in the European Union.



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Key Country facts

Official Language: Finnish, Swedish

Currency: Euro (EUR)

Time Zone: EET (UTC+2) EEST (UTC+3)

Country abbreviation: FI

Country dial code: +358



Statutory filing payment methods: Payment via Bank Transfer

National minimum wage: According to the Employment Contract Act, minimum wage has to be ordinary and reasonable in respect to the work performed by the employee. Law defines no amount of minimum wage. However, Collective Labour Agreements normally contain provisions on the minimum wage defining also the amount of the minimum wage.

Fiscal Year: 1 January – 31 December

Monthly filing deadline: Residents of Finland have Tax return filing deadline of 7th and the 15th May & Non-Residents 15th May

Annual filing Deadline: 3rd February 2014. Last date to e-file Employer Payroll Reports and annual information returns concerning paid domestic and foreign dividends

Public Holidays in Finland

Public Holidays in Finland 2015/2016			
2015	2016	Holiday	Holiday Type
1 January	1 January	New Year's Day	National holiday
6 January	6 January	Epiphany	National holiday
3 April	25 March	Good Friday	National holiday
5 April	27 March	Easter Day	National holiday
6 April	28 March	Easter Monday	National holiday
1 May	1 May	May Day	National holiday
14 May	5 May	Ascension Day	National holiday
24 May	-	Whit Sunday	National holiday
20 June	25 June	Midsummer	National holiday
31 October	1 September	All Saints' Day	National holiday
6 December	6 December	Independence Day	National holiday
25 December	25 December	Christmas Day	National holiday
26 December	26 December	St. Stephen's Day	National holiday

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Business and culture in Finland

What you need to know about processing payroll in Finland

Establishing as an Employer Finland

The National Board of Patents and Registration specifies that a basic declaration to the Trade Register must be filed (in either Finnish or Swedish). For each type of business association, a separate basic declaration form must be used. The forms are available on the National Board of Patents and Registration, regional tax offices, local tax offices, Centres for Economic Development, Transport and the Environment, local register offices, Chamber of Commerce and enterprise agencies. All registrations to the Trade Register and to the Tax Administration are performed within the same basic declaration. If the company has employees, the company must be entered into the Employer Register (according to Section 31 of the Preliminary Taxation Act).

Employment

The average working hours in the Finland are eight hours per day and a 40-hour working week. Weekly hours may be averaged across the weeks to satisfy the collective bargaining agreements put forth by the labour union. Employers must provide all employees with a working schedule with specified start and end times.

Employees may not work more than 40 hours a week or eight hours a day, unless their job falls outside the provisions of the Working Hours Act (senior executives for example). Working hours in Finland can be arranged, however, so that the weekly average is 40 hours over a 52-week period. Sunday work performed as part of an employee's normal weekly hours is paid at twice the usual hourly rate. Employees under the age of 18 are subject to stricter rules regarding working hours.

Rest periods and emergency work are addressed in separate provisions of the Working Hours Act.



Helsinki Cathedral is part of the Empire era centre of Helsinki, designed by architect, Carl Ludvig Engel, and planner, Johan Albrekt Ehrenström. Engel, whose work was continued after his death by architect, Ernst Bernhard Lohrmann, designed the neoclassical church. Once the construction work of the Empire era centre began, the Ulrika Eleonora church on the Senate Square, completed in 1727, was demolished.

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Getting down to business

Finns take punctuality for business meetings extremely seriously and expect those attending to do the same. Make sure to call ahead if you are running late, even by as little as five minutes. The managing director is the decision maker. Generally, do not expect a Finnish colleagues to make small talk, they tend to get right to business, but do respect a silent time during a meeting.

Visas and work permits in Finland

Most European nationals are allowed to move freely in Finland with a valid ID or passport for up to three months. Individuals who are not from the approved European nations must contact the Ministry of Foreign Affairs to determine the requirements for a resident permit or visa. Finland has four types of visas: single-entry, double-entry, multiple-entry and airport transit. Employers must confirm a job offer for employees seeking a residence permit through an employment contract. Employers cannot apply for residence permits on behalf of employees.

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Tax & Social Security

Tax

2015 Income tax table – resident in EUR		
Taxable Income (EUR)	Tax on lower amount (EUR)	Rate on excess (%)
16,500 – 24,700	8	6.5
24,700 – 40,300	541	17.5
40,300 – 71,400	3,271	21.5
71,400 – 90,000	9,957.50	29.75
90,000 – and over	15,491	31.75

As well as Income tax, municipal, church (1% to 2%) and health insurance rates (around 2%) are collected.

Income Tax who is liable

Individuals resident in Finland are taxed on their worldwide income. Salaries earned abroad are exempt from tax in Finland if a Finnish resident works abroad continuously for a minimum of six months.

Non-resident individuals are subject to income tax on income from Finnish sources only. Domestic law treats an individual as resident if his or her permanent home is in Finland or if he or she stays in Finland a continuous period of more than six months. The stay may be regarded as continuous even if temporary absence is up to two months. In the case of emigration, foreign citizens become non-residents for Finnish tax purposes at the time they leave the country and surrender their permanent home in Finland.

A Finnish citizen, is still considered to be resident in Finland until three years have passed from the end of the year when the individual left the country

Social security

Residence based social security is financed by tax and administered by KELA (Social Insurance Institution of Finland).

The social security is imposed on employers, employees and self-employed individuals. For employees and self-employed individuals in 2014, the social security contributions consist of:

- A Health Insurance contribution, which is around 2.1% of income assessed for municipal tax for employees
- Mandatory employment insurance, which is 4.3% of gross income, split between the employee and the employer
- Unemployment insurance, which is 0.58% of gross income, split between the employee and the employer
- Accident Insurance, paid by the employer
- Group Life Insurance, paid by the employer

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- Employers social security contribution

Pensioners pay an increased Medicare contribution at a rate of 1.49%. In addition, for employees, a 5.55% compulsory pension insurance premium applies to earned income subject to withholding tax. The compulsory pension insurance premium is 7.05% for employees over 53 years of age.

For employers, social security taxes are levied as a percentage of gross wages and salaries subject to withholding tax. No ceiling applies to the amount of wages subject to social security taxes. The average total percentage of all contributions for private-sector employers is approximately 23.60%, which consists of 2.14% for sickness premiums (employer's social security premium), 0.067% for group life insurance premiums, pension premiums that average 17.75%, 1% for average accident insurance premiums and 0.75% for unemployment insurance premiums (2.95% for salaries exceeding EUR1,990,500).

Tax reporting year

The tax year in Finland is the calendar year.

Payslips

Employers must provide employees with a payslip each month. Each month, the payslip should include a detailed list of all deductions to the employee's salary including taxes, social insurance and voluntary contributions.

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Compliance

Employer Registration

Regular employers (companies that have more than one employee) are obliged to register as employers in the Employer Register in Finland. Random employers (employers who have no more than one employee who is employed for an indefinite period of time or no more than five employees employed shorter than a calendar year) do not have to register in the Employer Register.

Registration in the VAT Register may also be required.

There is no separate registration for social security in Finland

Starters/Registration

Where a company has a permanent establishment in Finland, it may apply for registration in the Prepayment Register. Payments for services or goods from their clients to companies registered in the Prepayment Register are not subject to withholding tax.

Registration in the registers mentioned above takes place by filling in the Start-up Notification form (Perustamisilmoitus) Y1, Y2 or Y3 and filing it with the National Board of Patents and Registration of Finland.

Employees staying for a shorter time than six months are issued a tax-at-source card. If the employee fails to show a tax-at-source card, the company must withhold 35% tax. Employees who stay longer than six months will receive a Finnish tax card, should they fail to provide a tax card, the company must withhold 60% tax.

Leavers/De-registration

According to the Employment Contract Act, a leaver is entitled to receive a certificate of work (a reference) from the employer upon request. Information about leavers is submitted to the insurance companies in the annual reports.

Data Retention

It is an employer obligation to retain payroll documentation after end of financial period for ten (10) years.

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Statutory Absence/Payments

As well as the Maternity, Parental and Paternity leave listed below, the parents of a child under 16 who is being treated or following a re-education programme in hospital (at home in certain cases) may be entitled to receive special child care allowance. This is generally paid for up to 60 days per child, per year. The allowance is for the same value as the per diem.

Annual leave

For every full month worked employees are entitled to 2.5 days holiday, giving 30 days of holiday a year, equating to five weeks (six holiday days being taken up for each full holiday week). This entitlement is reduced to two days for each full month if employment has been for less than 12 months. To qualify for the entitlement, employees must work a minimum of 14 days or 35 hours during the month in question. In Finland there are two holiday seasons. The summer season runs from 2 May till 30 September – by right, employees may take up to 24 days of their annual leave entitlement during this period. The winter holiday season is from 1 October to 1 May.

Finnish workers also enjoy 13 public holidays a year in addition to the annual holiday entitlement stipulated in the annual Holidays Act.

Before the annual vacation of the employee starts, the employer is by law liable to pay employee a so-called Vacation Salary. Vacation compensation payment to the employees is generally practised, but it is not required by law. If employee has worked for the same employer for the whole of previous vacation year, this payment equals for approx. two weeks salary. Compensation calculation: number of accrued days of holiday x monthly salary / 25 x 50% = compensation. Called also as "vacation bonus".

Maternity leave

Mothers in Finland are entitled to 105 working days maternity leave and 158 days parental allowance. They are allowed to begin their leave from 50 to 30 days before the due date of their confinement. During maternity leave they receive income-related compensation from the Social Insurance Institution, provided that they have a permanent home in Finland.

This period is known as *Mutterschutz*, or the protection period. During this time, the employee is guaranteed their position and receives maternity allowance, or *Wochengeld*.

Paternal leave

Fathers are allowed to take 18 days leave with benefits during the maternity leave period. An additional 12 days can be taken (as part of the 158 days parental leave allowance). And, the father can have up to another 24 days off if he takes at least the last 12 days of the parental leave allowance.

Adoptive parents are entitled to similar rights except that they do not get the maternity allowance.

The 158 days parental allowance can be taken by either the mother or the father or else shared between them. Once they have used up their family leave, parents are eligible for childcare leave, which allows them to take care of their children under the age of three. However, both parents are not permitted to

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take full time leave concurrently. The Social Care Institution pays parents looking after a child under three years of age a home care allowance comprising a care allowance and a care supplement.

Alternatively, parents may choose to take part-time as opposed to full-time childcare leave. This allows them to work fewer hours, for which the employer pays on a pro rata basis, up till the end of the year in which their child first goes to school.

Sickness

Employees who cannot work due to accident or illness are entitled to the following:

- Full salary for 10 days if employment has lasted for one month or more.
- Half salary for 10 days if employment has lasted for less than half a month.
- After 10 days, a national sickness allowance based on the employee's earned income is payable by Kela (Finnish Social Insurance Institution) under the Sickness Insurance Act 2004. It is paid for a maximum of 300 days.

Employers cannot normally recover the salary they pay during the first 10 days but if obliged by a collective agreement to pay a sickness allowance for more than that period then they can be reimbursed the national sickness allowance by Kela for that period to the amount paid to the employee.

It is usually the case that employees under a collective agreement receive greater benefits. In any event, however, they are not entitled to any payment when recovering from sickness or accident that is caused deliberately or through negligence.

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