

SETTING UP BUSINESS IN FINLAND



General Aspects

Finland is situated in the Northern Europe, bordering three other countries. As it is part of the euro zone, its monetary unit is the Euro. The total population is around 5,5 million people. The official language is Finnish and Swedish, but many people, especially in business life, speak English as well.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Branch Office	Has no legal identity, but is part of the head office business and its organization.	Suitable for foreign companies looking for a presence in Finland many to initiate business or maintain contacts with business partners, especially in cases of uncertain success.
Sole Proprietorship	Set up by a single natural person, who is fully liable for the debts contracted by the firm with his own present and future wealth. An entry in the Commercial Register as a registered business person is necessary in certain cases.	Suitable for small businesses and start-ups. Special formalities are not required and no minimum capital is required.
Partnerships	Any partnership requires at least two partners with a personal commitment. Their liability for the partnership's debts and liabilities is generally unlimited and personal, including all private assets.	No minimum share capital is required and the accounting and publication obligations are less extensive than those for corporations.

There are the following partnerships in Finnish Law:

General Commercial Partnership	An association of at least 2 individuals, both of them fully liable for debts with their private assets. The company must be entered in the Commercial Register and registered with the local trade office.	be entered in the Commercial Register and registered with the local trade office. No minimum capital is required.
Limited Partnership	A limited partnership has the same features as a general partnership except that limited partnerships have two types of partner: general partners and silent partners The general partner is personally liable without limitation, as well as with his private assets. The liability of the limited partners is limited to their respective share of the partnership capital.	Suitable for medium-sized companies seeking additional start-up capital from persons who prefer a limitation of liability. The limitation of the limited partners' liability takes effect only when the registration of the company and the subscribed partnership contribution has been entered in the commercial register.

There are the following corporations in Finnish law:

There are the following corporations in Finnish law:	A private limited company is a separate legal entity, which has a certain number of shares and is owned by the shareholders. In order to be valid it must be entered into the Commercial Register, with the signatures of all members of the board, who do not have to be shareholder or Finnish resident. The minimum share capital of a Private Limited Company is EUR 2,500. At the time of registration all of the minimum capital has to be verifiably contributed.	The most popular legal form for corporations, with high flexibility and relatively few obligations.
Public Limited Company	<p>public limited company is in many aspects similar to a private limited company but the the shares of a public limited company may be publicly traded. All listed companies are public limited companies.</p> <p>However there an also be public limited companies the shares of which are not in public trading.</p> <p>The mimimum share capital of an Public Limited Company is EUR 80,000, which must be fully subscribed by the founding shareholders.</p>	<p>Shares can be transferred easily, the public limited company can be listed publicly on the stock exchange and enjoys a high market reputation.</p> <p>The costs of the founding process are relatively high. The organizational and accounting obligations and the publication requirements are very extensive.</p>
Cooperative	<p>A cooperative is owned by its members. The number of members and its total share capital are not determined in advance and are flexible.</p> <p>Coperatives are obliged to file a start-up notification with the Commercial Registry. Nornmally the liability of the members of a cooperative is limited to the amount of sharecapital or other equitythey have invested in the company and the members are not personally liable for the company's obligations.</p>	

Organizational Questions

Topic	Feature	Remarks
Commercial Register	Companies of all legal forms must be entered in the commercial register. The commercial register is administered in electronic form (www.prh.fi).	N.B.: If a company is legally required to be registered, but takes up business operations before being entered in the commercial register, the partners are personally liable for any losses up to the point of registration.
Trade Register Notification	Registration with the local trade office is required for all legal business forms, except freelance professionals. After the trade register notification the trade office forwards the registration to the tax authorities.	Sometimes a licence or an approval for the business registration is necessary.
Bank Account	To open a bank account individuals need a valid passport and a confirmation from the local Public Office stating that Finland is the current place of residence. Companies need an excerpt from the commercial register and the articles of association of the company.	For account deposits of more than EUR 10,000 cash, banks are required to check the identity of the depositor in order to prevent money laundering.
Transfer of Goods and Machinery	Within the EU goods and machinery can circulate freely. Imports from non-EU states to Finland cause customs, import turnover tax, and in some cases special excise taxes.	There are several customs exemptions to be considered.
Transfer of Capital	Capital can be moved in and out of Finland without any restrictions.	However, amounts exceeding EUR 10,000 must be reported to the Customs if a person arrives to Finland outside the EU.
Visa and Residence permit	All EU citizens can set up business and take up self-employed work in Finland without the requirement of any permit. Most of the non-EU nationals need a visa to enter Finland, but there are several exceptions.	



Employment

Topic	Feature	Remarks
Work permit	Citizens of the European Union, the European Economic Area (=EEA), or Switzerland can work in Finland without any restrictions. Nationals from all other countries need a work permit to work legally in Finland, except members of the management board of corporations.	For the new eastern European countries may exist restrictions for non-self-employed workers for a transition period.
Labour law	In Finland there are detailed employment regulations. A minimum of 24 days of paid holiday is guaranteed. This amount is based on 6 working days per week and added to public holidays. Normal working hours are between 37,5 and 40 hours or 5 days per week. Statutory limits on working time are part of extensive health and safety regulations. The notice period for termination of employment depends on seniority of the employee. A special law for protection against unfair dismissal offers great protection for employees.	
Social system	The social security system consists of pension insurance (25,1-25,3% of gross salary), health insurance (2,39%), unemployment insurance (2,55-4,50%), accidental injury insurance (0,3-8,0%) and group life insurance (0,07%). The social security contributions are shared by employer and employee.	

Taxation

Tax	Feature	Remarks
Corporate Income Tax	Corporate bodies resident in Finland are liable to pay corporate income tax in Finland on their entire income, whether derived from Finland or abroad (unlimited tax liability) The standard corporate income tax rate is 20% on all taxable earnings of the corporation.	

Personal Income Tax	<p>Tax on employment income, including that due on non-monetary benefits, is collected primarily by the employer by deduction from the employee's salary, together with the employee's social security contributions, and accounted for the tax authorities together with the employer's own social security contributions.</p> <p>The amount withheld also depends on the taxpayer's personal circumstances so as to approximate as closely as possible to the final liability. Deductions and allowances are thus taken into account.</p>	<p>Earned income is subject to national income tax, communal income tax and church tax.</p> <p>The rates of national income tax vary from 0 to 31,75% and the rates of communal income tax vary from 16,5% to 22.25%.</p>
Value Added Tax (VAT)	<p>The normal VAT rate is 24%, a lower rate of 14 % is charged for food and 10% is charged for books and newspapers, or public transport. Some services, including banking, healthcare, and non-profit work, are VAT-exempt. For certain services rendered by a foreign entrepreneur, the reverse-charge-system has to be applied.</p>	<p>Each entrepreneur can apply for a VAT-Identification-number, which is particularly necessary for intra-EU supplies and services. Import turnover tax has to be paid for goods imported from non-EU states.</p>
Real Estate Transfer Tax	<p>When domestic real estate changes owner, a one-time real estate transfer tax of 4,0% of the purchase price has to be paid, usually by the buyer.</p>	
Real Property Tax	<p>Every property owner in Finland is annually liable to real estate tax. The tax rate depends on the category of real estate, the assessed value of the property and the municipal collection rate.</p>	
Church Tax	<p>Church tax is a flat rate tax and the rate is annually decided by the church in question. Official churches recognised for the purpose are the Evangelical Church, and the Finnish Orthodox Church. The average rate is 1,6%.</p>	
Non-resident Taxation	<p>Non-resident individuals and companies in Finland receiving income generated in Finland, are subject to Finland limited taxation with their Finland-sourced income. Double taxation of this income is avoided by double taxation agreements between Finland and other countries. In case of a non-resident company the tax treatment depends on its kind of income.</p> <p>For individuals the deduction of expenses is only allowed if and to the extent these expenses are economically related to the taxable revenues.</p>	



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