



i-paye



**Guide to Contracting  
in Finland**



# COUNTRY HIGHLIGHTS (2017)

## Finland – Individual

Currency	Euro (€)
Tax Year	Starts 1 January    Ends 31 December
State Tax	First 16,700€ at 0% Next 8,300€ at 6.5% Next 15,800€ at 17.5% Next 31,500€ at 21.5% Balance at 31.75%
Municipal Tax	16.5% to 22.5% of Taxable Income
Church Tax	1% to 2.2% payable by members of certain religions
Special Regime	35% for up to 48 Months, if qualifying criteria satisfied.
Social Security	Employers Social at 24.43% of Earnings.  Employees Social at 3.12% of Earnings.

### **Tax Residency**

An individual becomes Tax Resident in Finland if:

- They have a permanent home in Finland; or
- Their stay is for more than six months either in one year or straddling two years.

An individual who is Tax Resident is taxable on Worldwide Income except if exempt under a double taxation treaty.

An individual who is not Tax Resident is taxable in Finland on Income earned or generated there.

### **Social Security**

Social Security is payable in Finland unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from Bulgarian Social Security.

### **Right to Work**

EU and EEA Nationals have an unfettered right to work in Finland without the need to hold a VISA or Work Permit.

Other Nationals, generally, need to obtain a residency permit at the Finnish Embassy or consulate where they are domiciled or have citizenship.

# I-PAYE Service

I-PAYE is not currently registered as an employer in Finland, but all individuals are employed and I-PAYE has engaged a local accountant to file Finnish Tax Returns on behalf of its employee's declaring all income earned in Finland.

All income is reported to the Finnish Tax Authorities, with deduction for expenses allowed under Finnish Law. A withholding of taxation on account of Finnish Taxation due will be applied at source and paid directly in to the Employee's Finnish Tax Account to ensure settlement of the taxation rightfully due.

I-PAYE will provide UK Nationals that habitually reside in the UK. I-PAYE will not normally seek to employ Finnish or other European Nationals to assignments based in Finland.

## All employee's are registered with the Finnish Authorities, if possible by I-PAYE, or if not by the employee themselves.

### Frequently Asked Questions

**Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in Finland, is it true that I can operate the same model in Finland?**

A. Under Finnish Domestic Law a UK PSC may be considered as having a Permanent Establishment in Finland, which means that all income derived by the business will be subject to Finnish Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in Finland will be subject to Finnish Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to Finnish Dividend Taxation either at resident or non-resident rates.

**Q. What happens if I choose to ignore the rules?**

A. Finland as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the Finnish Authorities is Tax Evasion, not avoidance, and under Finnish Law would generally lead to a criminal conviction.

**Q. I want to do it correctly where should I seek advice?**

A. Unfortunately, the Finnish Tax Office only provide advice in Finland and many of the general advice given on other websites is out of date. Specialist advice should be sought before going on assignment.

**More information is available from I-PAYE on 0151 449 3500**



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