

BUSINESS GUIDE

FOR COMPANIES PLANNING TO ESTABLISH IN FINLAND



WELCOME TO DO BUSINESS IN FINLAND

This Business Guide was created as a guide for situations when a person or a company is planning to establish in Finland. Some parts of the establishment process require assistance from Finnish authorities. The information contained in this fact book has been collected from Finnish official authorities, their websites and expert interviews to serve as a source of information on this topic.

This guide offers only general and basic information regarding the matter of starting business operations in Finland and should be taken as a beginner's guide. For more detailed information, especially in matters concerning legal, accounting and taxation issues, we highly recommend consulting the relevant authorities. A list of expert organisations can be found at the end of each chapter.

Please note that Finnish legislation and business operations are constantly developing and the information available in this booklet may be out-of-date at the actual time of operations. To ensure you have valid information concerning your specific needs, you should visit the official websites and contact the relevant authorities. A list of the relevant public authorities can be found at the end of this fact book.

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- **Opportunity analysis.** Finding solutions for your business needs.
- **Matchmaking.** Opening the doors for you.
- **Evaluation of entry alternatives.** Helping you find the most suitable market entry strategies.
- **Location management.** Helping you select the perfect site.
- **Setting up a business.** Providing tools and plans for establishing or expanding a business in Finland.

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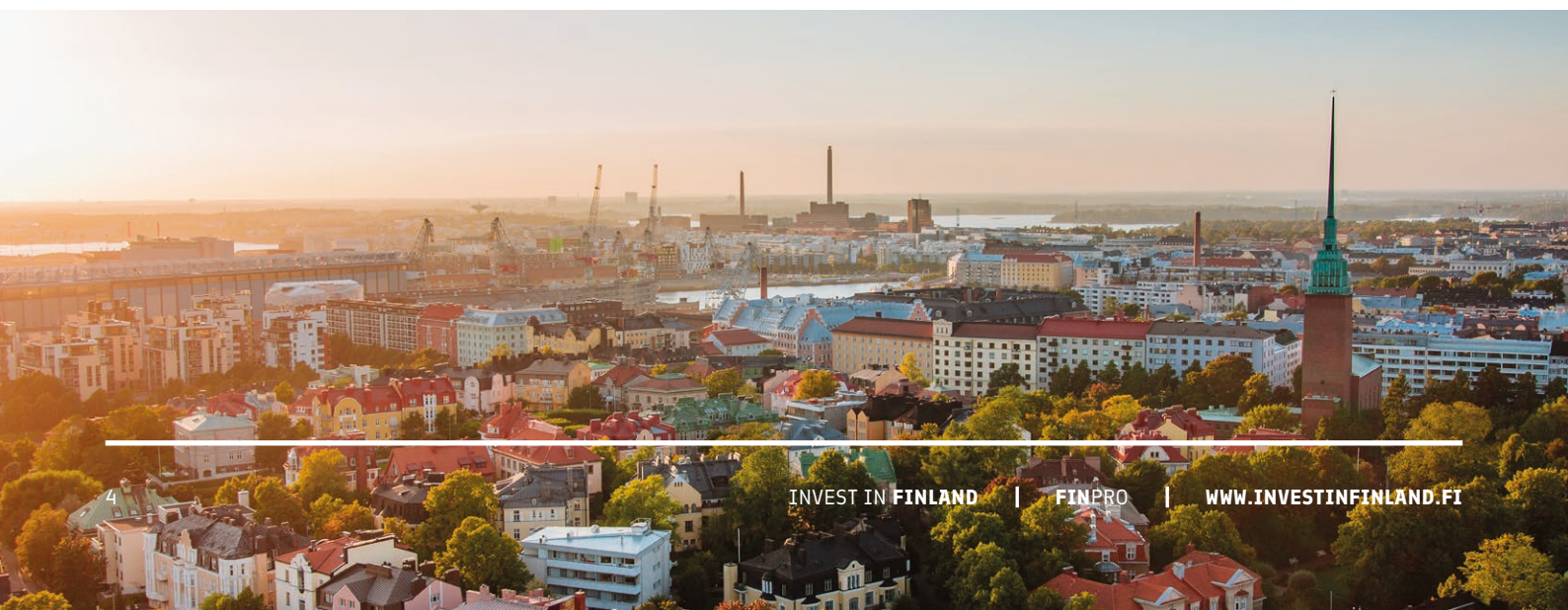
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DOING BUSINESS IN FINLAND

One of the wealthiest countries and most stable societies in the world, Finland is at or near the top in most international comparison studies looking at growth and development in the economic, technological and social spheres. Finnish government is business friendly, and the country has a developed infrastructure, a skilled workforce and competitive operating costs. Red tape is minimal and Finland is one of the least corrupt countries in the world, according to Transparency International.

Foreign-owned companies have the opportunity to benefit from government investment incentives and the latest research stemming from the extensive cooperation between Finnish universities and the private sector. Companies can also benefit from the clusters and centres of high-level expertise in different business sectors that aim to maximize the benefits of research, networking and international cooperation. As one of the most competitive and open economies in the world, Finland has a great deal to offer foreign investors.

FINNISH BUSINESS CULTURE

Finnish customs and manners are clearly European, but Finns also have a strong sense of national identity. Finnish is the primary business language, although in some regions Swedish is more common. Many international workplaces use English as a working language, as well. The Finnish style of communication is polite, but very straightforward and somewhat informal. A firm handshake is used to say hello and goodbye, and making eye contact is important. At meetings, the usual procedure is to get straight down to business after greeting everyone. Meetings are preferably short and to the point, and everyone should be well prepared. Appointments with Finnish associates should be set up in advance.

In Finland, all people are equal in the eyes of the law regardless of age, sex or occupation. Equality in Finnish working life is evident, for example, in the relatively high number of women holding

advanced positions, but also in the way everyone calls each other by their first name, regardless of position. Work has an important role and it is highly valued in general. Observing timetables and respecting agreements are important. A signature makes an agreement binding, so read all documents carefully before signing any contracts.

The Internet and e-mail have radically changed how people find information and keep in touch. Using the ever-increasing range of IT applications is commonplace. Increasingly, politicians and corporate managers set up websites and maintain personal blogs to share their lives and views with the public. Use of phones and emails is very common in Finnish business communication. Legally, a spoken agreement is usually as binding as a written one. Official contracts are always drawn up for more significant agreements like rental, employment, co-operation etc.,

but smaller arrangements can be handled via email or by phone. In Finland, many company processes are performed via electronic services (i.e. invoicing, newsletters, marketing, recruiting and customer service) and payments/money transfers are handled via online bank services. Public authorities also offer electronic services that require electronic identification using either the Katso identification service or your bank's sign-in system.

by manufacturing and refining at 27% and primary production at 3%. Finland's primary industrial products are paper and board, electronics and metal products. Engineering and high technology industries are the leading branches in manufacturing.

Finland is well known for having world-class expertise in sectors like cleantech, forestry, metal and machinery manufacturing, ICT industry and services, and health and wellbeing.

ECONOMICAL FIGURES

As a telling measure of its macroeconomic stability, Finland enjoys a very high status with the global credit rating agencies; Fitch Ratings, February 2017: **AA+**, Moody's, January 2017: **AA1** and S&P Global Ratings, March 2017, **AA+**.

In the Finnish economy, the services sector is the largest at 70%, followed

CURRENCY: euro (€, EUR) = 100 cents

GDP: €214 bn (2016)

GDP PER CAPITA, AT CURRENT PRICES:

€38,959 (2016)

GDP (CHANGE): +1.4% (2016)

MONTHLY EARNINGS (AVERAGE):

€3,380 (2016/11)

UNEMPLOYMENT RATE: 9.2% (2017/02)

Source: Statistics Finland

FAQ

FINNISH BUSINESS CULTURE

Where can I find the official current exchange rate?

The official Central Bank of Finland: www.suomenpankki.fi

What are normal working hours in Finland?

Normal working hours usually do not exceed eight hours per day and forty hours a week. During a given week the number of working hours may be higher, but the average workweek should not exceed forty hours. The maximum length of a working day or week is established by either legislation or binding collective labour agreements, often configured as an average for a period of two or three weeks.

SOURCES AND FURTHER INFORMATION:

Invest in Finland: www.investinfinland.fi

This is Finland: www.finland.fi

Infobank – Finland in your language: www.infopankki.fi

Finland Chamber of Commerce: www.contactfinland.fi

Passport to Trade 2.0: www.businessculture.org

Focus Economics: www.focus-economics.com

Bank of Finland (Bulletin): www.bofbulletin.fi

Statistics Finland: www.stat.fi



PERMITS AND REGISTRATION

For those intending to work or employ themselves in Finland, a residence permit, granted by the state of Finland, is usually required. A residence permit is generally required when a foreign national stays in Finland for longer than three months. A residence permit is also required for a stay lasting less than three months if a foreign national intends to work and a residence permit for an employed person is required for the work in question. In order for a residence permit or visa to be issued, the applicant must have a valid passport or another travel document accepted by Finland.

A foreign national generally needs a residence permit for an employed person if he or she intends to be in gainful employment in Finland. A person who intends to be self-employed or pursue a trade in Finland needs a residence permit for a self-employed person. Working in Finland with a permit granted by another country is usually not allowed, especially if the duration of the job is longer than 90 days. A residence permit must usually be applied for prior to coming to Finland. The Finnish Immigration Service investigates whether the person meets the preconditions for residence in Finland. The permit application is submitted to a Finnish diplomatic mission abroad or to the police in Finland.

PLEASE NOTE that this general information about residence permits does not necessarily apply to every individual situation. For example, EU citizens will not require a residence permit for Finland. The regulations concerning free movement apply also to the citizens of Iceland, Liechtenstein and Norway, based on the EEA Agreement, and Switzerland, based on a special agreement with EU. Citizens of these countries are free to reside and work in Finland for up to three months. If a person is staying longer, he/she must register his/her right to residence before the end of the three-month period with the local police.

The nationality of a foreign national determines which permits or registrations he/she needs to engage in entrepreneurship. A citizen of another Nordic country (Sweden, Norway, Denmark, and Iceland) moving to Finland shall register at the local register office, if the intended stay is to exceed six months. A citizen of an EU Member State, Switzerland or Liechtenstein, who intends to stay in Finland to work or engage in trade for more than three months, shall register his/her stay with the police department of his/her municipality of residence. A separate residence permit is not required. A person moving to Finland from outside the EEA Member States needs a residence permit for a self-employed person in order to engage in trade in Finland.

VISA

A visa is issued for a short, temporary stay lasting no more than 90 days. A foreign national arriving in Finland for example as a tourist, on business or for a convention, needs a visa if s/he is the citizen of a country whose citizens are required to present visas to enter Finland. The Schengen states have jointly agreed which countries' citizens are required to present a visa. Each Schengen state decides which passports and travel documents it accepts from the citizens of different countries. Even if a person does not need a visa to visit Finland, one needs a valid passport or some other travel document accepted by Finland. It must be valid for at least ninety days after the intended date of departure from the Schengen area. If you do not need a visa, you can stay in Finland or within the territory of another Schengen state for ninety days in any 180-day period. Visas are issued by Finnish diplomatic

missions abroad. Visa application forms and more information are available at Finnish diplomatic missions and on the website of the Finnish Ministry for Foreign Affairs. You should submit your visa application and all needed documentation (photo, passport and other supporting documents) at a mission or visa centre in person. An application cannot be sent by e-mail or telefax.

Visa application forms and more information on what travel documents are accepted in Finland:

Finnish Ministry for Foreign Affairs:
www.formin.finland.fi

In abroad: **Finnish diplomatic missions**

Fees for Visa (2016): €60/€35
(for countries on the visa facilitation agreement list)

RESIDENCE PERMIT FOR A SELF-EMPLOYED PERSON

In order to conduct business, a self-employed person needs a residence permit for a self-employed person. A self-employed person is someone who pursues a trade or profession in his or her own name. For example, a partner employed in a general partnership and a general partner working in a limited partnership are self-employed persons as they are personally liable for the enterprise.

A residence permit for a self-employed person requires that the self-employed person's livelihood is secure, and in order to be granted a permit, the business activity must be profitable. The business activity must provide the person with a regular, adequate income. The Employment and Economic Development Centre determines the adequacy of the income on the basis of various accounts, such as a business plan or financing.

The following documents and accounts must be submitted as appendices to the application for the residence permit for a self-employed person:

- Detailed description of the company's form of operation and an action plan
- Predicted turnover in the next three years
- Description of the business premises
- Certificate of funds currently available to finance the operations
- Certificate of professional competence
- Clarification of income
- Number of staff required by the company
- Extract from the Trade Register (a self-employed person must usually register the business before the permit can be granted)
- Additional clarifications may also be requested, if necessary

RESIDENCE PERMIT FOR AN EMPLOYED PERSON

NOTE that if you are a silent partner in a limited partnership company and you work in your own company, you will need a residence permit for an employed person. If you own shares of a public limited company and you work in this company,

you will need a residence permit for an employed person. A residence permit will not be granted on the grounds that you own shares; you also have to work for the company, and the work must be performed in Finland.

A residence permit for an employed person is needed if a person is not allowed to work with another residence permit or without one. Before a person may apply for a residence permit for an employed person, he/she must have a job waiting in Finland. A person may not begin work until he/she has been granted a residence permit for an employed person. Only the employee may apply for a residence permit for an employed person, but the employer must confirm that he or she will definitely employ the person by signing an employment contract. The employer needs to confirm the information by filling in and signing a TEM 054 form.

An employer must also always verify that a foreign employee has the required residence permit for an employed person or that the employee does not need a residence permit. The residence permit shows what kind of work the employee may do and how many hours a week he or she may work. If an employer employs a foreigner who does not have a right to work, the employer may be committing an offence or a crime. A residence permit for an employed person is also required for short and fixed-term employment relationships. There are, however, certain cases where a residence permit for an employed person is not required if the employment lasts for less than 90 days.

RESIDENCE PERMIT FOR CERTAIN TYPE OF WORK

If you are entering Finland to work in any of the following capacities, you will not need a residence permit for an employed person. You will, however, need a residence permit granted by the Finnish Immigration Service. The permit will be granted separately for each case mentioned below and on the next page.

- A specialist
- A researcher
- An employee for a religious or non-profit association
- An athlete, coach or trainer, or sports judge or referee
- A traineeship or a transfer within a company for no longer than a year
- A person who has completed a degree or qualification in Finland
- Work in the top or middle management for a company
- A visiting teacher, lecturer, instructor, consult, or research worker, and the duration of your job is no longer than one year
- Work in the field of science, culture, or arts (does not apply to musicians playing in restaurants)

- Work in an international organisation or in a position related to official co-operation between states
- Work in the field of mass media, and your employer does not have an office in Finland
- Tasks that involve the studying of markets, preparation of a company's location to Finland, negotiation for or acquisition of orders, supervision of the delivery of orders, or the performance of other similar tasks, and your employer does not have an office in Finland
- Tasks that are part of the delivery contract for an individual machine, device, production line, or expert system that has been imported to or is to be exported from Finland, as long as the job takes no longer than six months

Application forms for a residence permit are available from:

The Finnish Immigration Service website:
www.migri.fi

Finnish diplomatic missions abroad

PERSONAL IDENTITY CODE

From 1.12.2014 foreign nationals may ask to be registered in the Finnish Population Information System when they apply for their first residence permit, and receive a Finnish personal identity code at the same time as they are issued with the permit. The Population Information System is Finland's national register of people living in Finland.

A foreigner, who has been granted a residence permit for at least one year, must register, in person, at the local register office of a Finnish municipality of residence, where s/he will be registered in the Finnish Population Information System and receive a personal identity number. Registered information includes name, date of birth, nationality, familial relationships and address. A personal identity code is a number sequence with 11 characters, formed on the basis of your date of birth and gender. Each personal identity code is unique. The registered information is used, amongst other things, in the organisation of elections, and for taxation, health care, juridical administration and statistical purposes. Public authorities, banks and employers, for example, often need to know your personal identity code. A foreigner residing temporarily in Finland can also receive an identification number if he or she needs one in order to work, for example.

THE APPLICATION PROCESS

To ensure you can start working according to your planned schedule, you should submit an application for an employee's residence permit well in advance at a Finnish Embassy. Take into account that if you have not applied for a residence permit for an employed person in advance, you will need to have documents providing you the right to stay in Finland, such as a visa or a passport, even if the length of your stay does not exceed 90 days.

The processing of a residence permit for an employed person includes two stages. First, the Employment and Economic Development Office (TE Office) issues a partial decision and then the Finnish Immigration Service processes the application and makes its decision. The diagram on the next page represents the stages of an employee's first residence permit application. The TE Office makes a partial decision on an employee's residence permit application. Regional and national policies on the use of foreign labour will be taken into account in the deliberation process. Your ability to cope with your obligations as an employee during the validity of the permit will also be considered.

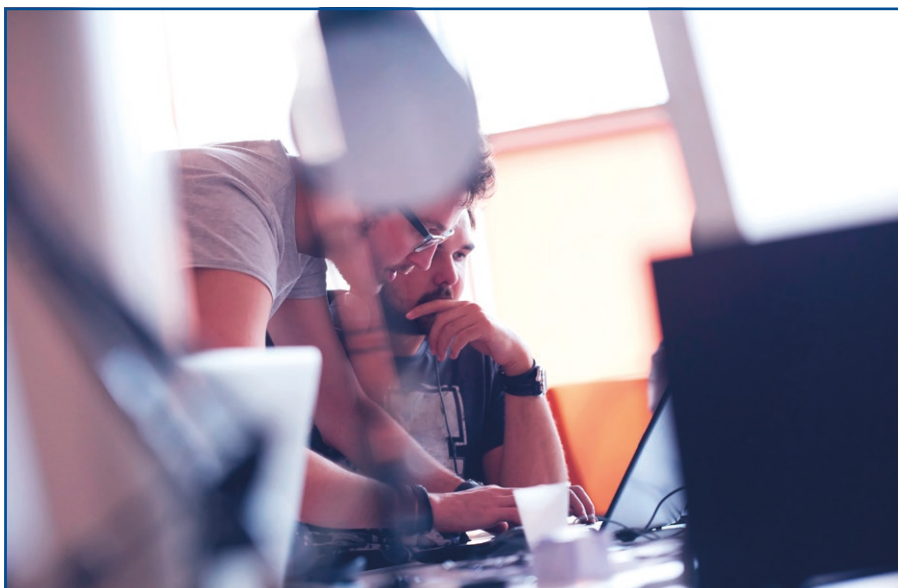
After the Employment and Economic Development Office (TE office) has made its partial decision, the expected processing time at the Finnish Immigration Service is approximately one month. According to the Aliens Act, the maximum processing time for residence permits for work is four months (this does not apply to residence permit applications for self-employed persons).

The employee's first residence permit is always valid for a fixed term, even if the employment is valid until further notice. Usually, the first residence permit is valid for a year. If the employment continues for a longer period, the employee may apply for an extension to the residence permit from the local police. A new permit application, with the same clarifications appended as the first application, must be submitted before the previous residence permit expires.

Apply for a residence permit electronically at:

www.enterfinland.fi/eService

Processing fees for first residence permit for an employed person or a self-employed person charged by the Finnish Immigration Service are approximately €450-500 (2016).



THE EMPLOYER FILLS IN THE APPENDIX FORM AND
DELIVERS IT TO THE JOB SEEKER



THE JOB SEEKER FILLS IN THE PERMIT APPLICATION AND
SUBMITS IT TOGETHER WITH RELEVANT APPENDICES TO
THE FINNISH DIPLOMATIC MISSION



THE TE OFFICE WILL PROCESS THE
PERMIT APPLICATION AND MAKE A
PARTIAL DECISION



IF NEEDED, THE TE OFFICE WILL
REQUEST FURTHER INFORMATION
FROM THE EMPLOYER



THE FINNISH IMMIGRATION SERVICE WILL MAKE
A DECISION ON GRANTING THE PERMIT



THE PERMIT IS GRANTED
FIXED TERM, USUALLY VALID
FOR A YEAR



THE PERMIT IS NOT GRANTED
THE JOB SEEKER CAN APPEAL
AGAINST THE DECISION TO AN
ADMINISTRATIVE COURT



THE EMPLOYER MAKES SURE THAT THE JOB SEEKER'S PERMITS ARE IN ORDER

FAQ

PERMITS AND REGISTRATION

How long does it take to obtain a Visa?

You should submit your visa application at a Finnish mission or a visa centre no later than 15 days prior to travel. The application can be submitted at the earliest 90 days before the intended visit.

Do I need a work residence permit if I already have another type of residence permit in Finland?

If you already have a residence permit in Finland based on some non-working grounds (i.e. family ties), it may imply the right to work. In this case, you will not need to obtain a working residence permit. Check your residence permit card and your residence permit decision to see whether you already have the right to work in Finland. If you have been granted a residence permit on the grounds of being a victim of human trafficking, you have the right to work in Finland without limitations.

Do I need a work permit for a part-time job?

If you are a student and a Nordic or EU/EEA national, you do not need any special permits for working in Finland during your studies and in this case, there are no restrictions as to how many hours per week you are allowed to work. For non-EU residents, however, a work permit is necessary even for a part-time job. **Non-EU students in Finland** can work up to 25 hours per week part-time with their student residence permit during term times. During holidays, there is no limitation of working hours. You do not need a work permit if your part-time work stays within these limits, but a student residence permit is obligatory in such instances.

Do I have to apply for a work residence permit if I have a degree from Finland?

If you have completed a degree or qualification in Finland and you have a job, you must apply for a residence permit on the basis that you have a degree from Finland. If you have completed your degree in Finland, you can also receive a temporary residence permit for job application. This permit can only be granted as an extension to a student residence permit before it expires. This extension can be granted only once and for a maximum of 12 months.

SOURCES AND FURTHER INFORMATION:

Finnish Ministry for Foreign Affairs: www.formin.fi
Finnish Immigration Service: www.migri.fi
Enterprise Finland: www.yrityssuomi.fi
TE-Services: www.te-services.fi
This is Finland: www.finland.fi
Infobank: www.infopankki.fi
Suomi.fi: www.suomi.fi
Expatriate Finland: www.expatriate-finland.com



STARTING UP A BUSINESS IN FINLAND

A foreign national, permanently living in Finland, is free to carry out business operations in Finland. In general, the corporate form may be freely chosen from those currently recognized and regulated by law. In certain regulated fields, such as financial services, this choice is restricted to certain corporate forms. The choice of form is important, since matters such as tax treatment, exposure to personal liability, the right to dispose of company funds, and methods of administration vary significantly between the different forms. In cases of company or subsidiary establishments in Finland, a licence must be sought from the Finnish Patent and Registration Office (PRH). Application can be free of form, but must include all the basic information about the business operations (i.e. business field, location etc.)

In Finland, it is possible to carry out business operations in the following forms of enterprise: private trader, general partnership, limited partnership, co-operative, limited company (private limited company, public limited company and less common *Societas Europaea*) and branch of a foreign enterprise. The following forms of enterprise are less common: *Societas Europaea*, European co-operative society and European Economic Interest Grouping (EEIG). Associations and foundations that are established as non-profit organisations may also engage in business activities, and a private limited company may be founded with a non-profit objective. This guide focuses mainly on the limited company form, which is introduced next. Other forms of enterprise are briefly presented at the end of this chapter.

There are no restrictions as to the nationality of the shareholders. In other words, a company from another country can found a wholly owned subsidiary, joint venture or strategic alliance in Finland without the participation of a third party. The general principles of Finnish contract and corporate law apply. Under Finnish law, a majority shareholder effectively controls the operations of a limited liability company, subject to the rules on minority protection provided for in the Companies Act.

LIMITED COMPANY (OSAKEYHTIÖ)

All types of business can be set up as a limited company and one or more people or organisations can establish a limited company. When setting up a company, the founders register all the company's shares. In a private limited company, the share capital must be at least €2,500. The Finnish Companies Act does not specify anything about the residence or domicile of the shareholders, i.e. the founding shareholders of a limited company may also be from outside the EEA area.

The shareholders are liable for the company's commitments only to the extent of the capital that they have invested in the company, unless they have guaranteed loans on behalf of the company. The shareholders have the power to make decisions on issues relating to a limited company. Shares equal votes, so the number of shares corresponds to the number of votes a shareholder has. With a minimum share capital of €80,000, a public limited company is a suitable corporate form for large enterprises. Public limited company shares are offered to the public and traded on the stock markets.

A limited company is required to have a board of directors appointed by the shareholders. The board is responsible for managing and representing the company. The board may elect a managing director to handle the day-to-day management of the company. However, the appointment of a managing director is optional. If a limited company has appointed a managing

director, the appointment shall be indicated in the Memorandum of Association. If the board of a limited company is comprised of less than three members, at least one deputy member must be appointed.

NOTE that at least one of the board members and one of the deputy members (reviewed separately) must have permanent residence in the EEA area. If they do not, a licence must be sought from the Finnish Patent and Registration Office (PRH) for all ordinary members or deputy members who are from outside the EEA area.

To establish a limited company, several formalities must be followed. First, a memorandum of incorporation must be drawn up and signed by the person or persons forming the company. The memorandum must, among other things, include the Articles of Association of the company being formed and an offer of and subscription for the company's shares. The actual incorporation of a company occurs through its registration in the national Trade Register. A general condition for registration is that the share capital subscribed for has been paid in full and that the board of directors and, if applicable, the managing director have produced a written statement declaring that the legal requirements for the formation of the company have been observed. The time required for registering a company varies between two to three weeks.

THE ARTICLES OF ASSOCIATION

In order to establish a limited company, a Memorandum of Association is created and the Articles of Association is appended to it. The Articles of Association comprise in their minimal form three items: the name of the business, its municipality and the line of business. The line of business may be shown as general commercial activities, which includes all lawful business operations. The Memorandum of Association of a limited liability company shall always state the date of the contract, all shareholders and the quantity of shares subscribed for by each shareholder, the price to be paid to the company for each share, the time when the shares are to be paid and the members of the Board of Directors of the company. The financial period shall be determined either in the Memorandum of Association or in the Articles of Association. The Memorandum of Association shall also state, where necessary, the Managing Director, the members of the Supervisory Board and the auditors of the company. The chairman of the Board of Directors may also be named in the Memorandum of Association.

To become legally valid, a limited company must be registered with the Finnish Trade Register by using the specific Y1 form and its appendix. The Finnish Trade Register must be notified within three months of signing the Memorandum of Association, otherwise the foundation of the company becomes void. Notification of foundation must also be accompanied by the original Memorandum of Association and a duplicate copy of the Articles of Association.

NOTE that before the registration of a limited company, the share capital must be paid into the bank account of the new company. If shares are paid by using non-cash assets, there must be a term in

the Memorandum of Association stating that the share subscriber has the right or duty to pay the subscription price using non-cash assets. In addition, there must be a description of these non-cash assets in the Memorandum of Association.

SHAREHOLDER AGREEMENT

If the company has more than one founding member, it is worthwhile creating a written shareholder agreement. A shareholders' agreement is a contractual agreement between the shareholders of the company regulating the mutual relationships between the shareholders and their rights and obligations in the company. The shareholders' agreement may provide, for example, for the division of tasks, restrictions related to shareholders, or the arrangement of operations in the company. The redemption of shares, in cases where a shareholder conveys them to a third party, may be agreed upon, if the Articles of Association do not contain a redemption clause. Also, the distribution of profit, the non-competition clause as well as what happens to shares upon the death of a shareholder may be agreed upon in the shareholders' agreement.

A company may also be a party to the shareholders' agreement and the agreement may provide for the mutual relationships between the company and the shareholders. In such cases, the company must decide on matters subject to the shareholders' agreement in its appropriate bodies. A shareholders' agreement should be prepared carefully and prudently. Amending the agreement after the commencement of operations may be very difficult if disputes have arisen, as an amendment thereto requires a unanimous decision of all the parties to the agreement.

SUBSIDIARY OR BRANCH OF A FOREIGN ENTERPRISE

SUBSIDIARY

A subsidiary is a separate entity controlled by its board of directors. Forms of Subsidiary can be Limited Company (Oy), Limited Partnership business entity (Ky), General Partnership (Ay), or Private Trader (Tmi). Liability is limited to the share capital of the subsidiary. Shareholders in general are not liable for acts of the subsidiary company, but directors may personally be liable. A subsidiary is regarded as a more substantial presence and is helpful, for example, in opening a bank account in Finland, obtaining a lease or other contracts, attracting personnel and entering into commercial agreements.

The procedure of registering a subsidiary in Finland is very simple and usually takes no longer than one week. The subsidiary must check the availability of its name and then deposit the minimum share capital in a bank. Next, the articles of association, the receipt from the bank confirming the capital, the list of shareholders, the nature of the contribution and a statement regarding the value of the contribution in kind, and details regarding their contribution must be deposited along with the decision to open a subsidiary company in Finland with the Finnish Patent and Registration Office (PRH).

BRANCH

Foreign companies have the possibility of performing economic activities through branches in Finland. It is worth noting, that this form of business is not considered a legal entity in itself and the parent company is liable for its actions. A branch of a foreign company is defined as a part of a foreign organisation or foundation that runs a continuous business or trade from a permanent place of business in Finland in

the name of and for the benefit of a foreign organisation or foundation. The branch must operate in the same line of business as the parent company. The name of the branch must include the name of the foreign trader in the registered form together with an addition that indicates it is a branch. The addition can be, for example, “sivuliike Suomessa” (branch in Finland), “filial in Finland” or “filial”.

A Finnish branch must be registered at the Finnish Trade Register by either a representative of the parent company or an individual granted with power of attorney. Registration requires some specific documents such as the memorandum of association, the articles of association, a certificate of registration, and a standard application containing the following: the branch’s name and its postal address, the type of performed business (same as the foreign company), the foreign company’s name, company type, the name of the register where the foreign company was registered, and the name of the person entitled to represent the branch. If the procedure is respected and all the documents are in good order, the registration process of the branch shouldn’t take longer than seven working days.

NOTE that if the foreign organisation or foundation is from outside the EEA area, a licence must be sought from the Finnish Patent and Registration Office (PRH) to establish a branch in Finland. For branch offices of companies residing outside the EEA, a natural person resident in Finland must be appointed as a domestic representative of the branch with authority to accept service of documents and other notices on the foreign company’s behalf. If the company establishing the branch is resident in the EEA, it is sufficient that the representative is resident in the EEA area.

COMPANY OWNERS AND BOARD OF DIRECTORS

When a branch is established, notification must be sent to the Finnish Trade Register through an electronic system, which automatically enrolls the branch in the tax, medical insurance, pension insurance and accident insurance systems. The notification must be given before operations commence. A branch is an extension of the company and is therefore directly controlled by the parent company. A branch has no legal entity of its own; parent company shareholders are fully liable and the directors of the parent company are in

general responsible for ensuring compliance with local law. Employment contracts with employees working in Finland might be subject to mandatory provisions of Finnish labour law and contributions to the social security system. Unlike a limited company, a branch office does not require fixed capital. The distribution of profits from a branch to its foreign parent is not restricted, nor is a board of directors required. The managing director of a branch may be a foreign national.

A limited company may also have a managing director, who is appointed by the board and must abide by its instructions and orders. The managing director can be a member of the board, but according to the Finnish Corporate Governance Code 2010, should not act as the chairman of the board. The board of directors is responsible for the administration and the proper arrangement of the operations of the company, including measures that are unusual or extensive, and the managing director is responsible for the day-to-day management of the company.

The board of directors represents the company and signs for the company. Usually, the Articles of Association stipulate that the chairman of the board or the managing director has the right to sign for the company alone or together with another board member, or that the board may grant this right to its members or third persons. In all cases, the company must ensure that a member of the board of directors, a managing director or some other representative resident in an EEA state is authorized to accept service of documents and other notices on the company's behalf.

NOTE that whether or not a person from outside the EEA, who is establishing a business in Finland, needs a permit issued by the Finnish Patent and Registration Office (PRH) depends on the corporate form. It is also noteworthy that holding a managerial position in a business may require a permit issued by the PRH. At least one member of the Board of Directors of a limited company or a co-operative shall have his/her place of residence in the EEA; otherwise a permit issued by the PRH is required for all members of the board. The same requirement regarding place of residence also applies to deputy members of the board. Actual members and deputy members are reviewed separately. The Managing Director of a limited company and a co-operative (and a possible deputy) shall have his/her place of residence in the EEA. If not, a permit granted by the PRH is required. The permit practice of the PRH has been very tight.

OTHER FORMS OF BUSINESS

PRIVATE ENTREPRENEUR (TOIMINIMI)

As a private entrepreneur, a person works and carries out business operations alone or together with his or her spouse. Although a couple may set up the business together, the business is always registered only in the name of one person. A private entrepreneur firm is the simplest form of enterprise to establish, and often suitable for a small-scale entrepreneur who is just starting off.

NOTE that a person who lives outside the EEA needs a permit issued by the Finnish Patent and Registration Office (PRH) to establish a business.

PARTNERSHIPS (AVOIN YHTIÖ & KOMMANDIITTIYHTIÖ)

Partnerships are fairly common in Finland, but are not widely used by foreign nationals as a vehicle for establishing a business in Finland. A partnership is formed by an agreement between the partners. Establishing a partnership requires at least two partners. Generally, these are natural persons, but a partner can also be a legal entity (an enterprise or organisation). There are two types of partnership: general partnerships and limited partnerships. Partnerships are suitable for family enterprises. In a general partnership, the partners, and in a limited partnership, the active partners, are liable for the partnership's commitments together and equally. If one partner makes a commitment, the others are also liable for it. Therefore, there must be a very high level of trust among the partners. However, the liability of the partners can be limited in the partnership agreement.

NOTE that in general partnerships at least one partner and in limited partnerships at least one active partner must have permanent residence or, if the partner is a legal entity, domicile in the EEA area. If this is not the case, all partners who are not residents in the EEA must have a permit issued by the Finnish Patent and Registration Office (PRH).

CO-OPERATIVE (OSUUSKUNTA)

A co-operative is an association, which has one or more members and which does not require a minimum capital. The members may be private individuals, enterprises or other associations. In order to establish a co-operative, a Memorandum of Association is created to which the rules of the co-operative are appended. At minimum, the rules must specify the name of the co-operative, its domicile (municipality), and the line of business. The co-operative must also be registered with the Finnish Trade Register. Notification of the co-operative must be made within three months of the Memorandum of Association being signed; otherwise the establishment of the

cooperative becomes void. A co-operative is at its best when the members have genuinely committed to the goals and are active actors. A co-operative is especially suitable in situations where the members change and when there is a need to ensure continuous mutual equality. A co-operative is a flexible form of business. Issues, rules and tasks can be defined together. Any costs arising from work and operations as well as the operating facilities may be divided and acquisitions made in a sensible manner.

The necessary registration forms are available at:
www.ytj.fi

SOURCES AND FURTHER INFORMATION:

Enterprise Finland: www.yrityssuomi.fi
Finnish Enterprise Agencies: www.perustamisopas.fi
Finnish Patent and Registration Office: www.prh.fi
The Business Information System: www.ytj.fi
Company Formation Finland (BridgeWest):
www.companyformationfinland.com
Guide to Doing Business in Finland (LexMundi,
Roschier Attorneys Ltd): www.lexmundi.com

ESTABLISHMENT PROCESS AND REGISTRATION

The following image shows the tasks in the process of establishing a company.



IPR MATTERS AND CERTIFICATES NEEDED TO CONDUCT A BUSINESS

Safeguarding of key ideas can be done in accordance with legislation on intellectual property rights. This will help to reduce the risk of copying. Options for protection: a patent for a technical invention (valid for 20 years), a utility model (i.e. a four-year "small patent"), a trademark (a symbol that distinguishes the goods and services of a company) or a design right that protects the appearance of a product or a part of a product. Copyright protection

is the only one that is not applied for separately. Non-disclosure agreements are one way to prevent a customer or collaborative partner from disclosing your unprotected business ideas.

When planning a business, the free-of-charge databases of the Finnish Patent and Registration Office (PRH) offer an easy and quick way to check the industrial rights of other actors: trade names,

trademarks, design rights, utility models and patents. The database can be used to check, among other things what has been protected, where and for how long.

In other words, are there any obstacles for the manufacture or marketing of your product or service or is your invention or solution unique and possibly patentable.

FORM OF PROTECTION	USAGE	VALIDITY
Patent	Protects a product, equipment or method	20 years, in some cases 25 years
Utility model	Protects a product or equipment	10 years (4+4+2)
Trademark	Distinguishability on the market	Perpetual, renewal at 10-year intervals
Design right	Protects the design of a product	25 years (5+5+5+5+5)
Trade name	Protects the name of the business	Perpetual, if business is in operation
Copyright	Protects an intellectual work	Lifetime + 70 years
Trade secret	Protects information of economic significance	Until published

The Patent Prosecution Highway (PPH) is an agreement between patent authorities. Its aim is to provide the applicants with a quick and efficient alternative to obtain a patent by filing a second application corresponding a first application with any of the PPH-participating offices. The PRH has made PPH agreements with a number of patent offices. The agreements also involve information exchange, resulting in less overlapping search and examination, and improved patent quality.

You may request a fast-track examination of your application at a second office on the basis of a Finnish patent application, if PRH has already found your claims allowable. Reciprocally, if another office has found your patent claims allowable, you may request a fast-track examination from PRH.

The opinion of the Office of First Filing (OFF) is not binding on the Office of Second Filing (OSF), because all offices always make their own decisions. At PRH, searches and examinations are based on Finnish legislation – the Patents Act, Patents Decree and Patent Regulations – and PRH processing guidelines. Taking advantage of the PPH system increases the likelihood that your applications following your first application will be allowed. Besides time, the PPH normally saves costs, as the number of office actions issued during the procedure tends to decrease.

Further information to help you in IPR planning:

www.prh.fi

INDUSTRIES REQUIRING A BUSINESS LICENCE OR NOTIFICATION

Finland has freedom of trade, which means that you may engage in business operations that are lawful and in accordance with good practice without requiring a business licence from the authorities. However, in certain industries, a business licence is required in order to protect the community, the environment and consumer safety. In other fields, notifying the authorities is sufficient and an official business licence is not required.

Before commencing operations, it is always important to check whether a special business licence or declaration is needed and what other requirements apply in your chosen field. To acquire a business licence, the applicant must generally be professionally competent, qualified to enter into legal contracts and possess a good reputation. The applicant's financial situation will also have an impact

on whether s/he can obtain a business licence. Business licences are granted by local authorities (municipalities and cities) and regional administration offices along with government departments, local environmental protection authorities and other licensing authorities.

A business licence is generally granted for a fixed period, and it can be revoked if the person does not comply with the provisions of the licence. Application for a business licence is usually subject to a charge. In some cases, a business licence is needed from many different authorities. For example, in the catering industry, hygiene certification and licences to serve food and alcohol are required, and declarations must be made to the health inspector, the rescue services and local building supervision authorities, amongst other things.

INDUSTRIES REQUIRING A BUSINESS LICENCE OR NOTIFICATION

INDUSTRY	LICENCE/NOTIFICATION/ REGISTRATION	ORGANISATION/ AUTHORITY
Technical inspection of vehicles	Technical inspection licence of vehicles	Finnish Transport Safety Agency (www.trafi.fi)
Serving of alcoholic beverages	Licence to serve alcoholic beverages	Regional State Administrative Agencies (www.avi.fi)
Wholesale of alcoholic beverages	Alcoholic beverage wholesale licence	National Supervisory Authority for Welfare and Health, Valvira (www.valvira.fi)
Import of alcoholic beverages (holders of licences for serving and retail sales of alcoholic beverages)	Import notification	Valvira (www.valvira.fi)
Production of alcoholic beverages for commercial purposes	Licence to produce alcoholic beverages	Valvira (www.valvira.fi)

INDUSTRY	LICENCE/NOTIFICATION/ REGISTRATION	ORGANIZATION/ AUTHORITY
Retail sales of alcoholic beverages	Retail trade licence	Regional State Administrative Agencies (www.avi.fi)
Pharmacies, pharmaceutical industry, pharmaceutical wholesalers	Pharmacy and subsidiary pharmacy licences/medicinal product manufacturer's licence and pharmaceutical wholesale licence	Finnish Medicines Agency Fimea (www.fimea.fi)
Garage operations	www.trafi.fi >Road> Licences and approvals > Garages	Trafi (www.trafi.fi)
Driving schools	Driving school licence	Trafi (www.trafi.fi)
Food establishments (grocery stores, restaurants, kiosks)	Notification of a food establishment	Municipal food control authority (www.kunnat.net)
Lifts and lift installations	Notification of electrical work (SL1)	Finnish Safety and Chemicals Agency, Tukes (www.tukes.fi)
Manufacturers and sellers of precious metals	Application for responsibility mark	Tukes (www.tukes.fi)
Public transport services in Finland and the EU	Public transport licence / Community licence for passenger transport	South Ostrobothnia Centre for Economic Development, Transport and the Environment (www.ely-keskus.fi)
Professional waste carriage and brokerage	Application for approval of activity in a waste management register	Centres for Economic Development, Transport and the Environment (www.ely-keskus.fi)
Mining	Reservation notification, mining permit, mining safety permit, Environmental permit	Tukes (www.tukes.fi) Regional State Administrative Agencies (www.avi.fi)
Beauty parlours, hairdresser-barbershops	Notification pursuant to section 13 of the Health Protection Act	Municipal health protection authority (www.kunnat.net)
Manufacture and import of chemicals	Chemical notification Environmental permit	Tukes (www.tukes.fi) Municipal environmental protection authority (www.kunnat.net)
Industrial handling and storage of (dangerous) chemicals	Licence for plants dealing in large-scale industrial handling and storage	Tukes (www.tukes.fi)

INDUSTRY	LICENCE/NOTIFICATION/ REGISTRATION	ORGANIZATION/ AUTHORITY
Brokerage of real estate	Notification of the commencement of brokerage of real estate	Regional State Administrative Agencies (www.avi.fi)
Gold panning	Gold panning permit	Tukes (www.tukes.fi/en)
Refrigeration and fire extinguisher operators	Notification of operations	Tukes (www.tukes.fi)
Laboratories	Laboratory approval	Finnish Food Safety Authority Evira (www.evira.fi)
Land extraction	Land extraction permit, notification on the hearing of neighbours, notification pursuant to section 23 a of the Land Extraction Act	The municipal authority in charge (www.kunnat.net)
Exploration	Reservation notification, exploration permit, gold panning permit	Tukes (www.tukes.fi)
Tour operators and retailers	Registration of a travel agency	Finnish Competition and Consumer Authority (www.kkv.fi)
Opinion polls and market surveys	Notification of operations	Data Protection Ombudsman (www.tietosuoja.fi)
Sales along the roads	Permit for sales as well as signposts for the seasonal sales operations	Centres for Economic Development, Transport and the Environment (www.ely-keskus.fi)
Trust and company services, foreign exchange transactions	Registration application of trust and company services, register application for foreign exchange transactions	Regional State Administrative Agency of Southern Finland (www.avi.fi)
Operation of debt collection (on behalf of another)	Licence for a collection business, notification of operations	Regional State Administrative Agency of Southern Finland (www.avi.fi), Data Protection Ombudsman (www.tietosuoja.fi)
Grocery stores	Notification of a food establishment, retail trade licence for alcohol, retail trade licence for nicotine products	Municipal food control authority (www.kunnat.net), Regional State Administrative Agencies (www.avi.fi), municipal authority (www.kunnat.net)

INDUSTRY	LICENCE/NOTIFICATION/ REGISTRATION	ORGANIZATION/ AUTHORITY
Electrical works (electrical installations and repair of electrical appliances)	Notification of electrical work (form SL1)	Tukes (www.tukes.fi)
Operation of taxi services	Taxi licence, notification of commencement of taxi services	Centres for Economic Development, Transport and the Environment (www.ely-keskus.fi)
Goods transport (domestic goods transport and goods transport within the EU economic area)	Domestic goods transport licence / Community licence	South Ostrobothnia Centre for Economic Development, Transport and the Environment (www.ely-keskus.fi)
Telecommunications, programmes, video- on-demand and pay TV services	Telecommunications notification / Program broadcasting notification / VOD notification / Pay TV service notification	Finnish Communications Regulatory Authority (www.viestintavirasto.fi)
Slaughterhouses and facilities connected thereto as well as game processing facilities	Approval of a food establishment as a facility	Evira (www.evira.fi), reindeer slaughter facilities: Regional State Administrative Agencies (www.avi.fi)
Insurance agents and brokers	Registration as an agent / registration as an insurance broker	Financial Supervisory Authority (www.finanssivalvonta.fi)
Private security services	Private security company license, approval as a key person	National Police Board, supervision of the security sector (www.poliisi.fi)
Undertakings engaged in web server renting	Notification of operations	Data Protection Ombudsman (www.tietosuoja.fi)
Brokerage of rental apartments	Notification of the commencement of brokerage of rental apartments	Regional State Administrative Agencies (www.avi.fi)
Private social welfare services (round-the-clock)	Licence to provide round-the- clock social welfare services	Regional State Administrative Agencies (www.avi.fi)

INDUSTRY	LICENCE/NOTIFICATION/ REGISTRATION	ORGANIZATION/ AUTHORITY
Private social welfare services (other than round-the-clock)	Notification of the provision of social welfare services	The municipality where the service is provided (www.kunnat.net)
Private health care services	Application for licence to provide private health care services	Operations within the region of one AVI Agency: Regional State Administrative Agencies (www.avi.fi), operations within the region of two or more AVI Agencies: Valvira (www.valvira.fi)

PROFESSIONAL APPROVALS AND QUALIFICATIONS

PERSON(S)	APPROVAL/ QUALIFICATION	ORGANIZATION/ AUTHORITY
Person acting as the responsible manager or his/her substitute in licensed premises	Licence to serve alcohol (alcohol passport)	Educational establishments offering the alcohol passport examination (www.valvira.fi)
Persons who handle unpackaged perishable foodstuffs in their work	Food Hygiene Proficiency Certificate (Hygiene passport)	Proficiency examiners (www.evira.fi)
Property valuers (AKA and KHK)	AKA and KHK examination	Property Valuation Board of Finland Chamber of Commerce (www.kauppakamari.fi)
Real estate agents (LKV)	LKV examination	Board of Examiners for Real Estate Agents (www.kauppakamari.fi)
Driving instructors	Driving instructor permit	Trafi (www.trafi.fi). Service provider Ajovarma Oy (www.ajovarma.fi)
Professionals in Building, HVAC and Real Estate sector	Qualification of Professionals in Building, HVAC and Real Estate sector	FISE Qualification of Professionals in Building, HVAC and Real Estate sector

PERSON(S)	APPROVAL/ QUALIFICATION	ORGANIZATION/ AUTHORITY
Supervisors of electrical work and lift work	Certificate of electrical and lift qualification	Henkilö- ja yritysarviointi SETI Oy
Taxi drivers	Taxi driver licence	Applications to Ajovarma Oy (www.ajovarma.fi), licences Trafi (www.trafi.fi/en)
Goods inspectors (HTT)	HTT examination	Goods Inspection Board of Finland Chamber of Commerce (www.kauppakamari.fi)
Health care professionals	Application to practice as a licenced professional/use a protected occupational title	Valvira (www.valvira.fi)
Private health care service providers	Notification of private health care service provision	Regional State Administrative Agencies (www.avi.fi)
Accountants	HT examination as well as KHT and JHT qualification examinations	Accounting supervision (www.prh.fi)
Hot work professionals	Hot work card	Finnish National Rescue Association SPEK (www.spek.fi)
(Private) persons working in the (private) security sector	Approval as a security guard (security guard licence) / approval as a security officer (security officer licence) / approval as a security steward (security steward licence)	Municipal police department (www.poliisi.fi)
Transport of dangerous goods	ADR licence	ADR training organisations (www.trafi.fi)
Letting agents (LVV)	LVV examination	Board of Examiners for Real Estate Agents (www.kauppakamari.fi)
Persons working in joint work sites	Occupational safety card	The Centre for Occupational Safety (www.ttk.fi/en)

OTHER PERMITS AND NOTIFICATIONS

	APPROVAL/ QUALIFICATION	ORGANIZATION/ AUTHORITY
Abnormal transport	Abnormal transport permit	Pirkanmaa Centre for Economic Development, Transport and the Environment (www.ely-keskus.fi)
Work carried out in road areas	Permit for work carried out in road areas	Centres for Economic Development, Transport and the Environment (www.ely-keskus.fi)

REGISTRATION ISSUES

The Finnish Trade Register is the official public register for information about enterprises. As a rule, all businesses must be enrolled in the register. Enrolment is achieved via a notification and is subject to charge. As the Trade Register, which is maintained by the Finnish Patent and Registration Office (PRH), has a joint notification procedure and information service with the Finnish Tax Administration, a business will only need to submit one notification to be enrolled in the trade, prepayment, employer and VAT registers and there is no separate charge.

LINE OF BUSINESS

The line of business of an enterprise is always declared when the enterprise is registered with the Finnish Trade Register and the Finnish Tax Administration. It is also possible to register so-called “general commercial activities” with the Finnish Trade Register, meaning that the business may engage in all types of lawful business

activities that are accordant with good practices. However, it is advisable to state the line of business explicitly, so that the nature of the business’s operations is clear.

The Finnish Tax Administration requires that you declare your main line of business. The enterprise may have only one main line of business and it must be clearly described along with the form of the operations. A main line of business that is too general will not be accepted into the register.

PREPAYMENT REGISTER

As a general rule, starting up business operations requires that the business is enrolled in the prepayment register maintained by the Finnish Tax Administration. You can enrol in the prepayment register using the same form that is used for notifying the Finnish Trade Register of your new business. For more information and details about the prepayment register, please view the chapter on taxation.

SETTING UP A BUSINESS THROUGH ACQUISITION

EMPLOYER REGISTER

The employer register is maintained by the Finnish Tax Administration. A business must enrol in the employer register when it starts regular salary payments if it has: 1) at least two permanent employees during the calendar year or 2) at least six temporary employees at one time. If the payment of salaries and wages is temporary, or they are paid to only one employee, the business does not need to enrol in the employer register.

VAT REGISTER

Businesses that are subject to value added tax (VAT) enrol in the Finnish Tax Administration's register via their declaration of foundation. At registration, they need to state the date of commencement of the operations that are subject to VAT. For more information and details about the VAT register, please view the chapter on taxation.

One option to start business operations in Finland is the acquisition of a working enterprise. This offers a simple way to get started and the possibility to commence business operations immediately, as the company is already officially registered, has a business ID, and customers and turnover already exist.

NOTE that the same requirements for board of directors and managing director – as described in the previous chapter – still abide.

You may want to contact a Finnish lawyer to help with the transaction. Lawyers who advise on and assist in legal matters can be divided into two categories: members

CHARGE FOR REGISTRATION IN THE YEAR 2017

Private Trader	110 €
Partnerships	240 €
Co-operative	380 €
Limited company	380 € on paper, 330 € online

NOTE that VAT registration is needed for international trade.

The necessary registration forms are available at: www.ytj.fi

Estimated processing time for notifications is between three to five working days. This is only an estimate, not a guarantee that the matter will be processed within the time indicated.

of the Finnish Bar Association (attorneys-at-law) and non-members of the Bar (jurists). You will find contact information for all Bar association members by using the search engine on the Finnish Bar Association website: www.asianajaliitto.fi/en

Restrictions on the purchase of Finnish companies may be imposed when required by the national interests of Finland (for example national defence, security of supply and functions fundamental to society). In such cases, foreign buyers are obliged to request permission from the Ministry of Economic Affairs and Employment. Further information: www.tem.fi/acquisitions.

There are many enterprises in Finland with owners willing to sell them. Some enterprises are actively and openly for sale, but most owners are looking for a buyer silently. Regional players like development companies and ELY Centres can provide expertise to help you find such companies.

You can find basic information on all registered enterprises in Finland from the business information system, YTJ (www.ytj.fi), where a search can be run by the name or business ID of a company. More advanced information about the financial status of a company etc. can be found in Finnish or Swedish by using web services such as www.asiakastieto.fi or tietopalvelut.kauppalehti.fi.

More information and answers to questions regarding acquisitions:

Invest in Finland:
www.investinfinland.fi

Local Regional Development Companies:
see chapter “**Finnish enterprise agencies and business funding**”

ELY Centre:
www.ely-keskus.fi

More information about companies for sale:

Finnish Company Acquisition Ltd:
www.yrityskaupat.net

Search service of the Federation of Finnish Enterprises:
www.yritysporssi.fi

Enterprise Finland:
www.yrityssuomi.fi/en/omistajanvaihdos

FAQ

COMPANY ESTABLISHMENT, REGISTRATION AND ACQUISITION PROCESS

What documents are needed right at the beginning when establishing a limited company?

- Start-up notification Y1 and appendix form 1 as well as the personal data form
- Income tax prepayment application form/corporate taxpayer
- Memorandum of Association
- Articles of Association
- Where necessary, minutes of the meeting of the Board of Directors (the chairman of the Board, holders of procuration, persons authorised to represent the company elected at the meeting or e.g., auxiliary trade name adopted)
- Business license, if necessary

What businesses require a special permit from the Finnish ministry of economic affairs and employment?

In Finland, businesses involved in activities such as real estate, pharmaceuticals, public catering, freight or passenger transportation, banking and insurance need a special permit from the Ministry of economic affairs and employment.

In which industry sectors are merger and acquisition (M&A) deals most common in Finland?

Finnish know-how attracts leading international actors from various fields of economy. However, most M&A deals are observed in the sectors of business services, healthcare and wellbeing, biotech and ICT. Companies have become especially active in technology deals. This can be explained by the increase in digitalization and the Internet of Things (IoT) that has become more integrated into industrial processes and products. Good target companies in this field can be found among the numerous Finnish start-ups.

Which countries are making the most investments in Finland?

Top countries investing in Finland include Sweden, USA, Great Britain, Denmark and Germany. Of course, close trading ties also exist with Russia, for which Finland often plays the role of a trading hub.

What are important steps the buyer should consider before signing a deal?

The preparation process usually involves several stages, but the main items worth noting are:

- Economical and legal due diligence – when the buyer reviews all documentation and liabilities of the target company. Usually this step is performed with the help of an external advisor.
- Consulting the Tax Debt Register to see whether the target company is up-to-date on its taxes.

SOURCES AND FURTHER INFORMATION:

Invest in Finland: www.investinfinland.fi
Enterprise Finland: www.yritysuomi.fi
Finnish Enterprise Agencies: www.perustamisopas.fi
Finnish Patent and Registration Office: www.prh.fi
The Business Information System: www.ytj.fi
Guide to Doing Business in Finland (LexMundi, Roschier Attorneys Ltd):
www.lexmundi.com
Finnish Company Acquisition Ltd: www.yrityskaupat.net
Federation of Finnish Enterprises: www.yritysporssi.fi
Finlex database: www.finlex.fi

COMMENCEMENTS OF COMPANY OPERATIONS

OPENING A FINNISH CORPORATE BANK ACCOUNT

A bank account can be opened for a registered company. In certain situations, an account is necessary even before the company is entered in the Trade Register. A company needs the bank account for purposes including the payment of share capital, processing payment transactions, and in support of accounting.

If the person opening a bank account for a company has the required documents when visiting the bank, the process typically runs smoothly. For companies/persons residing outside the EEA, the process might take some time. We recommend booking an appointment for this purpose and preparing all the required documents in advance to speed up the process.

Information provided in the required documents is needed to find the optimum account type and financing alternatives for the new customer company. The bank is obligated by law to know its customers, for which reason it may require separate written explanations of the company's activities, financial position, services and the use and purpose of banking services. Banks are obligated by law to ask for clarification about the origin and purpose of funds transferred to a customer's account.

All banks operating in Finland are listed on the website of the Financial Supervisory Authority: www.finanssivalvonta.fi.

The largest banks in Finland are:

- Nordea Bank Finland: www.nordea.fi
- OP-Pohjola Financial Group: www.op.fi
- Danske Bank Group: www.danskebank.fi

As a rule, various bank groups adhere to similar practices and the following documents and measures are typically required when opening a corporate bank account. Requirements can vary from bank to bank and we recommend you confirm with the bank prior to your meeting.

- An extract from the Finnish Trade Register (not older than 90 days). In the process of forming a limited company, the extract from the Trade Register is replaced by a formation package for limited companies, available at the website of the Business Information System www.ytj.fi. Alternatively, the extract from the Trade Register can be replaced by
 - a register certificate indicating that a declaration of establishment has been submitted
 - documents of incorporation (for example, for a limited company: memorandum of association, articles of association and the minutes of the constitutive meeting of shareholders)

- An extract from the minutes of the company's decision-making body (the Board of Directors), which indicates the names of those officials of the company authorised to use the account and their authorisations, the decision to open an account, and possible lending and submitting of collateral. A decision of the Board of Directors stating the account users is required; e.g. "It was decided to authorise the below-mentioned persons to use account no 123456-12345: [names and personal identity numbers]."
- An explanation of the nature and volume of payment transfers: an account of incoming and outgoing payments; size of individual payments
- A more specific and concrete explanation than the mission statement of the nature of the company's business activities, their extent and the grounds for using banking services.
- Other company accounts
- An extract from the Articles of Association
- A list of shareholders including names, social security IDs or dates of birth, nationality if not Finnish, and the percentage of stocks and voting rights of each shareholder. If there are companies on the shareholders list, a full description of the group structure including company type, company ID number and country of registration. It is also necessary to identify the natural persons at the end of the ownership chain.
- For the beneficial owners, who directly or indirectly through other companies own more than 25% of the company, a notarized passport copy and a proof of residence (utility bills with home address or equivalent) in Latin alphabet is needed.
- If a person doesn't have a Finnish social security number, passport photocopies of bank account users and proof of residence is needed.
- Letter of recommendation from a Finnish company
- Certificate of the origin of the assets and foreign banking connections
- If the account opener is unknown, a letter of reference from another bank considered reliable by the bank opening the account (not all banks require this).

The required documents and information can be submitted either in Finnish, Swedish or English. The person who signs an agreement on behalf of a company, association or foundation must be registered in the trade register as a representative authorised to sign for it. Likewise, a person granted the right to use an account must be an authorised representative. The person opening an account must also present an identity card or a passport. When opening bank accounts for a general or limited partnership, the signature of one general partner is enough, unless otherwise stated in the company rules.

NOTE that it is essential to open a corporate bank account right at the beginning, as the share capital must be paid to the bank account of the new company in connection with the registration of a limited company.

ACCOUNTING AND FINANCIAL TRANSACTIONS

One of the most important tasks for any company is managing bookkeeping process. Accounting means recording the sums of money involved in business transactions resulting from business operations. Accounting collects complete financial documentation and registers information on business transactions, following a specific method. The result is financial statements on the company's finances. As a whole, accounting comprises the company's revenue, expenses, property, assets and debts. Financial statements prepared on the basis of accounting reveal the operating result. Company management is responsible for arranging accounting.

FINNISH ACCOUNTING ACT AND FINANCIAL STATEMENTS

According to the Accounting Act, all enterprises and private persons engaged in business or professional activity are subject to an accounting obligation. The obligation commences from setting up a business. Accounting arrangements are therefore among the primary duties of a start-up-company. Companies in Finland often require the help of an outside expert for accounting tasks and outsourcing is very common. Companies have monthly, quarterly and annual notification obligations to authorities. In addition, employer companies submit information on paid wages to their employment pension and accident insurance companies and apply for reimbursement for their occupational healthcare expenses.

AUDIT

According to the Auditing Act a company must elect an auditor and carry out an audit of the accounts. Auditing forms a part of the business control system. It is therefore advantageous for companies to use the services of a professional auditor to ensure that the financial statements and possible annual report provide correct, sufficient and consistent information. Auditors check the accounts of the company at least once a year. According to the Auditing Act, a company

need not appoint an auditor if certain conditions are met. Private entrepreneurs (i.e. those working under a business name) do not need to appoint an auditor. Small companies (limited companies, general partnerships, limited partnerships, cooperatives) are exempted from auditing. An auditor must be appointed if the company meets two of the following conditions:

- Balance sheet total exceeds 100 000 euros.
- Net sales or corresponding earnings exceed 200 000 euros.
- There are more than three employees on average.

The limits apply to both the concluded and the preceding accounting period. If the articles of association, partnership agreement or rules of the organisation include a provision on appointing an auditor, an auditor must be appointed (or the relevant provision in the articles of association must be changed).

Auditors should be qualified and authorized. Auditors for large enterprises and companies listed on the stock exchange should possess additional qualifications. The Trade Register must be notified of the auditor. The Finnish Patent and Registration Office (PRH) oversees and approves auditors. A person who has passed the HT examination can specialise in audits of public interest entities (PIE) by passing a KHT examination and/or in audits of public administration and finance by passing a JHT examination. The auditor must be a KHT auditor or a firm, if the corporation is subject to public trading or if at least two of the following conditions were met by the corporation or foundation in the last completed fiscal year::

- The balance sheet total exceeds 25 000 000 euros according to the financial statements of the previous accounting period.
- Net sales or comparable revenue exceeds 50 000 000 euros according to the financial statements of the previous accounting period.
- The average number of employees exceeds 300 during the accounting period.

OUTSOURCING FINANCIAL MANAGEMENT

A company can manage accounting itself or acquire financial management services from an expert accounting firm. If there are a significant number of commercial operations, it is advisable to use the services of a third-party accounting bureau or hire an in-house certified accountant. If a company decides to partly or completely outsource financial management, the company should select a professional, preferably authorized accounting firm. In every case, accounting firms operate on the basis of professional responsibility: they are responsible for ensuring that the work is done in the manner agreed with the client on the basis of the material submitted by the client.

When choosing the right accounting services for a business, matters to consider include:

- Which sectors of financial management the company wishes to outsource and which the company will manage on its own. (Invoicing, accounts payable and receivable, payment transactions, payroll calculations, business accounting, inventory management, budget, cash flow and funds statements)
- Monthly business volumes
- What kind of cost centre and budget monitoring is required (product groups, departments) and what kind of requirements are set on reporting (accuracy of monthly reporting, for instance as regards financial statements)
- Potential electronic solutions (including sales invoices, purchase invoices, payment transactions, debt collection)
- In many cases, small enterprises manage invoicing and payment transactions themselves. On the other hand, they frequently outsource accounts payable and receivable, payroll calculations and debt collection as well as accounting

The following quality issues should be taken into account when selecting an expert accounting firm:

The KLT accounting examination is the expert qualification of professionals in the accounting sector. Candidates are required to have a university level commercial degree and several years' practical experience of diverse financial management duties.

The Association of Finnish Accounting Firms has almost 800 members. An accounting firm can be accepted as a member of the Association only if management has passed the KLT accounting examination. Authorized accounting firms comply with the professional standards, prepared for the industry by the Association of Finnish Accounting Firms with the purpose of minimizing risks to clients and ensuring a high-quality service relationship.

The largest bookkeeping companies in Finland by turnover:

Accountor Group: www.accountorgroup.com

Visma: www.visma.com

Rantalainen: www.rantalainen.fi

Talenom: www.talenom.fi

Silta: www.silta.fi

For a newly established company or entrepreneur without bookkeeping experience in Finland, an outsourced partner can help navigate financial legislation and ensure professional interaction with the tax department and other authorities. The website of the Association of Finnish Accounting Firms offers a search service for finding local authorized accounting firms in a specific area. The site also provides a form for requesting a quotation and a template for a formal written agreement on assignments. You should always draw up a written agreement and comply with its terms and the agreed deadlines, because delays in submitting receipts are costly, either in the form of overtime compensation or penal interest paid to the Tax Administration.

ORGANISING MONEY TRANSACTIONS

Entrepreneurs should provide customers with several payment methods. A company selling products or services to consumers is obligated to ensure that making payments is secure and that consumers are provided with all payment information in a clear manner. Payment terms must be agreed upon as accurately as any other sales terms, and the same principles apply regarding changes. Companies must always offer customers a receipt for any products and services.

INVOICING AND INVOICE MARKINGS

Finland is one of the world leaders when it comes to electronic banking and particularly invoicing. The country introduced electronic invoicing, which was a big step towards smarter use and knowledge of electronic business. E-invoicing, which is widely used in Finland, is a modern, trustworthy and practically paperless option for handling and processing invoices for services, goods and other transactions. Both companies and private consumers can be recipients of invoices in electronic form.

Paper invoices also exist. Generally, a company can tailor the invoice according to the needs of its counterparty, especially when dealing with foreign agents. Therefore,

invoicing procedure can vary case by case. The Value-Added Tax Act specifies the minimum information that needs to be provided in an invoice:

- Date of issue of the invoice
- Identifier for individualising the invoice
- The seller's VAT identification (Business ID)
- The purchaser's VAT ID in cases of reverse charge in value added taxation and in intra-community trade
- The seller's and purchaser's name and address
- The quantity and nature of the goods and the extent and/or nature of the services
- The delivery date for the goods and/or date of providing services or the date of advance payment
- Tax-basis, tax-free price by tax rate, unit price excluding tax and refunds and discounts, if not taken into account in the unit price
- The tax rate
- The amount of tax to be paid
- Reason for tax exemption or for reverse charge in value added taxation

In special cases the invoice must also contain other information. Consult your accountant for more details.

ELECTRONIC FINANCIAL MANAGEMENT

Electronic financial management refers to the efficient financial management of a company using electronic tools. Electronic financial management tools and software are not used by large companies only. They are profitable and easy to adopt for small companies, as well. According to surveys, about 70% of all Finnish enterprises use electronic services for invoicing and other financial procedures.

Electronic financial management can be used, for example, in sales invoicing, receiving and circulating purchase invoices, up-to-date and automated accounting, reporting and sending notifications to the authorities (sending notifications is only available in Finland). It enables financial management and the monitoring of a company's status regardless of time and place, which in turn increases operational efficiency, saves time and speeds up financial processes.

Shared web-based systems can make cooperation with an external accounting office more effective. When the customer company and the accounting office both have access to the same system and the information shared in it, division of work can be agreed upon flexibly. There are many web-based financial management software providers in Finland. What services a company needs depends on their distinctive circumstances, such as field of business, magnitude of operations, and number of employees, customers and services.

KATSO IDENTIFICATION

The Katso identification system, offered by the Finnish Tax Administration, is an electronic system designed for corporate taxpayers to facilitate secure sign-in for electronically provided services. A Katso ID is an electronic right to sign and act on behalf of a company. Using a Katso ID, a corporate user can monitor the company tax account and deal with monthly obligations quickly and efficiently.

A Katso ID is provided free of charge. Katso IDs are available to business companies, tax consortia, public entities (including towns, cities and rural communities) and estates of deceased persons. The Katso interface allows you to manage Katso IDs that belong to your company, including any ID-related data and information, internal and external authorizations that your company may grant to various users by creating sub-IDs for employees or, for example, for an accounting firm. The master user of a company can manage sub-user rights. When your company is the holder of a valid Katso ID, you can receive authorizations that other companies may grant you. Similarly, you can give an authorization to a designated external organisation if it is a holder of a valid Katso ID.

It is also possible to grant Katso IDs for users outside Finland. You can set up a Katso ID and password for representatives of a Finnish-registered company, who are foreign citizens, and for representatives of a foreign-registered company. They may be either Finnish or foreign citizens. The Katso identifiers of an individual who has the right to sign for the company may be assigned the master privileges for one or more companies. Foreign citizens must present notarized documentation to prove their identity and their right to sign for the company as a Katso master user.

FINANCIAL TRANSACTIONS BETWEEN COUNTRIES

Profit transfers from Finland to other countries are done in accordance with governing laws and taxation and should be considered case by case for each company individually. Your accountant and tax advisor will offer the best solution for your company and possible subsidiary. We recommend seeking professional support from an accounting office that operates in both countries. Also, if the company has bank accounts in the same banking group offices in both countries, the transactions can be much easier and faster.

Finland and most other countries have an agreement regarding avoidance of double taxation on income. Income tax agreements and inheritance and gift tax agreements divide the right to tax income and inheritance between the contracting states. The primary purpose of the agreements is to remove double taxation, while the secondary purpose is to try to implement single taxation. National legislation determines the extent of Finland's taxing power, but the taxing right based on Finnish legislation may be restricted by tax agreements.

In agreements on exchange of information the contracting states agree on the exchange of information in tax matters between their authorities in order to receive information that is needed for national taxation. Agreements on administrative assistance contract on the recovery of taxes, notification of tax documents, simultaneous tax audits and participation in tax audits in the other contracting state.

Cross-border profit distributions in EU countries

If you have a parent company in one EU country and subsidiaries in another, you can eliminate potential tax issues (e.g. double taxation) in cross-border profit distributions between these companies.

This applies if:

- Your parent company and subsidiaries are based – for tax purposes – in different EU countries
- Your parent company and subsidiaries are subject to corporation tax (without possibility of exemption)
- Your parent company and subsidiaries are correctly registered as a company/corporation (legal form: Inc., S.A., GmbH, LLC, etc.)
- Your parent company has at least 10% holding in the capital (or of voting rights) in its subsidiary company based in another EU country

Exemptions from withholding tax

Withholding tax can be levied on company profits in advance of a full tax declaration (after which it may be refunded or extra tax may be levied). For parent companies and their subsidiaries, distribution of profits can be exempted from withholding taxes. This works both ways:

- If you distribute the profits from your subsidiary company to its parent company
- If you distribute the profits from the parent to subsidiaries

This is the case both in the country of the subsidiary and in the country of the parent company, if both countries are in the EU.

More information of cross-border profit distributions in the EU countries:

European Union official website:
www.europa.eu

Finland's current tax treaties – Ministry of Finance: **www.vm.fi/tax-agreements**

FAQ

COMMENCEMENT OF BUSINESS OPERATIONS

How do I request Katso identification for a company?

There needs to be a physical person who becomes the master user. He or she will receive the privilege to use the Katso ID. This requires that he or she have the signatory right and privilege to sign the company name. The master user can create sub-IDs (restricted IDs) for other users. The system allows for later conversions of sub-IDs into Katso IDs.

Where can legal counselling for a business be found?

In Finland, there is no monopoly in marketing legal services or assisting in court proceedings. Lawyers who advise on and assist in legal matters can be divided into two categories: members of the Finnish Bar Association (attorneys-at-law) and non-members of the Bar (jurists). In addition to this, lawyers who represent clients in the Finnish courts must have a licence issued by an independent Board of Licensed Counsels. Only members of the Bar are entitled to use the professional title “attorney-at-law”. You will find contact information for all Bar members by using the search engine on the Finnish Bar Association website: www.asianajaliitto.fi.

SOURCES AND FURTHER INFORMATION:

Enterprise Finland: www.yrityssuomi.fi
Finnish Enterprise Agencies: www.perustamisopas.fi
Invest in Finland: www.investinfinland.fi
Financial Supervisory Authority: www.finanssivalvonta.fi
Ministry of Finance: www.vm.fi
Finnish Taxation office: www.vero.fi
European Union official website: www.europa.eu
Tietoyhteiskunnan kehittämiskeskus ry TIEKE: www.tieke.fi
Nordea Bank Finland: www.nordea.fi
OP Financial Group: www.op.fi
Danske Bank Group: www.danskebank.fi



TAXATION

Entrepreneurs, corporations, partnerships and their joint owners as well as the people engaged in agriculture and forestry are subject to business taxation. Taxation is being harmonized within the European Economic Area. However, the individual states have extensive autonomy in taxation, and it has a central role in national economic policy. The share of taxes and charges comparable to a tax out of the total production, i.e. the total tax ratio, is currently 44%. Finland has the fourth highest total tax ratio of the OECD countries.

Business taxation in Finland varies by company type. The profit of private businesspersons and self-employed persons is taxed as entrepreneur's income. The profit of a business partnership is taxed as income of the joint owners in accordance with the regulations on the taxation of joint owners of business partnerships. Corporations such as limited companies are taxpayers themselves, and they pay a corporation tax on their profit. A dividend paid by a corporation is taxed as income of the shareholders.

The amount of tax is calculated on the basis of a company's profit and its net assets. Taxpayers are expected to make advance payments on their projected income, to be derived from the operation of a trade or business, agriculture or other activity in order to generate income, including rental operations and receipts of capital gains. A company needs to be able to present receipts, invoices and other reliable documents from all business operations.

Value-added tax must, almost without exception, be paid for the sale of goods and services through business operations in Finland. VAT taxpayers have reporting and payment obligations and are expected to submit periodic tax returns to report all VAT information for each taxable period. The frequency of submitting periodic tax returns and making payments is dependent on the agreed length of reporting periods. The alternatives are monthly, quarterly and yearly. To work out VAT payable, subtract the total input VAT on monthly purchases from the sum total of VAT that has been added to the prices of sold goods and services during the month. Tax payments are made to bank account of the Tax Administration. Some tax payments are based on an official decision sent to the taxpayer (the exact amount and due date in the decision). Other payments are based on self-initiated, unprompted action. The taxpayer should calculate the exact amount and ensure payment by the correct due date.

Altogether, the taxation of a business consists of tax payments and declarations:

- Value added tax must be paid on sales.
- Taxes withheld at source and social security contributions must be paid from wages paid by companies.
- A company's income tax is determined as based on profit.
- A company must disclose VAT and income taxation information to Tax Administration.

In addition, entrepreneurs must pay personal income tax from their wages and dividends.

Taxation varies by type of company and because of different circumstances. Please find more detailed information from your accountant or from the Finnish Taxation office: www.vero.fi.

VALUE ADDED TAX (VAT)

VAT is a consumption tax that the seller of goods or services will add to the price. The seller thus collects this tax from customers to remit it to the state. Liability to pay VAT concerns anyone who sells goods and services, rents out goods, or is engaged in similar commercial operations on an on-going basis. Goods are defined not only as tangible property, commodities and goods but also electric power, gas, energy for purposes of heating and cooling and other similar purposes. The definition of services refers to everything else that can be supplied or sold in the course of business.

VAT is payable each time a sale of goods or services occurs. However, VAT, is designed to be paid by the consumer. For this reason, the seller has the right to deduct the input VAT of his purchases of goods and services for business purposes, if another VAT taxpayer has supplied

them to him. In this way, the VAT that is included in the actual consumer prices is only the VAT of the last seller in the supply chain.

If a company operates a business for which VAT is payable, requesting for VAT registration will be mandatory. However, no registration is required if turnover for the accounting period (12-month) remains below €10,000. The company with turnover below €10,000 can voluntarily be VAT registered if it operates its business commercially on an on-going basis. Additionally, some sectors have been left outside the scope of VAT taxation. These sectors are expressly listed in the legislature and they include selling real property and apartments or flats in housing companies, healthcare services, and social services. If a business company only sells these goods or services, it will not be deemed liable to pay VAT.

RATES OF VAT IN 2017

General rate of VAT, effective for most goods and services	24%
Food, animal feed, restaurant services, meal catering services	14%
Books, medicine, services relating to physical exercise and sports, movies, entrance to cultural events and to entertainment events, transport of passengers, accommodation, and TV licenses.	10%

To figure out the amount to add to the net price, the seller should multiply the tax base (= the net price without VAT) with the applicable rate. Tax base is the price payable by the buyer, in which no VAT is included.

INCOME TAXATION

The form of corporate entity of your company or organisation will largely determine the company's income-tax obligations. Some entity forms, including limited companies and cooperative societies, are independently liable to pay income tax as taxpayers. Their receipts of income are taxed as income attributable to the entity itself. Corporate income tax rate is 20 %. If a limited company distributes dividend to its shareholders, the shareholder-beneficiaries will be taxed as provided by specific rules.

Profits are fully taxable as income of the owner shareholder in the case of a self-employed professional individual, a self-employed business entrepreneur or a general or limited partnership. The taxable income attributable to the operation of the trade or business is divided between a capital income portion and an earned income portion. Capital income is assessed at a 30-percent rate (> €30,000/34%). Earned income is assessed using a progressive scale.

ENTREPRENEUR'S INCOME TAX

Earned income is considered to include wage income and the earned income portion of business income as well as pension and other taxable social benefits. In state and municipal taxation, taxable income is determined separately based on gross income and deductions therefrom. The taxes paid for each type of earned income are defined as based on taxable income and the tax rates and tax-like payments to which it is subject.

- If you receive a wage or salary income from other employers, they will declare your earnings to the Tax Administration.
- If your company pays you a wage, kilometre allowances or dividends, the company must pay taxes withheld at source based on your tax card.
- At the end of the year, the company must declare the paid wages to the Tax Administration in an annual return.
- The Tax Administration will send a pre-filled tax return including the information of the above-mentioned and other payers. Check the tax return and make changes, if necessary.

PREPAYMENT REGISTER

The Finnish Tax Administration maintains a prepayment register where companies and persons are registered on the basis of an application. Enrolment in the prepayment register can be made for any operator of a trade or business, agriculture or other pursuits in order to generate income. Registration is available to beneficiaries of copyright royalties. The payer of compensation does not need to withhold tax on payments made to a provider of services if the provider is enrolled in the prepayment register. Note, however, that if wages are being paid out, the payer always has to withhold tax even if the beneficiary is enrolled in the prepayment register.

Prepayment registration is not compulsory. Some service providers may prefer not being registered because they value the

convenience of having the payer withhold tax on all arriving payments. Prepayment registration upon request is also available to commercial businesses that only deal with the trading of goods. Compensation for the use of an object refers to compensation for transferring the right to use an immaterial right such as a copyright. It should additionally be noted that beneficiaries' prepayment registrations also have an impact on the tax credit available to the payer for household costs. This tax credit can only be granted if the beneficiary has a valid prepayment registration.

No obligation to withhold tax is associated with trading with goods and with rental operations. But if the payer is expected to settle an invoice that covers both labour costs and goods, the validity of the beneficiary's prepayment registration

CROSS-BORDER AND INTERNATIONAL TAX SITUATIONS

should be checked: If the beneficiary has no registration, tax should be withheld on the labour portion of the invoice. However, if goods are delivered and an insignificant performance of labour is included in the delivery, the invoice should not be viewed as relating to compensation for labour or work. No obligation to withhold tax is associated with the transaction, because it should be viewed as trading with goods.

Authorities can refuse entry in the register for persons or companies who have a history of material neglect of tax obligations. This reason may also prevent prepayment registration of a company in circumstances where a board member (or managing director) or a major shareholder has previously neglected his/her tax obligations.

Finnish companies must pay tax in Finland on their income from both Finnish and foreign sources. Income from abroad is assessed under Finnish tax legislation; accounts must be presented in accordance with the Finnish Accounting Act. If you are treated as having a permanent establishment in a foreign country, income attributable to it is assessed under the local tax rules of that country. Similarly, local rules are applied to the arrangement of its accounting and bookkeeping system.

Double taxation treaties are agreements concluded by and between two states aimed at eliminating taxation-related obstacles to the movement of capital, goods or income, at preventing tax evasion and discrimination, and also at establishing procedures for interaction between the states when collecting taxes. All Finnish-based companies must pay tax in Finland on their income from both domestic and foreign sources. But foreign-sourced income may also be treated as taxable in the source country. Paying tax on the same income would be double taxation.

In international situations, the taxation of dividends, interest and royalties depends on the provisions of the bilateral treaty

for avoidance of double taxation signed between Finland and the domicile country of the payer. Similarly, the provisions of the treaties also affect the foreign tax treatment of Finnish-sourced dividends, interest and royalties received by beneficiaries abroad. If you are at risk of being taxed twice on the same income by Finland and a foreign country, you can enter details of it on your corporate tax return form to seek relief from double taxation. If your income from abroad has not been taxed as provided for in the applicable tax treaty, you should seek a refund from the country concerned. The Finnish Tax Administration grants relief for it when assessing your Finnish corporate income tax.

The Finnish Tax Administration uses two methods in an attempt to eliminate double taxation. These two methods are the credit method and the exemption method. The primary method is the credit method, and the exemption method is used only if the bilateral tax treaty between Finland and the other country requires it. The credit method means that foreign-sourced income is taxed in Finland, but tax paid abroad is deducted - credit is being granted for it.

Example:

A taxpayer has €5,000 of foreign income and the country of source has collected €1,000 income tax on it. Under Finnish rules, the tax on the €5,000 would have been €1,300. Using the credit method, Finnish tax is not charged in full, because credit is given for the amount paid abroad (€1,300 - €1,000). The taxpayer only has to pay €300.

No higher credit may be given than Finnish tax law allows for the income concerned; this determines the maximum available credit. Taxes paid abroad may be higher than the maximum available credit if

- the foreign rate of tax is higher than the Finnish one
- the taxpayer has less taxable income in Finland than in the foreign country
- the taxpayer is showing a loss in Finland for the source of income concerned

Example:

For tax year 2014, the taxpayer has €5,000 of foreign income and the country of source has collected €1,500 income tax on it. Under Finnish rules, the tax on the €5,000 would have been €1,300. In this example, the tax paid abroad is higher than the Finnish tax, so the credit in Finland is only €1,300 and the difference of €200 is not credited, but it can be used later during the five following years for any taxes payable on foreign income of the same type or source. Unused credits are used in chronological order.

FOREIGN COMPANIES AS CONTRACTORS

Finnish companies may have to withhold tax at source on payments to foreign companies for work carried out in Finland. If the foreign company is not enrolled in the prepayment register or does not show you a zero-rate tax card, you must withhold and pay tax at source. If you hire leased employees, you must report the name and address of every foreign leasing agency you have contracted to provide people to work for you in Finland, together with details of any individuals from abroad concerned. This reporting requirement applies to all leased employees regardless of whether they are from countries with tax treaties permitting Finnish taxation of their earnings or not.

TAXATION FOR FOREIGN BUSINESS IN FINLAND

Starting up a business in Finland normally requires that the foreign company file a start-up notification form. This facilitates entry in the appropriate Tax Administration registers. However, if the business operation in Finland only amounts to the handling of a one-off assignment, the foreign company may simply ask for a tax-at-source card instead of being entered in registers. The obligations of a foreign company depend on its line of business, the type of assets present in Finland, and whether the company has a permanent establishment in Finland. Permanent establishment rules in Finland differ slightly for the purposes of VAT and income tax.

Finnish Tax Administration examines the details submitted in the start-up notification and its appendices, and determines whether the company is deemed to have a permanent establishment in Finland. This cannot always be done at the registration stage of a new business operation. In that case, Tax Administration re-examines the question of a permanent establishment in connection with the tax assessment of the company's first tax year.

PREPAYMENT REGISTER

A foreign company that conducts business in Finland can be registered in the Prepayment Register if its country of tax residence has an income tax treaty with Finland, or if it is deemed to have a permanent establishment in Finland. If no entry in the Prepayment Register has been made, or if no zero-rated tax card has been issued to the company, the incoming payments from customers are subject to withholding at the rates of 13% to 35% depending on its legal entity form.

If the company has a permanent establishment in Finland, Tax Administration will instruct, upon registration, the company to pay a tax-prepayment, which corresponds to the annual taxable income generated by the permanent establishment. The company has entered the projected income on its start-up form. It is possible for the company to request that the prepayment be amended. In itself, registration in the prepayment register does not make the company liable to Finnish income tax.

VAT REGISTER

Foreign companies must become VAT registered if VAT is to be charged on their sales of goods or services, and if the operation gives rise to a permanent establishment for VAT purposes. If the company is not deemed to have a permanent establishment in Finland, the general rule is that the buyer of goods or services must pay the VAT (within a VAT reverse-charge scheme).

However, reverse-charge VAT is not applicable in the following situations. Instead, the seller must always register for VAT in Finland if:

- The buyer is a foreigner with no permanent establishment and no Finnish VAT registration.
- The buyer is a private person.
- Distance sales of goods from another EU country to Finland are in question.

- Services being sold are passenger transport.
- Services being sold relate directly to entry to events, which involve teaching, science, culture, entertainment and sports, or to events such as fairs and exhibitions.

REGISTER OF EMPLOYERS

If a foreign company has a permanent establishment in Finland for income tax purposes, it is subject to the same employer obligations as any Finnish company. Registration as an employer is mandatory if wages or salaries are paid in Finland to at least two employees on a regular basis or to at least six employees at the same time on a temporary basis.

The company must withhold tax on the wages it pays to employees, following the instructions printed on each employee's tax card. Employees staying for a shorter time than six months are issued a tax-at-source card at the local tax office. If the employee fails to show a tax-at-source card, the company must withhold 35% tax. Those staying longer get normal Finnish tax cards, and their withholding follows the usual, progressive income-tax scheme. If such an employee fails to provide a tax card, the company must withhold 60% tax.

NO PERMANENT ESTABLISHMENT IN FINLAND

If a company has no permanent establishment in Finland for income tax purposes, it does not have to seek entry in the employer register, and it is not treated as having any employer obligations. However, the company is entitled to request for employer registration on a voluntary basis. When the company is registered, it must either withhold tax at source, or carry out normal withholding according to the instructions on each employee's tax cards.

INCOME TAX

Foreign businesses must pay income tax to Finland if they have a permanent establishment in Finland. However, some categories of income entail the liability for Finnish income taxation even if the company does not have a permanent establishment. Examples of those income categories include rental income from real estate, and income from sales of real estate.

register even if their operation in Finland does not constitute a permanent establishment. Examples of these situations include the case when the customers who buy the goods and services are private individuals. Foreign companies have the option to apply for VAT registration on a voluntary basis in situations where there is no direct obligation to do so.

EMPLOYER OBLIGATIONS

Foreign companies must always submit to Tax Administration an employer payroll report on any and all wages paid to employees who are Finnish tax residents. The same employer obligations as concern Finnish businesses are in force for foreign businesses deemed to have a permanent establishment in Finland, as well as those that have voluntarily become registered as employers.

VAT REGISTRATION

Foreign companies must become VAT registered if VAT is to be charged on their sales of goods or services, and if the operation gives rise to a permanent establishment for VAT purposes. In addition, certain circumstances require that a foreign business must be enrolled in the

FAQ

TAXATION

What does prepayment registration mean?

Prepayment registration relates to the prepayment of taxes. A valid registration shows that the payer of the taxpayer's invoice does not have to withhold tax and pay it forward to Tax Administration, because the taxpayer independently pays taxes in advance as a prepayment.

Are there other taxes that are relevant for business?

There might also be other taxes related to different business operations depending on your line of business. You can find specific and more detailed information on the **Finnish Taxation office website www.vero.fi**.

- **Excise taxation** is controlled and monitored by the customs service of Finland. Finnish Customs levies both national taxes and harmonised taxes of the European Community as well as community customs duties and agricultural payments. The taxes levied by Customs mainly pertain to goods and are based on the qualities of the goods, for example on their commodity code, origin or value. The subjects of excise tax are alcohol and alcoholic beverages, tobacco products, fuel, electricity, some combustible materials, and refreshments. Waste tax and fee for waste oils are also equal to the excise tax.

- **Transfer tax** must be paid on property transactions. The buyer pays the tax. When registering the transfer of title or right to lease, a receipt of the paid transfer tax must be presented.
- **Property tax:** The owner of real property is obligated to pay property tax annually to the municipality in which the property is located. The tax comprises a portion of the value of the property defined by the property tax rate. Property tax is imposed on the party that owns the real property at the beginning of each calendar year.

How should tax-free sales and VAT refunds to travellers be handled?

Goods may be sold tax-free to people from outside the EU visiting Finland. This is known as tax-free sales to travellers. It means that the VAT included in the sales prices can be refunded to the traveller if they export the unused goods to countries outside the EU.

A new Act lays down the provisions that define the obligations of a business paying out cash refunds (250/2015: “Act governing the responsibilities of a business that pays VAT refunds in cash in tax free sales to travellers”)

Sellers may

- Refund VAT to the travellers themselves
- Engage the services of an authorised cash refund business
- Engage the services of other refund businesses

Sellers may use the tax-free sales scheme on a voluntary basis.

BUSINESSES THAT MUST APPLY FOR AUTHORISATION (CASH REFUND BUSINESS)

The operator of a cash refund service must have authorisation. Authorised refund businesses must monitor the travellers so as to ensure that the goods are transported outside the EU. A cash refund business needs authorisation because the monitoring of exports is an officially supervised activity. Authorisation applications must be addressed to Tax Administration. A cash refund business pays refunds to travellers in cash or by a comparable method of payment when travellers leave Finland for a destination outside the EU carrying the goods in their personal luggage.

Example: Mr Z, a traveller from Russia, buys goods from A, the seller. A and C, an authorised cash refund business, have an agreement that C pays out all the VAT refunds. When Mr Z leaves Finland to go back to Russia, he shows his passport, the purchased goods and their sales receipts at C's office at the border-crossing station. C confirms that the goods were transported from Finland unused. C refunds Mr Z the VAT included in the sales price of the goods, minus C's service charges.

BUSINESSES THAT ARE NOT REQUIRED TO APPLY FOR AUTHORISATION (OTHER REFUND BUSINESSES)

Businesses do not have to apply for authorisation if the refunds they handle are based on sales receipts stamped by Customs. Such receipts must show that the goods were transported out of the EU. Refund businesses without authorisation may pay VAT refunds by virtue of Customs-stamped receipts, sent to them by the travellers after they have left the EU.

Example: Mr X, a traveller from India, buys goods from B, the seller. B and D, a non-authorised refund business, have an agreement that D pays out all VAT refunds. D pays the refund on the condition that Mr X shows them a Customs-stamped sales receipt from B. D does not need authorisation.

BUSINESSES THAT ARE NOT REQUIRED TO APPLY FOR AUTHORISATION (SELLER/RETAIL COMPANY)

Sellers don't have to apply for authorisation when they themselves refund the VAT included in the sales price to travellers. In this case, the travellers must send the sales receipts stamped by Customs to the seller afterwards. There is no requirement that the sellers that are customers of a refund business should apply for authorisation.

How should I operate in case of double taxation of international business?

Double taxation means simultaneous tax demands from more than one country. Double taxation can occur if a company doesn't follow the tax rules correctly. To avoid double taxation on your profit distributions, you should request the EU country of your parent company to grant a tax exemption or a tax credit on corporate taxes paid on profits by the subsidiary (and any lower-tier subsidiaries).

You can ask the Tax Administration for relief by filling in your income tax return complete with the foreign income you have received, the amount of tax you paid on it abroad, classification of the type of the income (such as dividends, salary, etc.), and the name of the country of source. Business taxpayers use Form 70 for corporate taxpayers while partnerships and self-employed persons use form 70A. Relief may be requested even after the close of the year's tax-assessment process.

Alternatively, you can prevent double taxation from occurring by having your withholding or prepayments of income tax reduced – this requires that you present evidence to the tax office that you are going to receive income sourced from foreign countries and pay tax on it abroad. The tax office can take this into account and reduce your withholding accordingly. You must still report the foreign-sourced income and foreign-paid tax on your tax return.

When should a periodic tax return be filed?

Monthly, quarterly, and annual due dates apply, depending on which alternative is recorded in the database as the filer's (a VAT-registered taxpayer or a registered employer) reporting period. If you are not sure of the period, visit Tax Account Online or call the telephone service for details.

SOURCES AND FURTHER INFORMATION:

Finnish Taxation office: www.vero.fi
Finnish Customs: www.tulli.fi
Enterprise Finland: www.yrityssuomi.fi
Ministry of Finance: www.vm.fi
European Union official website: www.europa.eu



EMPLOYMENT

Employment of staff requires careful planning and organizing. The process of finding the best suitable candidate can take time. You can start recruitment by reporting a vacancy and scanning the listings of available employees in public employment and business services (www.te-service.fi). These services are free and commonly used in Finland.

Employment contracts in Finland are free of form, but a written contract is always recommended. An employment contract can be fixed term or of indefinite duration. A fixed-term contract must always have justifiable grounds, such as substitution, seasonal work or training, for example. An employer has the obligation to present written information on the principal terms of work in a contract, written or otherwise (primary duties, location of work, payment of wages, relevant dates, working hours, calculation of annual leave etc.).

An employment relationship in Finland must comply with the minimum terms set forth in legislation regarding employment (the Employment Contracts Act, the Working Hours Act and the Annual Holidays Act) as well as with collective agreements. Before concluding an employment contract, find out if there is a generally applicable collective agreement concluded for the main business sector of your enterprise, the Finlex database is a good source. A minimum wage has not been determined in the legislature, but there exists an expectation of reasonable remuneration for work considered normal in the sector (can also be indicated in the generally applicable collective agreement). The most commonly used payment systems are fixed monthly salary and commission payment. During the first year of employment an employee will earn annual leave at the rate of 2 days/month; after the first year, the rate will increase to 2.5 days/month. A collective agreement may provide for a holiday bonus.

More detailed information about occupational wages, salaries and labour costs in Finland:

Statistics Finland website: www.stat.fi

Cost calculator for different employee types:

Invest in Finland website: www.investinfinland.fi

Database of up-to-date legislature and other judicial information of Finland:

Finlex: www.finlex.fi

If work is performed abroad for a minimum period of one month, the information must include the duration of the work, the currency in which the monetary pay is to be paid, the monetary remunerations and fringe benefits applicable abroad, as well as the terms for the repatriation of the employee.

LEGAL OBLIGATIONS FOR AN EMPLOYER

NOTE that if a foreign person is working or carrying out business operations in Finland, he or she usually needs a residence permit for an employed or for a self-employed person.

If an enterprise pays out regular salaries, it is expected to enrol as a regular employer in Tax Administration's employer register. The employer is liable to withhold tax on wages and compensations for work and pay social security contribution on the basis of the total amount of wages paid. Both the withheld tax and the contribution are paid to the tax account provided by the Tax Administration. In addition, an employer must arrange the mandatory insurance for the employees, including an employment pension insurance as defined by law.

Payslips are to be submitted to the employees whenever wages are paid. Since each employer must submit an annual report on wages paid and other payments made to the Tax Administration, it is recommendable to let an accounting firm handle the calculation of wages and the submission of employer notifications.

- Pay wages during the sick leave of an employee (the collective agreement may obligate for the payment of wages also during a maternity leave and during a short-term absence to care for a sick child)
 - Arrange preventive occupational healthcare for employees
 - Take out employment pension insurance (TyEL)
 - Take out group life insurance (in connection with the statutory workers' compensation insurance through a non-life insurance company)
 - Pay unemployment insurance contributions, which are withheld from an employee's wages
 - Insure employees against occupational injuries and occupational diseases
- Indirect staff costs in addition to wage:**
- Employees' pension insurance
 - Employer's health insurance contribution
 - Unemployment insurance contribution
 - Accident insurance premiums
 - Group life insurance premiums

EXAMPLE CALCULATION OF LABOUR COSTS

Monthly wage for employee	€3,000
Employer's social security contribution 2.12%	€63.60
Small employer with insurance contract, pension contribution 24.6% of which the employer's share is 18.9%	€567
Occupational accidents, injuries and diseases insurances premium, on average 0.8%	€24€
Employers unemployment insurance contribution 1%	€30
Group life insurance premium in the private sector, on average 0.066%	€1.98
TOTAL	€3,686.58

HIRING NEW EMPLOYEES

In some cases, it is easier to buy the necessary staff resources from another enterprise. A staffing enterprise pays the salary of the employee and handles all other employer obligations. Apprenticeship training is another way of obtaining skilled employees trained specifically for a company's needs. Apprenticeship training is suitable for basic and advanced vocational education and training. An apprenticeship training agreement is a fixed-term employment contract. In some instances, an employer may be eligible for a pay subsidy when hiring an unemployed jobseeker whose employment may be hindered by reasons such as a prolonged period of unemployment, lack of professional skills, a disability, or an illness.

Public employment and business services can help you find employees and support you in recruitment issues:
www.te-services.fi.

A guide to apprenticeship training can be found at: **www.oppisopimus.net**.

HIRING EMPLOYEES FROM ABROAD

If you hire an employee from abroad, make sure that your employee's permits are in order. Employees can travel freely between EU/EEA countries and Switzerland. Employees arriving from non-European countries, such as Russia, usually require **employee residence permits**, granted by the state of Finland. Working in Finland with a permit granted by another country is usually not allowed, especially if the duration of the job is longer than 90 days. The hired person will have to apply for a residence permit for an employed person while still in his or her country of origin.

NOTE that if you are a silent partner in a limited partnership company and you work in your own company, you will also need a residence permit for an employed person. If you own shares of a public limited company and you work in this company, you will need a residence permit for an employed person. A residence permit will not be granted on the grounds that you own shares; you also have to work for the company, and the work must be performed in Finland.

EU/EEA COUNTRY CITIZENS

By virtue of the fundamental right of free movement within the European Union, citizens of EU/EEA countries have the right to take paid employment in Finland. However, a EU/EEA citizen must register his/her right of residence if work in Finland lasts for more than 90 days. For citizens of the other Nordic countries (Sweden, Norway, Denmark and Iceland), it is sufficient to submit a notification of the move to the local register office.

NON-EU/EEA COUNTRIES

If you plan to hire a citizen of a non-EU/EEA country, find out what sort of permit such an employee requires in order to work. The Aliens Act lists the professional fields and tasks for which a foreigner is not required to have an employee's residence permit, but rather a regular residence permit or visa. Further information on these fields and tasks is available on the website of the Finnish Immigration Service. When a visa or residence permit is required, an employee must acquire it before their arrival in Finland.

EURES

EURES is a European job mobility network that provides information, guidance and recruitment/placement services to employers, jobseekers and any citizen wishing to take advantage of the freedom of movement for workers. It covers the transparency of job vacancies, job applications and any related information for applicants and employers, and the development of services for the recruitment and placing of workers in employment and cross-border partnerships. The European Commission project (EURES) helps employers in recruiting young employees from another EU member country, Norway or Iceland. It aims to match hard to fill vacancies with motivated young candidates across Europe. Employers have to pay a salary and social security or other benefits in accordance with the national labor laws. They must also provide a written work contract for a duration of at least six months. The employee must be aged 18 to 35 years.

Financial support may be granted to small and medium sized (SMEs) companies to cover some of the costs of induction training and integration to the new country. The amount of support granted to the employer is determined on the basis of the type of integration programme provided. The amount of support is about 872–1090 euros/employee and the support is tax-free.

More information and support for foreign recruitments:

European Union official website:
www.europa.eu/eures

EURES advisors at TE services:
www.te-services.fi

A RESIDENCE PERMIT FOR AN EMPLOYED PERSON

A residence permit for an employed person is needed if the person is not allowed to work with another residence permit or without one. Before a person may apply for a residence permit for an employed person, s/he must have a job waiting in Finland. The employer must confirm that s/he will definitely employ the person by signing an employment contract. The employer will confirm the information by filling in the TEM 054 form and signing it. The person may not begin work until he/she has been granted a residence permit for an employed person. An employer must verify that a foreign employee has the required residence permit for an employed person or that the employee does not need a residence permit. The residence permit shows what kind of work the employee may do and how many hours a week s/he may work. If an employer employs a foreigner who does not have the right to work, the employer may be guilty of committing an offence or a crime.

More information on residence permits for an employed person from Finnish Immigration Service: www.migri.fi

NOTE that the same employment terms and occupational safety requirements apply both to foreign and Finnish employees. As an employer, you must also ensure that your employees receive sufficient induction training for their work tasks. Also note that there are certain professions that must receive permission to practice their profession in Finland. For example, in the healthcare sector, a decision of recognition by the National Supervisory Authority for Welfare and Health (Valvira) is mandatory. When your employee arrives, help him or her with practical arrangements and remind him or her that s/he should register with the Local Register Office, open a bank account and acquire a tax card. Your responsibilities include arranging insurance policies, social security payments and occupational healthcare.

FAQ

EMPLOYMENT

What is the duration of annual leave?

Based on legislation (the Employment Contracts Act, the Working Hours Act and the Annual Holidays Act), during the first year of employment an employee will earn annual leave at the rate of 2 days/month; after the first year the rate will increase to 2.5 days/month. It is worth noting, that collective agreements may also have additional terms, which may provide for a holiday bonus. A regular salary is paid to employees during annual leave.

What is the duration and conditions for sick leave?

According to labour legislation, an employee who is unable to work due to an illness or accident has the right to take paid sick leave. The employer is responsible for continuing to pay a full salary during the first 10 days of an employee's sick leave. After that, if the employee is covered by Finnish social security, Kela pays sickness allowance to compensate for loss of earnings. An employment contract may also list other conditions and the employee may continue receiving a full salary for a longer period of time. An employer has the right to ask an employee to provide a doctor's certificate confirming the illness. An employee should notify his or her supervisor of the need for sick leave immediately. The supervisor will let the employee know whether a doctor's certificate is required immediately or only on the fourth day of sick leave. Remember, that occupational health services are available to all employees. Besides occupational health services, employers may also provide their employees with access to medical services.

What are the terms of maternity leave in Finland?

Maternity leave can begin 50-30 working days before the expected due date. Maternity allowance is paid for 105 working days during maternity leave. Parental leave begins after maternity leave. During parental leave, Kela pays a parental allowance for 158 working days. Either the mother or the father can take a parental leave, or the parents can divide it between them. For more information please visit www.kela.fi.

SOURCES AND FURTHER INFORMATION:

Invest in Finland website: www.investinfinland.fi
Finnish Immigration Service: www.migri.fi
Enterprise Finland: www.yrityssuomi.fi
Finnish Enterprise Agencies: www.perustamisopas.fi
Finnish Tax Administration: www.vero.fi
Infobank: www.infopankki.fi
Statistics Finland: www.stat.fi
Public employment and business services (TE-services): www.te-services.fi
The Social Insurance Institution of Finland: www.kela.fi



A COMPANY'S LOCATION AND BUSINESS PREMISES

Foreign individuals are free to acquire real property or a housing unit in Finland. The property or housing unit can be either purchased or leased according to the laws of Finland. Foreign individuals may also become owners of real property through inheritance or exchange or receive it as a gift.

You can either lease or purchase premises for your business or build a new property on a building ground. Before deciding on leasing, buying or building business premises, you should find out where the ideal location for your line of business is and clarify your essential needs. For example, are the premises in an industrial area or in a more central location? How much space is needed? Is available storage space adequate? Is there room to expand? How are the logistics to be handled? A comparison between leasing and purchasing premises is very sensible. Owning premises ties up company capital, detracting it from the actual business and core competencies, but it may also be a sound investment. Leasing premises can improve the ability to react quickly to changes in the company's need for space, but, on the other hand, owning the premises will ensure undisturbed continuance of business. Additionally, the rental costs of business premises can be very high in certain areas.

If a real estate or housing unit is purchased, the buyer becomes the owner. In Finland, the right of ownership is protected by the constitution, and it can only be taken away from the owner or their heirs following procedures defined specifically in the legislation. In practice, this may take place if, a real property is redeemed by the state or municipality for full compensation.

Leasing is always a fixed-term arrangement and, therefore, not a permanent solution. However, leases of real properties are also covered by legal protection and the rights and obligations are prescribed by law. A lease-agreement is binding on the contracting parties, but it may also be binding on a third party. Therefore, the right to lease land, for example, is also binding on the new owner of the real property if the real property is sold. A lease agreement on a housing unit is also binding on the new owner of the unit until the owner terminates the lease agreement.

To hear about vacant premises and to find out more about business environments, you can look up:

- Local Regional Business Development services: **see chapter titled “Finnish enterprise agencies and business funding”**
- Real estate agencies for business premises: **www.toimitilat.fi**

TAXES RELATED TO THE ACQUISITION OF REAL PROPERTY

Before concluding a rental agreement or sales contract, it is important to determine the suitability of the premises for your line of business and the need for some type of permits (for example building- or environmental permits). Depending on your line of business, other arrangements and modifications may also be needed - for example, if the air conditioning solutions are not sufficient. If you are planning to build a new property for business operations, contact your local Building Control Department for more information and guidance before signing any agreements: www.rakennuslupa.fi.

TRANSFER TAX ON PROPERTY TRANSACTIONS

Transfer tax must be paid on property transactions. The buyer pays the tax. When registering the transfer of title or right to lease, a receipt of the paid transfer tax must be presented. Transfer tax must be paid and the registration of the transfer of title or right to lease must be applied for within six months after signing the deed of sale. If the previous owner of the real property has failed to register the title or transfer, the buyer will be responsible for transfer tax and penalties regarding any previous transfers over the past ten years.

PROPERTY TAX

The owner of real property is obligated to pay property tax annually to the municipi-

ality in which the property is located. The tax is calculated as a portion of the value of the property defined by the property tax rate. Property tax is imposed on the party that owns the real property at the beginning of each calendar year. For co-owned properties, the tax is imposed on the owners according to the ratio of their ownership. For properties owned jointly by marital couples, the tax is imposed separately on both parties according to the ratio of their ownership. For buildings and structures located on a leased plot, the tax is imposed on the owner of each building and the lessor of the plot.

Property tax decisions are mailed to customers in March. If a property owner does not receive a decision, they should contact the tax authority to ensure that his/her contact information and address details are correctly listed.

ORGANISING THE INFRASTRUCTURE FOR PREMISES AND FOR INDUSTRIAL OPERATIONS

In Finland electricity and water connections are quite easy to obtain. There are ready-to-use interfaces and connections for electricity and water in business premises and also in new building ground areas. You can tender out your consumable electricity with different providers, but note that you still need to pay for local electricity company transmission fees. Water is a part of municipal services and therefore consumption prices can vary remarkably in different areas.

Average water consumption prices in Finland in 2014: cold water 4.48€/m³ warm water 9.45€/m³.

The Finnish Energy Authority promotes and monitors the energy market and advocates the reduction of emissions, energy efficiency and the use of renewable energy. Operating under the administrative sector of the Ministry of Employment and the Economy, the Energy Authority verifies the functionality of the converging electricity and gas markets and monitors network service pricing.

Average nationwide energy price in Finland in 9/2016, calculated for consumption of 10 000 kWh/year with reliability of delivery: 5.92 cents/kWh.

FAQ

BUSINESS PREMISES AND RENTAL AGREEMENTS

Is an intermediary needed to acquire real property?

The use of an intermediary is not a statutory requirement. Legal provisions have been prepared to be as understandable as possible so that parties to the transaction are able to complete the transaction without any intermediaries. The only external party required is a public purchase witness who confirms the transaction. If a transaction is completed in the online real property transaction service maintained by the National Land Survey of Finland, a public purchase witness will be needed. The acquisition of a housing unit other than real property does not require an intermediary.

Should a real estate broker's services be used?

The process of selling real property or a housing unit is often assisted by a real estate broker, who is selected by the seller. The buyer does not normally use any intermediary. However, it is possible that the buyer also signs an agreement with a real estate broker. According to the legislation, real estate brokers are obligated to supervise the interests of both the seller and the buyer, regardless of the assigning party. The use of a real estate broker is justified because the activities of real estate brokers are supervised, which usually guarantees their expertise. Real estate brokers must ensure, on behalf of the seller, that all documents and information required to complete the transaction are presented to the buyer. Therefore, they also protect the rights of the buyer. Furthermore, real estate brokers generally prepare the documents required for the transaction and offer other assistance – for example in legal questions related to the transaction.

How can I find the best provider and price for electricity?

The website of the Energy Authority includes an electricity price service **www.sahkonhinta.fi** in Finnish and Swedish. On this website, you can easily find the information you need to compare electricity prices by using the information from your latest electricity bill. Your search results will include a list of electricity providers and their electricity products and prices. You can view more detailed product information by clicking a product name or the name of a provider to visit their website.

For how long should a rent agreement be concluded in case the premises are suitable for business?

There is no certain time limit stated by law. Generally leasing of business premises is regulated by the Act on the Lease of Business Premises. According to this act, a lease can be concluded for a fixed term, or it can be valid until further notice. It is always better to have a written contract with all the terms and conditions. If the premises are suitable, it might be smart to fix the agreement for 2-3 years with an advance termination notice of ca. 6 months. However, signing an overly long (5-10 years) fixed-term contract is not recommended, as it is hard to forecast how the business will perform in the future.

What does rent usually consist of?

Usually rent is negotiated as a total sum. However, in many cases the rent sum agreed to may be divided as a rent sum and separate charges, such as water, electricity, etc.

Can the rent sum be reviewed?

In a business premises lease the rent may be tied to the cost-of-living index or construction cost index. The rent sum can be reviewed according to index adjustment only in case the agreement is for a duration of more than two years. In a land lease, the rent sum can also be tied to the cost-of-living index or construction cost index and revised on an annual basis or otherwise, depending on how the rent review is negotiated with the tenant.

What inspections should be made on the premises after the rent agreement is signed?

It depends on the line of business, but, for example, a fire safety authority must visit the premises within a month after the rent agreement is signed. These inspections should be done in co-operation with the business operator (tenant) and the owners of the premises (landlord). Also, a building inspector has to visit the premise before commencing business operations. All new constructions and larger renovation projects need a construction permit from the local Building Control Department.

Who is responsible for insuring the premises?

Usually landlords insure the building for which they are responsible for reconstructing following damage, but, especially in a sub-lease relationship, it is not uncommon to require that the tenant insure the rented premises or at least cover the cost of insurance. Tenants are usually responsible for insuring their equipment, machinery and activities.

Who is responsible for renovating/decorating/furnishing the premises?

These should be agreed to prior to signing the rental agreement. A tenant should always seek the landlord's approval before beginning any renovation work. Internal renovation and decorating are usually the responsibility of the tenant, while the landlord is in charge of structural repairs to the building and also handles the reparation and renovation of any common areas. The landlord is usually reimbursed for such costs through service charges paid by the tenants. A service charge is a fee paid by the tenants to compensate the landlord for the resources used in renovating common areas. It is usually calculated per tenant in a certain proportion (depending on the frequency of common area usage).

Case example:

When choosing premises for your business, it is important to follow industry-specific requirements and guidelines. For example, in the case of a café or restaurant business it is important to choose premises that are deemed suitable for café or restaurant use by building inspection. For a café or a restaurant, the ventilation and air conditioning systems need to be efficient enough to accommodate people inside the premises. Modifying an existing ventilation system or building a new one can be quite costly (in excess of €15,000) if the

premises have not been used for operating a café or restaurant before. In such a case, it would be more cost effective to find a place where such systems already exist. The same goes for needed/sufficient electricity as installation work is quite expensive in Finland and can only be undertaken by certified specialists. A sufficient pre-existing electricity system might save you as much as €10,000 in installation costs. A café or restaurant is also required to provide a sufficient number of restrooms for customers: one restroom for every 25 customers.

SOURCES AND FURTHER INFORMATION:

Enterprise Finland: www.yrityssuomi.fi

Federation of Finnish Enterprises: www.yrittajat.fi

National Land Survey of Finland: www.maanmittauslaitos.fi

Ministry Of Justice, Finland: www.oikeusministerio.fi

Finnish Energy: www.energia.fi

Energy Authority: www.energiavirasto.fi

Finlex: www.finlex.fi

Invest in Finland: www.investinfinland.fi

Finnish Food Safety Authority Evira: www.evira.fi

National Supervisory Authority for Welfare and Health, Valvira: www.valvira.fi



FINNISH ENTERPRISE AGENCIES AND BUSINESS FUNDING

BUSINESS FINANCING

Loans granted by a bank or **Finnvera** are common sources of financing for entrepreneurs. Finnvera is a specialised financing company owned by the State of Finland. It provides financing for the start, growth, and internationalisation of enterprises and guarantees against risks arising from exports. Businesses, that meet the prerequisites to maintain profitable operations but do not have the down payment or collateral required by banks, may be granted a loan or a security by Finnvera. Contact your local Finnvera office for more information about different financing options for your company and its needs.

Finnvera: www.finnvera.fi

ELY Centres (The Centres for Economic Development, Transport and the Environment) are responsible for the regional implementation and development tasks of the central government. ELY Centres support the establishment, growth and development of small and medium-sized enterprises by providing advisory, training and expert services. ELY Centre experts assist entrepreneurs in matters concerning inventions and intellectual property rights and grant funding for investment and development projects.

ELY Centres: www.ely-keskus.fi

Tekes (the Finnish Funding Agency for Innovation) is the main government financing and expert organisation for research and technological development in Finland. Tekes provides targeted financing for innovative and risk-intensive projects and offers R&D funding for enterprises to develop products or services, production methods, and business models. It can also provide funding for companies that are looking to enter export markets or expand their international business. Tekes funding is available for companies registered in Finland.

TEKES: www.tekes.fi

BUSINESS ADVICE

Free business advice is available to everyone in Finland. Advice, assistance, and support for company establishment processes are offered in almost every city in Finland. Finnish enterprise agencies, regional development companies, and, in some cities, business development functions provide guidance for people planning to start a business. Experts at these agencies can help, for example, with business plans, market research, profitability calculations, financing, and finding suitable premises.

Finnish enterprise agencies: www.uusyrityskeskus.fi/in-english/

REGIONAL DEVELOPMENT COMPANIES

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- Alajärvi, Soini and Vimpeli region – Järvi-Pohjanmaan Yrityspalvelut Oy JPYP: www.jpyp.fi
 - Espoo Innovation Garden: www.espooinnovationgarden.fi
 - Forssa region – Forssan yrityskehitys Oy: www.fskk.fi
 - Helsinki region – Helsinki Business Hub: www.helsinkibusinesshub.fi
 - Hämeenlinna region – Hämeenlinnan, Linnan Kehitys Oy: www.linnan.fi
 - Imatra region – Imatran seudun kehitysyhtiö Kehy Oy: www.kehy.vlu.fi
 - Inari region – Inarin elinkeinot & kehitys Nordica: www.nordicainari.fi
 - Joensuu region – Joensuun seudun kehittämisyritys Josek Oy: www.josek.fi
 - Joensuun tiedepuisto: www.tiedepuisto.fi
 - Jämsä region – Jämsän seudun kehittämisyritys Jämsek Oy: www.jamsek.fi
 - Kaarina region – Kaarinan kehitys Oy: www.kaarina.fi
 - Kainuu region – Kainuun Etu Oy: www.kainuunetu.fi
 - Kankaanpää region – Pohjoisen Satakunnan Kehittämiskeskus Oy: www.pskk.fi
 - Karstula region – Kehittämisyritys Karstulanseutu Oy: www.karstulanseutu.fi
 - Kaustinen region – Kaustisen seutukunta: www.kase.fi
 - Keitele region – Kehitysyhtiö Savogrow Oy: www.savogrow.fi
 - Kemi region – Kemin Digipolis Oy: www.digipolis.fi
 - Kerava, Järvenpää, Tuusula region – Keski-Uudenmaan Kehittämiskeskus Oy KEUKE: www.keuke.fi
 - Keuruu region – Kehittämisyritys Keulink Oy: www.keulink.fi
 - Kitee region – Keski-Karjalan kehitysyhtiö Oy KETI: www.keti.fi
 - Kokkola region – Kokkolanseudun Kehitys Oy KOSEK: www.kosek.fi
 - Kotka & Hamina region – Kotkan ja Haminan seudun kehittämisyritys Cursor Oy: www.cursor.fi
 - Kouvola region – Kouvola Innovation Oy Kinno: www.kinno.fi
 - Kuusamo region – Koillis-Suomen kehittämisyritys Naturpolis Oy: www.naturpolis.fi
 - Lahti region – Lahden Seudun Kehitys LADEC: www.ladec.fi
 - Lappeenranta region – Wirma Lappeenranta Oy: www.wirma.fi
 - Lieksa region – Lieksan teollisuuskylä: www.lieksada.fi
 - Lohja region Länsi-Uudenmaan NOVAGO yrityskehitys Oy: www.novago.fi
 - Mikkeli region – Mikkelin kehitysyhtiö Miksei Oy: www.mikseimikkeli.fi
 - Mäntsälä region – Mäntsälän Yrityskehitys Oy www.yrityskehitys.net/
 - Mänttä-Vilppula region – Mänttä-Vilppulan, MW-kehitys Oy: www.manttavilppula.fi
 - Nivala-Haapajärvi region – Nivala-Haapajärven seutu NIHAK ry: www.nihak.fi
 - Oulu region – Business Oulu: www.businessoulu.fi

- Pielinen region – Pielisen Karjalan Kehittämiskeskus Oy PIKES: www.pikes.fi
- Pietarsaari region – Pietarsaaren seudun kehittämissyhtiö Concordia Oy: www.concordia.jakobstad.fi
- Pori region – Satakunnan elinkeinoyhtiö Prizztech Oy: www.prizz.fi
- Porvoo region – Itä-Uudenmaan kehitysyhtiö Posintra Oy: www.posintra.fi
- Raahen region – Raahen seudun yrityspalvelut: www.raahenseutukunta.fi
- Rovaniemi region – Rovaniemen Kehitys Oy: www.rovaniemenkehitys.fi
- Saarijärvi region – Saarijärven kehitysyhtiö SSYP Oy: www.ssypkehitys.fi
- Salo region – YritysSalon: www.yrityssalo.fi
- Savonlinna region – Savonlinnan Yrityspalvelut SYKE: www.savonlinnanyrityspalvelut.fi
- Seinäjoki region – Into Seinäjoki Oy: www.intoseinajoki.fi
- Suupohja region – Suupohjan Elinkeino- ja kehitysyhtiö kuntayhtymä: www.suupohja.fi
- Tampere region – Tredea, Tampereen kaupunkiseudun elinkeino- ja kehitysyhtiö: www.tredea.fi
- Turku region – Turku Science Park Oy: www.turkusciencepark.com
- Vaasa region – Vaasanseudun Kehitys Oy VASEK: www.vasek.fi and Vaasa Parks www.vaasaparks.fi/
- Varkaus region – Navitas Kehitys Oy, Varkauden seutu: www.navitas.fi
- Viitasaari region – Kehittämissyhtiö Witas Oy: www.witas.fi
- Ääneseutu region – Ääneseudun Kehitys Oy: www.aaneseudunkehitys.fi

SOURCES AND FURTHER INFORMATION:

Enterprise Finland: www.yrityssuomi.fi
 Finnish Enterprise Agencies: www.uusyrityskeskus.fi
 Finnvera: www.finnvera.fi
 ELY Centre: www.ely-keskus.fi
 TEKES: www.tekes.fi
 Invest in Finland website: www.investinfinland.fi



KEY CONTACTS

Please visit these public authorities and other relevant organizations websites for up-to date information concerning your own field-specific business matters.

Amcham Finland: www.amcham.fi

The Business Information System:

www.ytj.fi

A service for filing business notifications, jointly maintained by the Finnish Patent and Registration Office (PRH) and Finnish Tax Administration.

Confederation of Finnish Industries:

www.ek.fi

The confederation of Finnish industries representing the interests of the Finnish business community.

ELY Centres: www.ely-keskus.fi

Centres for Economic Development, Transport and the Environment (ELY Centre) provide a comprehensive range of advisory and development services for businesses, entrepreneurs and private individuals.

Enterprise Finland: www.yritysuomi.fi

Information provided by the Ministry of Economic Affairs and Employment; services for companies and company founders.

Finland Chamber of Commerce:

www.kauppakamari.fi

Finland Chamber of Commerce works on a national level, and the 19 regional Chambers of Commerce promote entrepreneurship and a favourable business environment in Finland.

Finnish-German Chamber of Commerce:

www.dfhk.fi/fi/

Finnish Enterprise Agencies:

www.perustamisopas.fi

Support for starting entrepreneurship in Finland

Finnish Immigration Service:

www.migri.fi

Finnish Patent and Registration Office:

www.prh.fi

Finnish-Russian Chamber of Commerce

(FRCC): www.svkk.fi/svkk/

Finnish Tax Administration:

www.vero.fi

Finnvera: www.finnvera.fi

International Chamber of Commerce ICC

Finland: www.icc.fi/

Invest in Finland, Finpro Oy:

www.investinfinland.fi

Business opportunities and professional advisory services for international companies

Ministry for Foreign Affairs in Finland:

www.formin.finland.fi

Tekes: www.tekes.fi

Finnish Funding Agency for Innovation



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