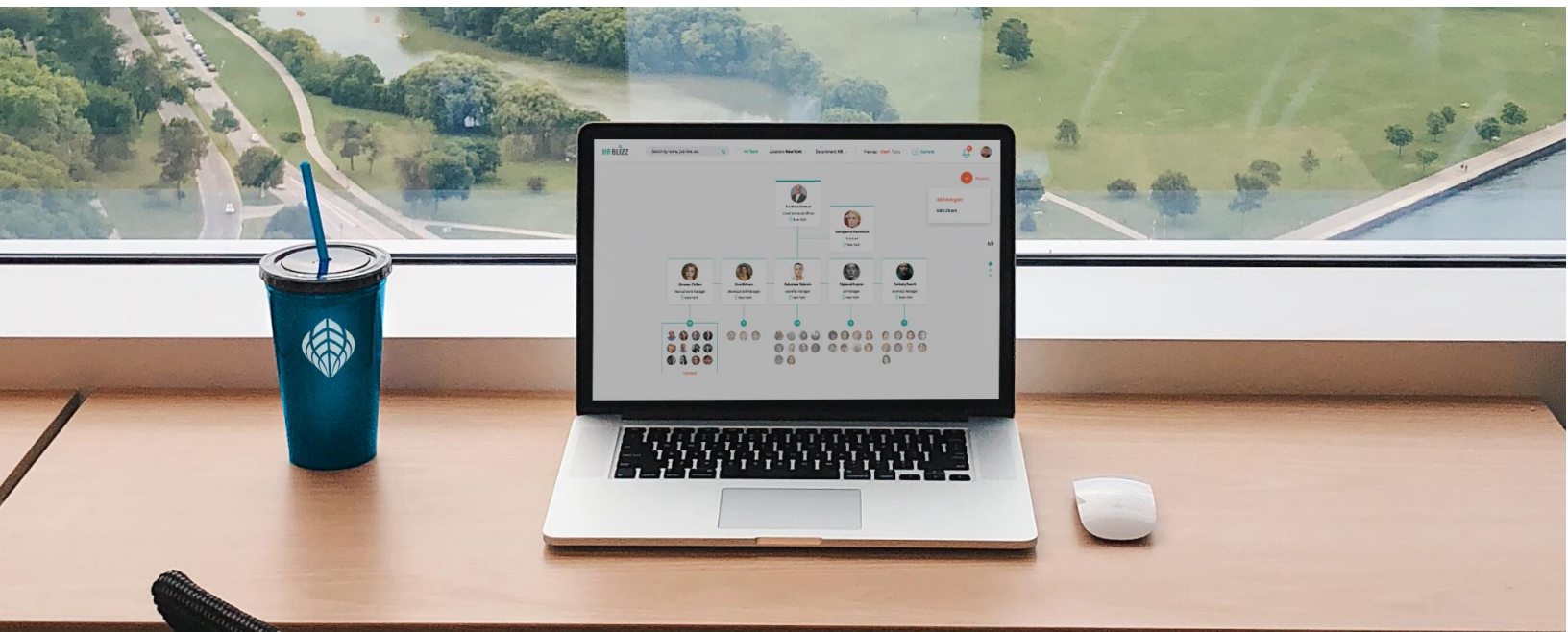




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2020 Global Payroll Country Guide for Finland



FINLAND



April 2, 2020



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Finland – economic growth is subsiding.

The economy of Finland is a highly industrialized, mixed economy with a per capita output similar to that of other western European economies such as France, Germany and the United Kingdom. The largest sector of Finland's economy is services at 72.7 percent, followed by manufacturing and refining at 31.4 percent. Primary production is 2.9 percent.

With respect to foreign trade, the key economic sector is manufacturing. The largest industries are electronics (21.6 percent), machinery, vehicles and other engineered metal products (21.1 percent), forest industry (13.1 percent), and chemicals (10.9 percent). Finland has timber and several mineral and freshwater resources. Forestry, paper factories, and the agricultural sector are politically sensitive to rural residents. The Greater Helsinki area generates around a third of GDP.

Finland is highly integrated in the global economy, and international trade is a third of GDP. The European Union makes 60 percent of the total trade. The largest trade flows are with Germany, Russia, Sweden, the United Kingdom, the United States, Netherlands and China. Trade policy is managed by the European Union, where Finland has traditionally been among the free trade supporters, except for agriculture. Finland is the only Nordic country to have joined the Eurozone; Denmark and Sweden have retained their traditional currencies, whereas Iceland and Norway are not members of the EU at all.

According to the OECD, Finland's job market is the least flexible of the Nordic countries.[53] Finland increased job market regulation in the 1970s to provide stability to manufacturers.

The continued uncertainty in the international economy and globally weak investment will depress the exports and investments of Finnish companies. In 2020, export growth will be sluggish and there will be little in the way of investment. Investments will also be restrained by the turn that has already occurred in housing construction, as a result of which housing investment will decline in the immediate years ahead. In the years covered by the forecast, Finland's export demand will begin to strengthen, but actual exports from Finland, which are strongly weighted towards capital goods and intermediate goods, will join in the positive developments only towards the end 2022.

The labor market will cool as economic growth slows and growth in labor demand weakens.

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Doing Business in Finland

One of the largest countries in Europe, Finland continuously tops international rankings in education, research and development investment, competitiveness and transparency. The Ease of Doing Business chart parallels show Finland, along with its Scandinavian neighbors, as one of the best countries for foreign business ventures. Politically, the country is a stable parliamentary republic and has been a member of the European Union since 1995; it adopted the euro as its currency in 2002.

International trade is key to Finland's economic success, with exports accounting for over one third of Finland's GDP – notably in wood, metals, engineering, telecommunications, and electronic industries. Forests cover three quarters of the country's surface area, making quality wood the most important export. This also provides a secondary occupation in the rural areas but is balanced by Finland's reputation as an innovative hub for technological advancements.

Finland's economic freedom score is 75.7, making its economy the 20th freest in the 2020 Index. Its overall score has increased by 0.8 point, helped by a higher score for fiscal health. Finland is ranked 11th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Finnish economy has benefited from gradually rising economic freedom over the life of the Index. GDP growth has been positive but modest.

For Finland to move higher in the mostly free ranks, the government would have to make significant cuts in spending, reform the labor code to make it more market friendly, and reduce taxes. The new center-left government, however, has announced a program of higher spending on education, health care, and welfare services along with an increase in infrastructure development.

Basic Facts

Official State Name	Republic of Finland
Population	5.5 million
Capital	Helsinki
Major Languages	Finnish and Swedish
Currency	Euro (EUR)
Main Industries & Export Articles	Metals and metal products, electronics, machinery and scientific instruments, shipbuilding, pulp and paper, foodstuffs, chemicals, textiles and clothing.
GDP Growth	1.3%
Internet Domain	.fi



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International Dialing Code	+358
Dates & Numbers	dd.mm.yyyy. A full stop (period) is used for the decimal comma, and long numbers are written with a point (999,999,999.00)



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Entity Registration & Incorporation Requirements

Type of Business

In Finland, foreign companies most commonly conduct business through private or public limited liability companies, or through a Finnish branch office. Business can also be conducted through general or limited partnerships or co-operatives. A foreign organization or foundation can also establish a branch in Finland.

Business Setup Steps

1. Select a name for the company. In order to gain exclusive rights to the name, the founder(s) should submit the to the Trade Register which is maintained by the Finnish Patent and Registration Office (PRH).
2. Bank account opening - the company requires a bank account to pay share capital, process payment transactions and support accounting.
3. Filing of a start of the business notification. Establishing and registering a business requires that a notification be filed with the Trade Register and various Tax Administration registers. This can be done using a single form ("Y form").
4. A limited liability company can be established online through the Business Information System online service. The founder(s) can also create a workspace at My Enterprise Finland. These online services require you to log in with your online banking credentials.

Limited Liability Company

A limited company can be established by one or more natural or legal persons (founders). At least one of the founders shall be a permanently resident or, if the founder is a legal person, have their domicile in the European Economic Area – unless the National Board of Patents and Registration grants an exemption from this rule. The nationality of the founder is thus irrelevant. A legal person shall have their domicile in the European Economic Area when it has been established in accordance with the laws of a State which belongs to the European Economic Area and when its registered office, central administration, or head office is in a State belonging to the European Economic Area. A person who is legally incompetent or declared bankrupt may not act as founder.

If a permit is required, the application is to be submitted to the National Board of Patents and Registrations either in Finnish or in Swedish. An application fee (EUR 120) is paid for each permit decision.

A public limited company shall have a minimum share capital of EUR 80,000 (no capital is required for private limited company). The share capital must be paid to the company's account in full before the company can be entered in the Trade Register which is maintained by the National Board of Patents and Registration.

New businesses submit the basic declaration to the Trade Register using the start-up notification form. This form can also be used for registration with the Tax Administration, registration of a VAT liable business, registration as an employer, and registration in the tax prepayment register.



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Branch

A branch refers to a part of a foreign organization or foundation that conducts continuous business or professional activities in Finland from a permanent place of business in Finland in the name of and on behalf of a foreign organization or foundation.

The trade name of a branch of a foreign entrepreneur established in Finland shall contain the trade name of the foreign entrepreneur with an addition to the name which indicates that it is a branch – e.g. CDE Cargo Ltd., branch of Finland.

The application fee for a branch of a foreign trader is EUR 380. If the trader opening the branch is from a country outside the European Economic Area (EEA), they will also need a permit from the National Board of Patents and Registration for the establishment of a branch. This permit costs EUR 120.

Private Entrepreneurs

As a private entrepreneur or a self-employed person, an individual can easily engage in small-scale business activities mainly based on their own work input. Private entrepreneurship is the lightest and simplest company form. It is easy, fast and inexpensive to set up. As a private entrepreneur, an individual can engage in business activities alone, with their spouse or children or grandchildren who are under the age of 18.

It is fairly simple to set up a business as a private entrepreneur, as it does not require any special formalities. Usually, however, it is worthwhile to register your company in the Trade Register, even if it might not be mandatory in your case.

The start-up notification to the Trade Register can be filed electronically through [the Business Information System](#). The notification will need to include the following information: company name, place of business, line of business, contact information and the entrepreneur's personal details.

Upon completion, signing and payment for the notification, the personal will immediately receive a Business ID for the company. After that, the person can register with the Tax Administration's Prepayment, Employers' and VAT Register. This can be done from the same session in the Business Information System.

Alternatively, the start-up notification can be submitted on paper, but it will take longer to receive a Business ID and the process is more expensive.

Cooperative

A cooperative is particularly suitable for collaborative entrepreneurship, regardless of the sector. It allows them to sell their own skills easily and in a fairly risk-free manner without a large initial capital. A cooperative can be set either as an individual or as a company. The key governance bodies for a cooperative are the Board of Directors, the General Meeting and Managing Director.

To setup a cooperative, the founder(s) need to submit the start-up notification of the cooperative to the Trade Register on a paper form. They can use the same form for registration in the Tax Administration's Prepayment, Employers' and VAT registers.



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The start-up notification must be submitted within three months of signing the Memorandum of Association. If the Memorandum of Association is older, the formation of the cooperation expires.

The start-up notification must include the following: alternatives for company name, place of business, line of business, financial period and address information. The following documents should be attached to the notification, such as the Memorandum of Association, rules of the cooperative and a receipt of the payment of the start-up notification. The notification needs to be submitted to the Trade Register.

Bank account must be opened for the cooperative and the share capital deposited in the bank account. After the cooperative has been registered, the founder(s) must provide the names of the beneficial owners to the Trade Register using the Business Information System.

Partnerships

A general partnership and a limited partnership are, in many ways, similar forms of business. In principle, they are set up the same way. A general partnership is ideal for a small business with a trusted partner. A limited partnership, on the other hand, is well suited for business activities based on your personal work input and combined with an investor.

The founders need send a start-up notification of their general partnership or limited partnership to the Trade Register on paper. They use the same form for registration in the Tax Administration's Prepayment, Employers' and VAT registers.

A partnership must be reported for registration within three months of signing the partnership agreement, or else the formation of the partnership expires.

The following information must be included in the start-up notification: alternatives for the partnership name, place of business, line of business, and address information, as well as information related to the partners. The following documents should be attached: the original partnership agreement signed by all the partners and a receipt of the payment of the start-up notification.

The founders will receive a Business ID after the notification has been entered into the Business Information System. If an email address has been entered into the notification, the founder(s) will receive an e-mail notification about the partnership's commencement.

The partnership registration will be completed only when it has been registered in the Trade Register and has received a Business ID, even if the partnership agreement was created much earlier.

If the partnership has beneficial owners that are not partners, their names must be submitted to the Trade Register. The notification should be submitted through the Business Information System as soon as your company has been registered.

Financial Statements

Whether or not it is mandatory for a company to prepare financial statements depends on the company's size, company type and industry. Financial statements consist of at least a profit and loss statement, a balance sheet, notes on the accounts, and a list of accounting and materials. The financial statement information recorded in the trade register is public.



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The profits and losses, and assets of a company in Finland are detailed in the financial statements, which are produced for each accounting period. The statements are based on the company's accounting during the financial year. Different size companies have different rules governing the financial statements, depending on the form of enterprise and the industry. Even if the company's financial statements were drawn up by a professional, as the entrepreneur, the management of the company is responsible for the correctness of the statements.

A limited liability company, a limited partnership, an open partnership or a cooperative must prepare financial statements for each financial year.

A private trader, you must prepare financial statements if the company meets two of the following conditions during the concluded financial year and the financial year before that:

- turnover is over EUR 700,000
- balance sheet total is over EUR 350,000
- employs over 10 people on average

Even if the company is not obligated to prepare financial statements, the company must draw up calculations of your company's profits and losses and net assets for tax purposes.

Audit Requirement

A private trader does not have to perform an audit.

Audit is mandatory for a limited liability company, a limited partnership, a general partnership or a cooperative, and if the company meets two of the following conditions during the concluded financial year and the financial year before that:

- turnover is over EUR 200,000
- balance sheet total is over EUR 100,000
- employs over three people on average

An auditor may be appointed for a company even if it does not meet the audit requirements established by law. In this case, the appointment of an auditor may be included in the company's Articles of Association, rules, shareholders' or members' agreement. If the provision has been entered in the documents, the company must comply with it.

New Hires

When recruiting an employee, the employer and employee must conclude an employment contract that states the details of the employment relationship. The employment contract may also state the fringe and employee benefits. The employer must ensure that the employment relationship complies with the labor legislation and the applicable collective agreements.

In general, an employment contracts in Finland are valid indefinitely. A fixed-term employment contract or a variable working time contract may only be concluded under certain conditions in Finland. It is advisable to conclude the contract in writing and in two identical copies. If the contract is verbal, the employer should prepare a written statement on the terms and conditions of the employment relationship.



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Employer may conclude an employment contract in a free format.

An employment contract must always state the basic information about the employer and the employee, the starting date of the employment relationship and the employee's primary assignments. The employment contract must also state the process determining the rates of pay and the payment period, the place of work and the regular working hours. In addition, the employment contract should state the applicable collective agreement, the basis for determining annual leave and the notice period or its basis.

If the employee performs work at various locations, the employment contract should establish the principles which determine where the employee works. If the employment relationship involves a trial period, the employment contract should define its duration. If the employment contract is temporary, it must state the duration of the employment relationship and the reason for its temporary nature.

If the employment contract involves working abroad for a period of at least one month, it must state the duration of the foreign assignment and the currency in which the salary is paid. The contract must also state the monetary compensations payable abroad, the fringe benefits and the conditions governing the repatriation of the employee.

The duration of a fixed-term employment contract is strictly bound to a specific period of time. Employment contracts may also be considered temporary if their duration is restricted to performing an assignment whose duration cannot be precisely determined.

If an employer wish to conclude a fixed-term employment contract, it must have a justified reason for the contract's temporary nature. However, a reason is not required if the employee wants the employment relationship to be temporary or if you recruit a long-term unemployed person for a maximum duration of one year. If the employer is unable to justify the temporary nature of the employment contract, the contract is considered to be valid for an indefinite term.

An employer may conclude a fixed-term employment contract in the case of a substitution for a regular employee, a temporary project or a non-recurring work performance. In addition, the temporary nature of an employment relationship is justified in the case of paid work placement or apprenticeship or if the work is seasonal. Furthermore, another circumstance related to, for example, your company's operations or the assignment in question may justify the employment contract's temporary nature.

The employer may conclude an indefinitely valid employment contract also with a minor if they are at least 15 years old and have completed their compulsory education. However, certain restrictions apply to the employment of persons under the age of 15.

Tax Office Registration

Companies acting as regular employers must always register with the [Employer Register](#). A company is a regular employer if either of the following conditions is met:

- The company pays wages to at least two wage earners regularly.
- The company pays wages to at least six wage earners simultaneously. Their employment contracts may be temporary and meant to be short-term.



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Employers who pay wages occasionally do not have to register with the Employer Register. A company is a casual employer if either of the following conditions is met:

- The company employs only one regular employee.
- The company employs one to five employees whose employment does not last the whole calendar year.

A company register with the Employer Register simultaneously to the setup of the company.

If the company does not pay wages regularly, the company can register with the Employer Register by filing a notification of changes on the following site of the Business Information System page <https://www.ytj.fi/en/index/notifications/notificationsofchanges.html>.

The obligation to submit pay data notification begins when the company is registered, even if your company does not pay any salaries. The company must also submit a notification when the company, which is registered in the Employer Register stops paying regular salaries and wants to remove the company from the register. The obligation to submit notifications on employer contributions remains until the company has been removed from the Employer Register.

Even if a company is not in the Employer Register, as a rule, the same obligations relating to the payment of salaries apply as for registered employers. Obligations include, for example the prepayment of taxes and the payment of the employer's health insurance contribution to the Finnish Tax Administration.

All notifications related to the Employer Register need to be submitted to the Business Information System from where they will be forwarded to the Finnish Tax Administration.



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Banking

Finland is in the Single Euro Payments Area. SEPA works to make cross border payments easier in Europe through banks. This means that when payment is sent to a European country involved in SEPA, the transfer will only cost as much as it would to do a local transfer in that country. Sometimes that can mean there are no fees.

Normal banking hours are from 09:15 until 16:15, though this can vary a lot between banks and different parts of the country, Monday through Friday.

Working Hours

Working hours must be monitored by employers in Finland in accordance with the Working Hours Act. Working hours are measured so that working days' length remains reasonable, employees are fit to work and to ensure that long working days are appropriately compensated. The act is strongly based on labor protection.

Working hours are hours used to perform work and the time the employee has to be present in the workplace, available for work even though he or she wouldn't actually work. According to the act, regular working hours may not exceed 8 hours a day and 40 hours a week.

Working hours are agreed in the employment contract. The most common regular working hours in Finland are 7.5 hours a day and 37.5 hours a week. The law obliges the employer to monitor the actual working hours and their compensation.

As a rule, travel time is not regarded as working time as defined in the Working Hours Act in Finland unless the travel itself is considered as work. On the other hand, the employer may not request the employee to use his or her free time for work-related travel.

Although travel time is not compensated on the basis of Working Hours Act, travel time may be compensated based on collective agreements or company policy. Collective agreements of managerial employees often prescribe very little on work-related travel. Practices vary between industries and companies, even between different departments of the same company.

Labour Law

The key provisions governing employment relationships are included in the Employment Contracts Act (55/2001), the Working Hours Act (605/1996) and the Annual Holidays Act (162/2005). The Act on Cooperation within Undertakings (334/2007) regulates employees' collective rights to information and consultation. The Act on Protection of Privacy in Working Life (759/2004) and the Personal Data Act (523/1999) regulate employment-related data protection issues.

The main acts prohibiting both direct and indirect discrimination in employment relationships are the Act on Equality between Women and Men (609/1986), the Non-discrimination Act (1325/2014), the Employment Contracts Act and the Penal Code (39/1889). Further, the Occupational Safety and Health Act (738/2002) places a duty on the employer to take care of the health and safety of employees while at work by taking the necessary measures.



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Further, sector and company-specific collective bargaining agreements regulate Finnish working life.

EU legislation is usually implemented in Finland through national legislation.

As well as legislation and employment contracts, certain legal principles, case law, legal preparatory works, (established) company practices and internal rules also govern employment relationships.



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Tax & Social Security

Overview

When a business enters Finland, the business must register in the applicable registers with the Finnish tax authorities and in the Trade Register. The Trade Register is a public register containing information about businesses and companies in Finland. All new enterprises, including foreign companies starting a business in Finland, must submit a start-up notification to get a company ID. The entity is also required to register in other relevant registers, e.g., the employer register, prepayment register and VAT register.

Corporate Income Tax

Company's business form in Finland influences the company's incomes taxes. Limited liability companies or co-operatives are subject to corporate income taxes. In the case of any other company form, the company's income tax is paid as part of the owners' personal taxes. Corporate income tax returns are submitted once a year in Finland.

A limited liability company and co-operative pay income tax on their earnings. The amount for income tax is 20% of their profits.

To determine a company's financial result, deductible expenses and losses are deducted from taxable income. Taxable income includes, for example, income from the sale of the company's products and assets. Deductible expenses include expenses linked to the generation of income, such as salaries, rents and purchases related to your business activities.

Owners' personal income does not affect the company's or co-operative's taxation arrangements. In the case of a limited liability company, owners can withdraw money from their company in the form of salaries or dividends, and, in the case of a co-operative, salaries, surplus refunds or interest received. The owners will pay personal tax on your salary, dividends, surplus refunds and interest received.

A company must submit a tax return to the Tax Administration once a year for taxing of income. The company must list its profits and expenses, assets and debts as well as any other requested information for the tax year.

A tax year is usually equivalent to one calendar year. A tax year can also be a financial year that has come to an end during the past calendar year or financial years that have come to an end over the past calendar year.

If a company is a limited liability company or a co-operative, a tax return must be submitted within four months of the tax period end.

Tax returns are submitted electronically through the [MyTax](#) service.

Income tax is paid as an advance tax. The Finnish Tax Administration determines the amount for the company's advance tax on the basis of its previous tax period's taxable income. If the company is a new



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entity, the tax will be based on the company's own estimation of the company's turnover or taxable income during its first financial year.

The Tax Administration will send the company a decision on the prepayment of taxes and payment details. The company should pay the advance tax on their own initiative directly from the company's bank account or through the [MyTax](#) service. When paying, the company must use the instalment-specific reference number.

The 23rd day of the month is a common due date for advance tax payments. If the company does not pay the tax on time, they will be required to pay interest on the delayed amount.

The company should monitor its performance and income. Where necessary, the company should apply for a change to the sum they pay in advance tax during the financial year. The company can supplement their advance tax with an additional prepayment when the tax year has come to an end. In this way, your company will not have to pay back taxes.

Income Register

The [Incomes Register](#) is a national online database of incomes information. It contains the comprehensive earnings, pension and benefits information of each individual income earner. Employers or other payers must report the details of earned income to the Incomes Register within five days of payment. Other payers of this kind include associations, foundations, consortia and housing corporations.

The information required by the various authorities is submitted with a single report made to a single, centralised register.

The information reported to the Incomes Register includes earnings, fringe benefits, bonuses, compensation for work and other earned income. Both tax-free and taxable reimbursements of expenses and costs must also be reported.

Information can be submitted to the Incomes Register using a technical interface. This refers to an electronic link between a payroll system or the system of a benefit payer and the Incomes Register. Information can be submitted in the Incomes Register's e-service either on an online form or by uploading files via the upload service. Earnings payment data can be submitted on paper only in special circumstances. Pensions and benefits data cannot be submitted on paper.

Employers submit information to the Incomes Register from which the Incomes Register data users can retrieve the data they need. Data users receive data from the Incomes Register automatically in accordance with their data access rights. Based on the data, they generate employer contributions, such as health insurance contributions, insurance premium invoices and unemployment insurance contributions.

Employer contributions are paid directly to the data users. Details relating to the payment of employer contributions, such as reference numbers or bank account numbers, are not available in the Incomes Register.

If an employer has not reported data to the Incomes Register, data users may impose penalty fees.

Personal Income Tax



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Withholding tax is an estimated amount for tax that employees pay on their salary or compensation for work. However, employers must pay the withholding tax to the Tax Administration.

Withholding tax needs to be paid based on the details on the employees' tax cards. If employees cannot provide a tax card, they are not entered in the withholding register and their withholding tax rate will be 60%.

In addition to salaries and compensations for work, employers must pay withholding tax on, for example, staff benefits and anniversary gifts that are subject to taxation. Also pay withholding tax on payments made to employees upon termination of their employment and on certain reward schemes such as low interest on employee loans.

Finland taxes residents on their worldwide income. Earned income received by residents is taxed at progressive tax rates for national tax purposes and at a flat tax rate for municipal (and church and social security) tax purposes.

Individuals are deemed to be tax residents in Finland if they have their permanent home or habitual residence in Finland or if they are present in Finland for a continuous period of more than six months. A temporary absence from Finland does break the continuity of the stay for this purpose. Despite a move from Finland, Finnish nationals are considered resident in Finland for three full calendar years after they have left the country, unless they prove they have had no essential connections therewith in the fiscal year in question. Residence may start or break off in the course of a year.

Employment Income

Taxable personal income includes, wages and salaries in money and in kind, director fees, employee stock option benefits, employer provided housing, pensions and annuities, living and housing allowances, car benefits, and unemployment benefits. Reimbursements for travelling expenses due to business trips (including per diems) are tax exempt in accordance with the conditions and limits set forth in the tax authorities' annual decision. The tax authorities also provide annually a decision of the taxable values of fringe benefits. Certain fringe benefits have deemed taxable values (e.g. company car, company provided housing, lunch benefit). Otherwise, fringe benefits are valued at the fair market value. Certain benefits provided to the whole staff are tax exempt if they can be regarded as reasonable and usual (e.g. health care, discounts on products and services produced by the employer, certain non-cash gifts, leisure activities).

National Income Tax

National income tax rates for 2020 applicable to earned income are as follows:

Annual Taxable Income (EUR)		Annual Personal Income Tax Based on Column One Value	Tax Rate on Amount Exceeding Column One Value (%)
More Than	Less Than		
18,100	27,200	8.00	6.00
27,200	44,800	554.00	17.25



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44,800	78,500	3,590.00	21.25
78,500		10,751.25	31.25

Local Income Tax

Municipal tax is levied at flat rates on taxable income determined for municipal taxation. The rate varies between 16.50% and 23.50%, depending on the municipality.

Church Tax

Church tax is payable by members of the Evangelic Lutheran, Orthodox, and Finnish German church in Finland at flat rates on the taxable income determined for municipal taxation. Rates vary between 1% and 2.2%, depending on the parish concerned.

Public Broadcasting Tax

Public broadcasting tax is levied on taxable income. The rate of public broadcasting tax is 2.5% on annual income exceeding EUR 14,000; however, the maximum amount is EUR 163. Individuals are not liable to pay the tax if their annual income is EUR 14,000 or less, if the individual is under 18 years old, or if the individual lives in the Province of Åland.

Foreign Expert Tax

The foreign expert tax regime provides a flat tax rate of 32% on Finnish-source salary income for those foreign employees whose work requires special knowledge and who would be otherwise taxed at the normal tax rates applicable to resident individuals. Other conditions are that the cash salary is at least EUR 5,800 in each month during the validity period of the regime. The regime cannot be applied if the person has been resident in Finland within the last five calendar years preceding the commencement of working in Finland or is a Finnish national.

The foreign expert tax regime is applicable for a maximum of 48 months from the commencement of working in Finland; after that period, the salary is taxed according to the normal rules. The application for the regime must be filed within 90 days from starting to work in Finland.

Non-Resident Individuals

A non-resident individual (e.g. occasionally working in Finland) is taxed on Finnish-source income only. Unless lower rates are provided in a tax treaty, tax rates are 35% on employment income. However, a standard deduction of EUR 510 per month or, if the income is accrued from a time period of less than one month, EUR 17 per day is deducted from the income subject to the 35% tax at source (not applicable to director's fees). Finnish-source pension income is taxed at the progressive tax rate (if a tax treaty does not prevent Finland to tax the pension).

A non-resident may also request to be taxed on one's income earned in Finland through tax assessment (i.e. progressive taxation) instead of fixed tax at source. The regulations apply to non-residents who live in the



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European Economic Area (EEA) or in a country with which Finland has concluded an agreement on execution assistance and information exchange in tax matters, or those who hold a residence permit with a researcher status.

The provisions on tax at source on earned income remain to be valid for those non-residents who do not apply for a non-resident tax withholding card or express in any other way their will that taxation shall be carried out through assessment. In general, non-residents subject to tax at source do not have reporting liabilities in Finland as the entity paying the income takes care of the tax-at-source withholding as well as the reporting liabilities in Finland.

In progressive taxation of a non-resident's earned income, the non-resident's worldwide earned income (i.e. salary income, pension income, and social security benefits) is taken into account when calculating the tax on income earned in Finland (exemption with progression). However, the income received abroad or income received from Finland that is not taxable in Finland in accordance with provisions of an applicable tax treaty is not taken into account in the progression if the taxable earned income received from Finland is at least 75% of the individual's total earned income.

Remuneration to artists and sportsmen is subject to 15% tax at source (no deductions available). Tax is collected at source by withholding.

Finnish-source income other than mentioned above is subject to income tax at normal tax rates (earned income is taxed at a progressive tax rate and capital income at rates of 30% or 34%) unless a tax treaty provides otherwise. For example, rental income from property located in Finland is subject to assessment and the net rental income is taxed at 30% or 34%.

Personal Deduction

Mandatory pension premiums are fully deductible from earned income for both national and municipal tax purposes in Finland.

The deductibility of voluntary pension contributions is limited, and they are deducted from capital income.

Other savings in certain long-term investments (e.g. a long-term savings contract with a bank, investment fund company, or other investment service company) are also entitled to the same deduction as the contributions to voluntary pension insurances.

Mandatory unemployment insurance premiums are deductible from earned income for both national and municipal tax purposes.

Employment Expenses

Expenses incurred in acquiring or maintaining taxable income are, in principle, deductible items. The maximum allowance for travel expenses to and from work is EUR 7,000 with an own-risk share of EUR 750. Generally, only travel expenses incurred through the least expensive means of transportation (public transportation: train, bus, streetcar, or ship) are deductible. Other deductions for earning income may include expenses for professional literature, own tools, and so on, against original payment receipts. Moving, automobile, and entertainment expenses are generally not deductible.



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If the employer does not reimburse for increased living expenses due to business trips, a deduction from earned income may be available. The amount of deduction shall be based either on actual expenses or a fixed amount determined annually in the tax authorities' guidelines. Also, travelling and accommodation expenses due to business trips may be deducted if not reimbursed by the employer.

A standard deduction of EUR 750 from salary income is granted if actual business expenses are below that amount.

Foreign Tax Relief

Finnish residents can obtain credit for final income taxes paid abroad against income taxes payable in Finland on the same income. However, other than foreign national (federal) taxes, other taxes cannot be credited in Finland unless they are covered in an appropriate tax treaty. In some tax treaties, the exemption with progression method is used instead of the credit method in eliminating double taxation, either as a main rule or for some income types. Also, foreign advance taxes can be credited, but the credit needs to be finally confirmed when the final amount of foreign taxes is available, and a correction of assessment may be needed. Any unused foreign tax credits can be carried forward for five years.

Reporting and Payment

The tax year runs from 1 January to 31 December. The tax liability of a foreign resident begins from the day that person moves to Finland and ends when that person moves out of Finland. Basically, the same tax rules apply for a full year of residency as for part of a year of residency.

Spouses file separate returns; joint filing or income splitting is not possible.

In most cases, individuals receive pre-completed tax returns in April of the year following the tax year. The due date is in mid-May; however, if there is no information to be added or corrected, it is not necessary to return the pre-completed tax return to the tax authorities.

Income tax shall be withheld from salaries and most other types of income (e.g. pensions, other remuneration for work than salary, and dividends paid by publicly quoted Finnish companies).

Residual tax is payable between August of the tax assessment year (i.e. the year following the tax year) and February of the year following the tax assessment year. The due dates are visible on the taxpayer's tax assessment (tax decision). Tax refunds are paid between August and December in the tax assessment year.



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Unemployment Insurance

Both employers and employees are obliged to pay unemployment insurance contributions in Finland. The employer is obliged to secure unemployment insurance from the Unemployment Insurance Fund. The liability to pay unemployment insurance contributions mainly applies to employees aged 17 to 65.

The amount of unemployment insurance contributions is determined on the basis of the wages paid to employees. The employer must always withhold the employee's unemployment insurance contribution from the wage upon each payment of salary. The employer is responsible for payment of both the employer's and employee's unemployment insurance contributions, as well as responsible for giving notification of paid salaries to the Unemployment Insurance Fund. Insurance payments are made on basis of the invoices delivered by the Unemployment Insurance Fund.

Accident Insurance

The employer must always secure statutory accident insurance against the risk of accidents involving their employees prior to the work commencing in Finland.

The accident insurance policy will provide cover, if an employee is injured in a workplace accident or during a business trip or if an employee develops an occupational disease.

Employers must purchase occupational accident and disease insurance, if it pays or has agreed to pay more than 1,300 euros in wage earnings over one calendar year for work it has ordered.

Employers can purchase a policy from an accident insurance provider of their choice. The cost of the insurance premiums will be calculated relative to the amount of the salaries they pay and according to their worker's risk of accidents and occupational diseases related to their employees' occupational class. Different insurance providers also have differing practices, which means the specific cost of insurance premiums will be determined when an employer purchases a policy.

Employers are obligated to notify the insurance provider the information it requires by the end of January each year and of any changes to this information within a period of 30 days from the time of the change. This information includes e.g. your company's sector as well as the company's ownership. Insurance companies receive compensation and occupational class information directly from the Incomes Register. Employers are responsible for reporting the correct data to the Incomes Register, and incorrect entries in the Incomes Register must always be corrected.

Employees are always entitled to compensation for an occupational accident or occupational disease, even where their employer has no obligation to provide insurance or has not obtained insurance in accordance with the law. Claims are processed and compensation paid by the Compensation Center. If a company has neglected its obligation to insure its employees, they will be ordered to pay the Workers' Compensation Center a sum equal to the missed insurance premiums and a fine for negligence, which will amount to at most three times the sum of the insurance premiums. The Workers' Compensation Center will also charge the company for the compensation paid to the company's employee to a maximum sum provided in legislation.



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If an employer is unsure whether the earnings paid during the calendar year exceed the insurance obligation limit, they should consider taking out an insurance policy. This will help avoid additional costs, in case of e.g. an occupational accident, if the employee's total earnings exceed the limit obligation.

Group Life Insurance

Employers must purchase employees' group life assurance for their employees, if the universally binding cooperative agreement for the sector of the company is in, requires this.

A group life assurance policy should be purchased from the same insurance company from which the company has purchased the company's occupational accident and disease insurance policy.

A group life assurance premium is based on the total sum of the salaries your company pays. The cost differs depending on the insurance company. A group life assurance premium is less than 0.1% of the total salaries the company has paid.

Group life assurance premiums are paid to insurance companies at the same time as they pay their occupational accident and disease insurance.

Group life assurance is valid during both employees' working hours and spare time. If employees, who are covered by their group life assurance policy dies, the Employees' Group Life Assurance Pool will pay compensation to the deceased person's spouse and children.

Pension Insurance

Earnings-related pensions are guaranteed by law. Employer must arrange the pension security of its employees between the ages of 17 and 67 by purchasing a TyEL earnings-related pension insurance for them. Earnings-related pensions are managed by private employment pension insurance companies. Employers can freely choose the employment pension company from which to take the statutory cover. Pension provision is not, however, affected by the company with which the employee is covered, since the pension benefits are prescribed by law and do not differ between the various authorized pension companies. An employee's pension accrues from annual earnings that are increased with the wage, coefficient to the level of the retirement year and from which the employee's pension contribution is deducted.

If a company is a casual employer, they will not need a separate policy with an employment pension provider.

The company must report all paid salaries to the [Incomes Register](#) within five calendar days of payment of the salary. Employment pension insurance companies receive earnings data from the Incomes register in real time.

The amount of pension insurance contributions is determined on the basis of the wages paid to employees. The employer must always withhold the employee's pension insurance contribution from the wage upon each payment of salary. The employer is responsible for payment of both the employer's and employees' insurance contributions, as well as responsible for giving notification of paid salaries to the pension insurance company. The insurance payments are made on the basis of invoices delivered by the insurance company.



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Payroll

Salaries are paid into employees' bank accounts. The salary is paid on the last day of the pay period, unless otherwise agreed. If the salary is based on a period of less than two weeks, wages must be paid at least twice a month, otherwise once a month.

The employer must deliver payslips to employees. Payslips can be free-form. However, there are requirements regarding what information needs to be shown on payslips.

Employers must maintain payroll records of all payments to its employees. The law requires the employer to keep their payroll records for 10 years. The notes and other documentation related to payroll calculations must be retained for at least six years.

A pay period is usually two weeks or a month. Under the Employment Contracts Act, if time-based pay is determined on the basis of a period shorter than a week (e.g. hourly pay or daily pay), wages must be paid at least twice a month. The salary of a salaried employee must be paid once a month. If an employee's pay is determined per week, the pay period is a month.

In performance-based work such as contract work, the pay period may principally be no longer than two weeks. If performance-based pay is common practice in the sector, the collective agreement for the sector will have more detailed provisions concerning the payment of performance-based pay.

If an employee's compensation consists wholly or mainly of a share of profits or commissions, the pay period must not be longer than a month.

Only in exceptional cases may a pay period be longer than a month; for instance in a case where an employee is paid a fixed salary and commissions or a share in profits beyond that. The pay period for the latter items may be longer than the one-month pay period. However, even then the pay period may not be longer than 12 months.

The due date for wage payment will be brought forward to the previous weekday if the due date is:

- Weekend day
- Church holiday
- Independence Day or May Day
- Christmas Eve or Midsummer Eve

Wages must be paid into a bank account designated by the employee. Wages must be available to the employee on the due date. The employer is liable for the costs incurred through payment of wages. Wages may be paid in cash only for compelling reasons, for instance if the employee does not have a bank account or the employer does not have the employee's bank details. The employer must obtain a receipt signed by the employee or some other means of verifying payment if wages are paid in cash.



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Employers must issue payslips to employees. Payslips are important for employees when applying for various social security benefits such as unemployment security. Payslips must detail the employee earning during the pay period

Grounds for determining wages include:

- working hours during the pay period and hourly pay, and
- the amount of increments such as evening work or night work increments and the number of working hours entitling to them.

The Finnish standardization committee has published a standard concerning the content of payslips, which may be used as a reference.

The standard stipulates that a pay slip must include:

- Employee's name, occupation and date of birth
- Employer's identity and location
- Start date of the employment and if applicable, last day of work
- Cumulative pay subject to withholding tax for the previous calendar year, the current calendar year and the most recent pay period
- Pay period,
- Tax withheld for the most recent pay period
- Increments paid for shift work and period-based work for the most recent pay period
- Holiday pay and annual holiday compensation paid in connection with wage payment.

Final Pay

Termination of employment relationship also terminates its pay period. Regardless of what the pay period was during the employment relationship, the employee's receivables fall due on the day on which the employment relationship ends, unless, the employer and employee have agreed have agreed, either in the employment or collective bargaining agreement. This would allow time for calculating the employee's final settlement is necessary for instance when not all factors affecting the calculating of wages are known to the employer on the day when the employment relationship ends.

Calculations

It is the employer's responsibility to make sure that employees' wages are calculated correctly and paid on time. It is the responsibility of each employee to provide their employer all the information needed to calculate their pay, such as records of the hours that they have worked.

Late Payments

Employees are entitled to late-payment interest if their wages are not paid on time. It is also the employee's responsibility to tell their employer if they think that their wages have been miscalculated. This applies regardless of whether the employee has been paid too little or too much. The employer is entitled to money back if they have accidentally paid an employee too much.



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Employers and employees should ideally be able to settle any disagreements concerning wage payments between themselves. If this is not possible, the dispute can only be finally settled in court. Instructions and advice on wage payments are available from the Regional State Administrative Agencies' Divisions of Occupational Safety and Health, but they cannot provide legal representation or file lawsuits.

Employees are entitled to late-payment interest pursuant to the Finnish Interest Act if their wages are not paid on the agreed day either during their employment or when their contract ends.

If any part of an employee's wage is paid late after their contract has ended, they must be paid not only late-payment interest but also a full wage for each day, up to six calendar days, by which the payment is late. The number of days for which a full wage must be paid is calculated from the day following the date on which the wage should have been paid, regardless of whether the employee would have worked the days in question had their contract not ended.

What constitutes an employee's "full wage" depends on the circumstances. If the employee has been exclusively on time-based pay, the amount payable for the days by which the payment is late is usually based on their time-based pay.

Time Limits

There is a time limit after which an employer no longer has an obligation to pay unclaimed wages. There is also a time limit for bringing a lawsuit for unpaid wages.

Employees have up to five years to claim any wages that are owed to them. The time limit applies to basic wages and various extras regardless of whether they are based on an employment contract, a collective agreement or the minimum wage provisions of the Employment Contracts Act.

The time limit is calculated from the date on which the wages should have been paid. The clock stops if the employee files a claim or brings the debt to their employer's attention through other official channels, and a new five-year time limit is set.

The time limit for claiming unpaid hourly remunerations that are based on the Working Hours Act, such as overtime pay, is two years. Employees are entitled to overtime remuneration if they work overtime. The time limit is calculated from the end of the calendar year during which the employee became entitled to the remuneration or time off in lieu. The employee loses their right to the overtime remuneration if they do not claim the amount within two years of the end of the calendar year during which the overtime was accrued.

The time limit for claiming unpaid wages that are based on either the Employment Contracts Act or the Working Hours Act is two years from the end of the employee's contract, except where the right to claim has already expired before the end of the employment relationship.

Unpaid wages that are based on a collective agreement can be claimed up to five years later if

- provisions of collective agreement on which the claim is based are manifestly ambiguous
- disagreement has arisen after the end of the employee's contract over the application of the provisions.



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Sick Pay

Under the Finnish Employment Contracts Act, employees prevented from performing their work by an illness or accident are entitled to sick pay. By law, sick pay is paid for the day when the employee fell ill if it would have been a working day for the employee and for each working day included in the following nine weekdays. Holidays are not counted as weekdays.

If the employment relationship has lasted for a minimum of one month, the employee is entitled to full pay as sick pay. In employment relationships that have lasted less than one month, the employee is entitled to 50% of his/her pay as sick pay.

If the employee is observing variable working hours, he or she is entitled to pay during illness when the work shift during the period of incapacity has been marked in the work schedule, it has been agreed upon otherwise or, in the circumstances, it can be considered clear that if able to work, the employee would have been at work. Pay during illness is determined in an equivalent manner also when fixed working hours have been agreed and the amount of additional work during the six months preceding the illness has exceeded the agreed amount at minimum fourfold on average.

The requirements for sick pay eligibility are the following:

- Absence is due to incapacity caused by an accident or illness
- Incapacity was not caused willfully or by gross negligence
- The cause of the sickness absence has been demonstrated with reliable documentation
- The employer has been appropriately notified of the sickness absence, and
- The accident or illness has caused an incapacity such that the employee is unable to perform the duties specified in his/her employment contract.

Sick pay provisions in collective agreements generally differ from the minimum provisions of the Employment Contracts Act. For instance, the pay period specified for sick pay is generally longer in collective agreements than in the Employment Contracts Act.

Employee Deduction

If an employee owes money to their employer, the employer can usually deduct the debt from the employee's wages. However, the Employment Contracts Act lays down certain limits to employers' right to deduct debts from wage payments, which employers must take into consideration.

Employees' debts can only be deducted from their wages if the debt is unequivocal and uncontested. If, for example, an employer is seeking damages from an employee and the employee denies liability for the loss, the employer cannot deduct the amount from the employee's wages. Only debts that have been formally brought to the debtor's attention can be deducted from their wages.

The Finnish Employment Contracts Act sets certain limits to employers' right to deduct employees' debts from their wages. By law, employers cannot set off employees' debts against those portions of their wages that cannot be attached pursuant to the Enforcement Code (705/2007).

Prior to deducting debts from employees' net wages, employers must establish the protected portion that must, pursuant to the Enforcement Code, be left for each debtor. Employers also need to find out the



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maximum amount that they are permitted to deduct from their employees' wages in order to set off debts. More information about protected portions and calculating the amount that can be set off is available on the enforcement authorities' website.

Any wages paid to employees in advance can be deducted in full.

If an employee owes their employer money for goods or services, for example, the employer can deduct any advance wage payments made to the employee from their net pay before calculating the portion of the money owed for goods and services that can be set off pursuant to the Enforcement Code.

The limits to employers' right to set off employees' debts are enshrined in law. The limits cannot be deviated from by introducing provisions that undermine employees' rights into employment contracts, collective agreements or otherwise. Employers have a duty to reimburse employees for any losses incurred as a result of unlawful set-offs. Employers who breach the statutory set-off limits can also be fined for violating the Employment Contracts Act.



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Employment Law

The key legislative acts that impact the employment of staff are the Employment Contracts Act (55/2001), the Working Hours Act (605/1996) and the Annual Holidays Act (162/2005). The Act on Cooperation within Undertakings (334/2007) regulates employees' collective rights to information and consultation. The Act on Protection of Privacy in Working Life (759/2004) and the Personal Data Act (523/1999) regulate employment-related data protection issues.

In addition, the following regulations may impact the employment relationship. The acts prohibiting both direct and indirect discrimination in employment relationships are the Act on Equality between Women and Men (609/1986), the Non-discrimination Act (1325/2014), the Employment Contracts Act and the Penal Code (39/1889). Further, the Occupational Safety and Health Act (738/2002) places a duty on the employer to take care of the health and safety of employees while at work by taking the necessary measures.

Further, sector and company-specific collective bargaining agreements impact heavily the employment relationships in Finland.

As a starting point, employment legislation applies equally to all employees. Finnish employment law does not generally draw distinctions between different types of worker (e.g. blue-collar and white-collar workers). In addition directors, with the exclusion of managing directors, are considered to be employees.

Employment Agreement

There is no legal requirement for the employment agreements to be in writing. This also means that oral and electronic employment agreements are legally binding. However, it is recommended and customary in Finland to have employment contracts in writing.

In the absence of a written employment contract, the employer must provide an employee with a written statement including information on certain key terms of employment (i.e. the employee's principal duties and regular working hours) by the end of the employee's first payment period.

Even though Finnish employment relationships are extensively governed by statutory law and collective bargaining agreements, certain employment terms may also be implied. These terms are based on case law and legal principles. Further, an established practice may become binding for both parties of the employment relationship, even though it has not been agreed in writing.

The obligation of loyalty is an implied term of the employment contract. This means that the employee and the employer must act loyally towards each other.

Finnish employment law provides the employer with a right to direct the employee's work. This means that the employer has the authority to give orders to the employee regarding his or her work and how it is arranged.

Employers and employee may agree to change the terms and conditions of employment contracts. However, employees are under no obligation to conclude new employment contracts or to amend the existing ones if their employer so requests.



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An employer has the right to make unilateral changes to the binding terms and conditions of an employment contract only if there would be a valid ground for dismissal (i.e. the change is made as an alternative to dismissal).

Working Conditions

There is no statutory minimum wage in Finland. However, collective bargaining agreements typically contain detailed provisions on minimum wages.

If no collective bargaining agreement applies to an employment relationship, and the employer and the employee have not agreed on remuneration, the employee must be paid reasonable remuneration for the work performed.

In accordance with the Working Hours Act (605/1996), the normal working hours must not exceed eight hours a day or 40 hours a week.

The maximum number of overtime hours during a four-month period is 138 hours and the total hours of overtime work may not exceed 250 hours during a calendar year. An employer can agree additional overtime with employee representatives, employees or an employee group. The maximum amount of additional overtime is 80 hours per calendar year, but the maximum amount of 138 hours per four months cannot be exceeded.

As a general rule, the payment for daily overtime work in addition to normal pay is 50% for the first two hours and 100% for the following hours. For weekly overtime work, the surcharge is 50%. Overtime may be partly or completely converted into corresponding time off work if agreed between the parties.

The Working Hours Act does not generally apply to the management or employees working at home.

Working time arrangements may affect how overtime work is determined and calculated (eg, in a flexible working hours system). In addition, collective bargaining agreements may also deviate from the statutory overtime provisions.

Collective bargaining agreements typically include detailed working time provisions which may also deviate from the Working Hours Act.

The Working Hours Act sets out the statutory rest periods. The rules are detailed and contain a number of exceptions, but the general principles are as follows:

- Employee must be granted at least a one-hour break a day if his or her daily working time exceeds six hours. The employer and employee may agree on a shorter rest period of no less than 30 minutes. If the daily working time exceeds 10 hours, the employee is entitled to an additional rest period of up to 30 minutes following eight hours of work. Further, the employee must be given a daily rest period of 11 consecutive hours. In addition, working hours must be arranged to allow the employee at least 35 hours of uninterrupted rest per week, preferably including Sunday.
- The right to daily rest, a rest break and a weekly rest period may be varied by a collective bargaining agreement. In addition, there are various exceptions for certain sectors and types of activity.



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- A person of 15 years or older must be allowed at least 12 consecutive hours of rest every day. Where the daily working hours of young workers exceed four hours and 30 minutes, the worker should be granted a rest period of at least 30 minutes in the course of work. Young workers should be granted a weekly break of at least 38 consecutive hours.

Leaves

Employee are entitled to two to two-and-a-half days' paid holiday for each month worked, depending on the length of the employment relationship. In Finland, six holiday days constitute one full week of annual holiday.

Employment Termination

Finnish employees enjoy high protection against dismissal.

Employers must always have proper and weighty grounds set forth by law for terminating an employment contract. In addition, certain groups of employee enjoy particular protection against dismissals. Such employees include shop stewards, industrial safety delegates and other employee representatives, pregnant employees and employees on family leave.

If an employee is dismissed without legal grounds, they are entitled to compensation for unfair dismissal corresponding to three to 24 months' salary (for employee representatives, the maximum amount is 30 months' salary). Failure to comply with the cooperation and consultation obligation may lead to the court ordering the employer to pay compensation of up to €34,519 per redundant employee.



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Immigration

Immigration process for employees depend on whether the employee is from or resides in another Nordic country, an EU country or comes from outside the EU. The notifications and permits required can include registering for the right to reside in Finland, getting a residence permit for an employee or registering in the Population Register.

Persons residing outside the European Economic Area (EEA) may also need a permit from the National Board of Patents and Registration to serve in a managerial position or to carry out other duties of responsibility in a businesses.

Visa

Finland is part of the Schengen area. Foreign nationals who need an entry visa are requested to apply at the nearest Finnish consulate. In countries where Finland does not have a mission, another Schengen country can represent Finland in visa matters. These states have jointly agreed on the rules concerning the movement of third-country nationals in their territories and have decided which countries' citizens are required to present a visa.

Residency Permit

Citizens of the Nordic countries (Sweden, Norway, Denmark and Iceland) may freely enter Finland and reside in the country without a residence permit. They can also take up paid employment without a residence permit for an employed person.

EU citizens and citizens of Iceland, Liechtenstein, Norway and Switzerland have the right to enter, reside, study, seek work, or practice a profession in Finland for three months without a residence permit. If the stay lasts longer than that, they must register their right to reside in Finland at a police department.

Citizens from non-EU/EEA countries should apply for a residence permit first. Everyone applying for a residence permit must fill in a separate form. This applies to all children too. The application is subject to a fee. In order for a residence permit to be granted, the applicant must have a valid passport or other approved travel document. The first residence permit for employed persons or self-employed persons costs as a paper application 520 EUR and as an electronic application 450 EUR (2018).

Work Permit

A foreign national in Finland who wishes to be employed requires a residence permit, which is applied for before arriving in Finland through a Finnish Embassy abroad. Residence permits for employees or entrepreneurs are not required for citizens of EU member states or citizens of Iceland, Liechtenstein, Norway and Switzerland.



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EU citizens and citizens of Iceland, Liechtenstein, Norway and Switzerland can freely work in Finland if the work lasts for a maximum of three months. After that, they must register their right to reside in Finland, but they do not need a special residence permit.

Foreign employees who are non-EU citizens and equivalent persons need a residence permit for an employed person if they intend to work in Finland. A residence permit can be granted on the basis of either temporary work or work of a continuous nature.

The [Finnish Immigration Service](#) is responsible for the issuance of residency and work permits.



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A Revolutionary Service Delivery System

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