

# Doing business in Finland

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A Q&A guide to doing business in Finland.

This Q&A gives an overview of key recent developments affecting doing business in Finland as well as an introduction to the legal system; foreign investment, including restrictions, currency regulations and incentives; and business vehicles and their relevant restrictions and liabilities. The article also summarises the laws regulating employment relationships, including redundancies and mass layoffs, and provides short overviews on competition law; data protection; and product liability and safety. In addition, there are comprehensive summaries on taxation and tax residency; and intellectual property rights over patents, trade marks, registered and unregistered designs.

To compare answers across multiple jurisdictions, visit the [Doing business in... Country Q&A Tool](#).

This article is part of the global guide to doing business worldwide. For a full list of contents, please visit [www.practicallaw.com/dbi-guide](http://www.practicallaw.com/dbi-guide).

## Overview

1. What are the key recent developments affecting doing business in your jurisdiction?

The new Finnish Act on Detecting and Preventing Money Laundering and Terrorist Financing (444/2017) (*Anti-Money Laundering Act*) entered into force on 3 July 2017, except for Chapter 5 which enters into force on 1 July 2019, and Chapter 6 Sections 2 and 3 which enter into force on 1 January 2019. The Anti-Money Laundering Act implements the Directive 2015/849/EU on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (Fourth EU Anti-Money Laundering Directive) and repeals the former Finnish Act on Preventing and Clearing Money Laundering and Terrorist Financing (503/2008).

As a part of the reformed anti-money laundering legislation in Finland, the Anti-Money Laundering Act introduces several amendments. The main changes to the entities' obligations include the responsibility for all legal persons to report their beneficial owners with the Finnish Patent and Registration Office by the end of June 2019 and the responsibility for entities with a statutory notification obligation to prepare a risk assessment about the risks relating to money laundering and terrorist financing and to update this assessment on a regular basis. The first risk assessments must be completed by the end of 2017.

## Legal system

2. What is the legal system based on (for example, civil law, common law or a mixture of both)?

Finland has a civil law system. EU law is directly applicable and takes precedence over national legislation.

## Foreign investment

3. Are there any restrictions on foreign investment (including authorisations required by central or local government)?

There are no general restrictions on foreign investment, although authorisation is required in certain regulated sectors such as banking, investment services, fund management and payment services.

4. Are there any restrictions on doing business with certain countries or jurisdictions?

Certain trading restrictions and requirements imposed nationally or at EU level (such as customs duties) apply to importing and exporting of goods and trading to or from non-EU countries. In the autumn of 2014, both the EU and the Russian Federation imposed trade sanctions and other restrictive measures against each other as a result of the situation in Ukraine. For example, Russia has imposed a ban on the import of certain agricultural products from the EU. In the summer of 2017 the EU decided to extend the economic sanctions until the end of January 2018, whereas the Russian Federation resolved to extend the economic sanctions until the end of 2018.

For more information see:

[www.evira.fi/en/](http://www.evira.fi/en/).

[www.formin.fi/public/default.aspx?culture=en-US&contentlan=2](http://www.formin.fi/public/default.aspx?culture=en-US&contentlan=2).

[www.tulli.fi/en/frontpage](http://www.tulli.fi/en/frontpage).

5. Are there any exchange control or currency regulations?

There are no exchange control or currency regulations.

6. What grants or incentives are available to investors?

Government subsidies are available in certain areas and usually take the form of:

- Start-up grants.
- Subsidised loans.
- State-guaranteed financing.
- Regional transport subsidies.
- Launching support for rural areas.

For further information on different grants and subsidies, see [www.yrityssuomi.fi/en/rahoitus1](http://www.yrityssuomi.fi/en/rahoitus1).

## Business vehicles

7. What are the most common forms of business vehicle used in your jurisdiction?

The most common forms of business vehicle used in Finland are:

- General partnerships (*avoin yhtiö*).

- Limited partnerships (*kommandiittiyhtiö*).
- Limited liability companies (*osakeyhtiö*). There are three types of limited liability company:
  - private limited liability companies (*yksityinen osakeyhtiö*);
  - public limited liability companies (*julkinen osakeyhtiö*);
  - European companies (*eurooppayhtiö*) (SE).
- Co-operative societies (*osuuskunta*).

There is no trust institution in Finland equivalent to the common law trust system.

The most common form of business vehicle used by foreign companies is the private limited liability company (*yksityinen osakeyhtiö*). The main reasons for this are:

- Flexible regulation enabling effective corporate actions.
- The vehicle has legal personality.
- Shareholders' liability is restricted.
- Shares are transferable.

8. In relation to the most common form of corporate business vehicle used by foreign companies in your jurisdiction, what are the main registration and reporting requirements?

### **Registration and formation**

A limited liability company must be registered with the Finnish Trade Register within three months of signing the memorandum of incorporation. A start-up notification must be submitted to the Finnish Trade Register including:

- Basic information of the established company.
- The memorandum of incorporation.
- The articles of association.
- Certain other documentation.

In addition, the share capital must be paid in full before registration. Registration takes from two to ten weeks.

If the company is not reported for registration within three months, the company's formation expires.

### **Reporting requirements**

Companies must submit their annual accounts to the Finnish Trade Register. Additional stricter reporting requirements, such as preparation and publication of half-year reports, apply to publicly traded companies.

Companies must also submit their income tax returns to the Corporate Tax Office within four months of the closing of their accounting year.

### **Share capital**

The minimum share capital is EUR2,500 for private limited liability companies and EUR80,000 for public limited liability companies.

There is no maximum share capital.

### **Non-cash consideration**

Companies can issue shares for non-cash consideration. A valuation report from the auditors is required.

### **Rights attaching to shares**

**Restrictions on rights attaching to shares.** All shares carry equal rights unless otherwise provided for in the articles of association. A company can also have non-voting shares or shares that carry the right to vote only in certain situations.

**Automatic rights attaching to shares.** In general, all shares carry:

- Administrative rights such as voting rights, the right to speak and be present at general meetings and the right to seek legal remedies available to shareholders.
- Property rights such as the right to receive assets of the company when distributed and preference to subscribe for shares in a share issue.

However, the articles of association can provide that the company has shares with differing rights attached (for example, different shares carry different voting rights or different rights to receive distributable assets of the company).

9. In relation to the most common form of corporate business vehicle used by foreign companies in your jurisdiction, outline the management structure and key liability issues.

### **Management structure**

The board of directors manages the administration of the company and the appropriate organisation of its operations. A limited liability company can also appoint a managing director and have a supervisory board. The management structure is not tied to the share capital.

### **Management restrictions**

One member of the board of directors and the managing director need to be resident in a European Economic Area (EEA) member state (that is, all the members of the EU plus Iceland, Liechtenstein and Norway). It is possible to apply for an exemption from this requirement from the Finnish Trade Register.

### **Directors' and officers' liability**

The managing director and members of the board and supervisory board are liable to compensate:

- The company for damage caused deliberately or through negligence in violation of the articles of association or the duty of care, or other provisions of the Companies Act (624/2006, as amended) (*osakeyhtiölaki*).
- The shareholders or third parties for damage caused deliberately or through negligence in violation of the articles of association or the Companies Act.

### **Parent company liability**

A parent company is not generally liable for its subsidiaries' debts, unless it has provided a guarantee for those liabilities.

## **Employment**

### **Laws, contracts and permits**

10. What are the main laws regulating employment relationships?

The most relevant statutes regulating employment relationships in Finland are the:

- Employment Contracts Act (55/2001, as amended) (ECA 2001).
- Co-operation within Undertakings Act (334/2007, as amended) (Codetermination Act).
- Co-operation within Finnish and Community-wide Groups of Undertakings Act (335/2007, as amended).
- Working Hours Act (605/1996, as amended).
- Annual Holidays Act (162/2005, as amended).
- Occupational Safety and Health Act (738/2002, as amended).
- Protection of Privacy in the Working Life Act (759/2004, as amended).
- Equality between Women and Men Act (609/1986, as amended).
- Non-discrimination Act (1325/2014).

There are also numerous collective bargaining agreements (CBAs) regulating the terms of employment. In key business sectors, many CBAs are generally applicable, and must be applied by an employer even if the employer is not a member of any employers' association.

The primarily applicable legislation in international employment relationships is determined by international choice of law rules. Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) applies to employment contracts concluded after 17 December 2009. The Rome Convention on the Law Applicable to Contractual Obligations 80/934/EEC (Rome Convention) applies to employment contracts concluded on or before 17 December 2009. According to Rome I and the Rome Convention, the parties to an employment contract are allowed to choose the law governing their employment relationship, but this choice of law cannot override or derogate from the otherwise applicable employment legislation that would afford better protection to the employee. If the parties have not agreed on the applicable law, as a starting point, the laws of the place most closely related to the employment relationship will apply. This would usually be the place where the employee normally performs his work.

In addition, certain minimum terms of employment apply to employees who are temporarily posted to Finland and whose employment is subject to a foreign country's legislation. These terms are detailed in the Posted Workers Act (447/2016) and regulate, for example, minimum salary, rest periods and annual holiday.

Generally, Finnish employment law applies to Finnish employees that are temporarily seconded to work abroad.

11. Is a written contract of employment required? If so, what main terms must be included in it? Do any implied terms and/or collective agreements apply to the employment relationship?

A written contract is not required, unless requested by either party. However, an employer must give employees who are employed under an oral contract, either indefinitely or for a longer fixed period than one month, a written statement of the main terms of employment within the first pay period (*ECA 2001*). This also applies if the written contract is silent on any material condition. The employment contract or written statement must include at least the following information:

- The employer and the employee and their domicile.
- Date of commencement of work.
- If the contract is for a fixed term, the grounds for the fixed term (or a notification that the contract is a fixed-term employment contract with a long-term unemployed person as referred to in Chapter 1, Section 3a of *ECA 2001*), and the end date (or an estimate of the end date).
- Trial period (if any).
- Principal place of work.
- Employee's principal duties.
- CBA applicable to the work or an indication that no CBA applies.
- The basis for the determination of the employee's salary and other remuneration.
- Salary payment period.
- Regular working hours.

- Method of calculating annual holiday.
- Notice period.

For work performed abroad for a minimum period of one month:

- Duration of the work.
- Currency in which the monetary salary is paid.
- Monetary remunerations and fringe benefits applicable abroad.
- Terms of the employee's repatriation.

If the employee is an agency worker, the written statement must be issued at the employee's request, even if the employment relationship lasts less than one month. The employer must also inform the agency worker of the reasons for the user company's assignment and the duration or estimated duration of it. In addition, the employer must provide a prognosis of other work that may be available within the agency that is similar to that agreed in the agency worker's employment contract.

CBAs play a central role in the Finnish labour market. The CBA governing the employment relationship can set out specific rules that substitute or supplement labour and employment law and supersede any conflicting terms of an employment contract when the terms are to the employee's detriment (*Collective Agreements Act (436/1946, as amended)*).

In addition, certain practices of the employer, for example a benefit regularly given to the employees, may become so well-established that they form an implied term of the employment contract and are therefore no longer solely at the employer's discretion.

12. Do foreign employees require work permits and/or residency permits?

Citizens of the Nordic countries (Denmark, Iceland, Norway and Sweden) can work in Finland without an employee residence permit. However, if the work lasts longer than six months, the employees must register the move to Finland at the local register office. Registration is free.

In addition, citizens of other EU countries and of Liechtenstein and Switzerland can work in Finland without an employee residence permit. However, if the work lasts longer than three months, the employees must register their right of residence with the Finnish Immigration Service. The fee for the registration of EU citizens and the equivalent right to residence is currently EUR54.

Employees of other nationalities must, with certain exceptions, apply for an employee residence permit. The duration of the application procedure varies depending on the case, usually from one to four months. In cases of emergency, applicants can make a written request for urgent processing to the Finnish Immigration Service. The fee for an employee residence permit is currently EUR520 (or EUR450 if electronically applied).



## Termination and redundancy

13. Are employees entitled to management representation and/or to be consulted in relation to corporate transactions (such as redundancies and disposals)?

Employees are entitled to management representation where an employer regularly employs at least 150 employees in Finland (*Act on Personnel Representation in the Administration of Undertakings (725/1990, as amended)*). The employees may appoint their representatives to the supervisory board, the board of directors or to the management groups of the company. The employer, however, chooses the administrative body in whose work the employee representatives may participate.

On a transfer of business, both the seller and the purchaser (if they regularly employ at least 20 employees and are therefore within the scope of the Codetermination Act) have a duty to inform the affected employee representatives on certain aspects of the transfer. When considering redundancy terminations, lay-offs, or making employment relationships part-time or other material changes to the terms of employment, the employer must also observe a consultation obligation and procedure (*Codetermination Act*) (see [Question 15](#)).

14. How is the termination of individual employment contracts regulated?

An employer can dismiss an employee if the employee has seriously breached or neglected obligations arising from the employment relationship. However, the grounds must be substantial and appropriate. In addition, an employer can dismiss an employee if the employee's work capacity has substantially diminished over a long period of time, and the employee is no longer capable of performing his duties (*ECA 2001*). Case law indicates that the following, among others, can constitute sufficient grounds for termination:

- Carelessness.
- Failure to follow instructions.
- Gross negligence.
- Dishonesty.
- Absence without reason.

The following are not justified grounds for dismissal:

- Illness or injury, unless the employee's work capacity has diminished substantially and for a long term, so that it is not reasonable to expect the employer to continue the employment relationship.
- Participation in a strike or other industrial action.
- Political, religious or other opinions.
- Participation in community or association activities.
- Recourse to judicial procedure.
- Pregnancy or family leave (there is a presumption that any dismissal is motivated by the employee's pregnancy or family leave, unless the employer proves otherwise (*ECA 2001*)).

In addition, some employees, such as employee representatives, enjoy special protection against dismissal.

Before dismissing an employee, the employer generally must:

- Issue the employee a warning, making it clear that the employee's conduct, neglect or similar is endangering the employee's continued employment.
- Give the employee a fair chance to improve his conduct or performance.
- Consider whether the situation can be resolved by transferring the employee to other duties.

Upon termination of an employment contract, the employment relationship will continue for the duration of the applicable notice period. CBAs usually contain provisions on notice periods that are mandatory for those required to apply the CBA. Apart from this, the parties can, within certain limitations, agree on the length of the notice period. If nothing has been agreed and no CBA is applicable, the ECA, 2001, contains provisions on the length of the notice periods. According to the ECA, 2001, the employer's notice period is determined as follows:

- Up to one year of employment: 14 days.
- Over one year and up to four years of employment: one month.
- Over four years and up to eight years of employment: two months.
- Over eight years and up to 12 years of employment: four months.
- Over 12 years of employment: six months.

When dismissed, employees are entitled to their notice period salary, compensation for accrued holidays and other unpaid receivables. Severance is optional.

An employee dismissed without sufficient legal grounds and without the required procedure may be entitled to compensation of between three and 24 months' salary (for employee representatives, up to 30 months' salary), subject to the particular circumstances of the dismissal (*ECA 2001*). If an employee is selected for dismissal on discriminatory grounds, the employee can, in addition to compensation for unjustified termination, also claim compensation and damages. Discrimination is also sanctioned by the Finnish Criminal Code (39/1889, as amended), the possible penalty being fines or up to six months imprisonment.

For an exceptionally severe breach, the employment relationship can also be terminated with immediate effect by both the employer and the employee if it is deemed unreasonable for the employment relationship to continue for the duration of the notice period. The termination with immediate effect must be made within 14 days of learning of such breach, otherwise the right to do so is forfeited.

15. Are redundancies and mass layoffs regulated?

An employer can terminate an employment contract on collective grounds, provided that both (*ECA 2001*):

- The amount of work has diminished substantially and permanently due to financial, production-related or organisational reasons. A reduction is usually considered temporary unless it clearly exceeds 90 days.
- The employer is not able to offer the affected employees suitable alternative work within the company (or, in certain circumstances, the company's group) or retrain them for other duties.

A redundancy is invalid if either:

- Before or after the redundancy, the employer employs a new employee to perform tasks similar to those performed by the employee made redundant, although the operational circumstances have not changed.
- The amount of work has not actually diminished, based on the reorganisation invoked as reason for the redundancy.

There are no specific selection criteria for determining which employees are to be made redundant. CBAs often contain provisions regarding this, stipulating, for example, that the work of employees with dependants should be preserved. No employer can use discriminatory grounds to select employees for dismissal. Certain employees enjoy special protection from termination, such as employee representatives and employees on family leave.

Employers (including branches of foreign undertakings), who regularly employ at least 20 employees must, before making a decision on redundancies, layoffs or reducing working hours, consult the employees and/or their representatives regarding the reasons for, effects of, and possible alternatives to the planned measures (*Codetermination Act*). The consultations must be carried out in accordance with the co-operation procedure in the *Codetermination Act*.

An employee made redundant without sufficient legal grounds may be entitled to compensation of up to 24 months' salary (for employee representatives, up to 30 months' salary). If the employer fails to comply with the codetermination procedure, the employee may be entitled to compensation of up to EUR34,519 for breach of the codetermination obligation.

After the end of the employment relationship, the employer has an obligation to re-employ any employees made redundant if the employer needs additional workforce for the same or similar tasks as the employee used to perform and the employee is registered as a jobseeker with the local labour authorities. This obligation applies for four months after the employment relationship of the employee made redundant has expired. However, if the employment relationship has lasted at least 12 years, the obligation applies for six months.

Employers that regularly employ at least 30 employees must offer to employees who are made redundant and have at least five years of continuous work history with the employer both:

- Outplacement services. Their total value must be equivalent to **[##at least]** one month's salary of the employee in question or the average monthly income at the workplace, whichever is higher.
- Occupational health care services for six months after the employee's obligation to work has ended.

## Tax

### Taxes on employment

16. In what circumstances is an employee taxed in your jurisdiction and what criteria are used?

Generally, an individual is deemed to be a Finnish resident for income tax purposes if either:

- The permanent home and dwelling of the individual is in Finland.
- The individual physically and constantly resides in Finland for more than six consecutive months.

In addition, citizens of Finland who have moved abroad are regarded as residents for Finnish income tax purposes until three years after the end of the year of their emigration, unless they can prove that they do not have any substantial ties to Finland during the tax year in question.

Tax resident individuals are taxed on their worldwide income in Finland. Non-residents are liable for tax on income derived from Finland (*Income Tax Act (1535/1992, as amended)*), unless there is an applicable tax treaty between Finland and the employee's state of residence restricting Finland's right to tax.

17. What income tax and social security contributions must be paid by the employee and the employer during the employment relationship?

#### **Tax resident employees**

**Income tax.** Tax resident employees must pay taxes on their earned income. Currently, the highest progressive tax rate is 59.7% (2017).

**Social security contributions.** Employees must also pay (rates for 2018):

- Pension insurance contributions of 6.35% (or 7.85% for employees aged 53 or older).

- Health insurance contributions of 1.58%, (rate for 2017, included in the personal progressive tax rate indicated on the employee's tax card. If the total amount of wages and salaries is less than EUR14,000, the health insurance contribution is 0%).
- Unemployment insurance contributions of 1.9%.

A church tax up to 2.2% (rate for 2017, depending on the church and municipality) is also payable if the tax payer is a member of a Finnish church (mainly Lutheran and Orthodox) with a right to tax.

All the above taxes and other contributions are collected as advance payments withheld by the employer, based on a tax card and applicable pension and unemployment insurance contribution rates. Tax resident individuals annually receive a pre-completed tax return that can be amended by the tax payer. If the advance payments determined in the tax decision are inaccurate, the tax payer will either need to make further payment or will receive a refund.

The salary and fringe benefits paid to qualifying foreign key employees with special knowledge or competence are taxed at 35% during the first four years of their assignment in Finland, provided that they have a special tax card (applied for separately).

### **Non-tax resident employees**

Subject to any double tax treaties, non-tax resident foreign employees working for a Finnish company or Finnish branch of a foreign company are subject to a withholding tax of 35%. EUR510 is deducted from the monthly salary before the tax is withheld.

Non-tax resident employees also have the right to choose to be taxed with progressive tax rates similar to those of tax resident employees.

Non-tax resident employees must, in most cases, pay social security payments (including pension) of approximately 9.83% (estimation for 2018) of all Finnish-source earned income, unless they have a certificate E101 of a posted employee.

### **Employers**

Employers must make the following contributions:

- Social security.
- Unemployment insurance.
- Pension insurance.
- Collective life insurance.
- Accident insurance.

The amount of these payments is about 24% of the gross salary payable. The amount of individual contributions can vary substantially depending on the branch and size of the employer. Foreign employers generally only make these contributions if they have a permanent establishment in Finland.

### **Business vehicles**

18. When is a business vehicle subject to tax in your jurisdiction?

**Tax resident business**

A company is treated as a Finnish tax resident if it is registered in Finland or established under Finnish law. However, an applicable double tax treaty might restrict the taxing right of Finland if the place of effective management of the company is outside Finland. A European company (*Societas Europaea*) registered in Finland is also treated as tax resident.

**Non-tax resident business**

Generally, a Finnish branch of a non-tax resident company constitutes a permanent establishment and must pay corporate tax on income and gains attributable to that branch (see [Question 19, Corporate tax](#)). A non-tax resident company, not domiciled in a double tax treaty country, may be liable for corporate tax on its activities in Finland even when a permanent establishment is not created. If a non-tax resident company does not have a permanent establishment/branch in Finland, the company is only subject to tax on Finland-source income (for example, dividends and royalties).

19. What are the main taxes that potentially apply to a business vehicle subject to tax in your jurisdiction (including tax rates)?

**Corporate tax**

Tax resident companies are subject to corporate tax on their worldwide profits and gains (subject to any double tax treaties) at a rate of 20%.

Generally, corporate tax is based on the profit and loss statement prepared in accordance with the Finnish Generally Accepted Accounting Principles (GAAP) with only minor adjustments for tax purposes. Companies can also apply the International Financial Reporting Standards (IFRS).

Corporate tax is usually paid with monthly advance payments. Companies file a corporate tax return within four months after the end of the financial period. If insufficient advance taxes have been paid, a supplement corporate tax based on the tax decision, issued within ten months after the end of financial period, must be paid.

Corporate tax is a flat rate state tax. There is no local corporate tax.

### **Value added tax (VAT)**

VAT is payable at the standard rate of 24% on:

- The commercial sale of goods and services supplied in Finland.
- Imported goods (see [Question 24, How are imports and exports taxed?](#)).

The reduced rates are:

- 14% on food, non-alcoholic beverages and restaurant services.
- 10% on medicine, passenger transportation services, certain fees related to cultural, art and sports events and services, books, as well as magazine and newspaper subscriptions.

Payable and deductible VAT is reported by filing a periodic tax return. As a general rule this is filed monthly and VAT is typically paid monthly to a tax accountant.

### **Transfer tax**

A transfer tax is payable on the transfer of Finnish securities (1.6%) and on the transfer of securities in a Finnish housing or real estate company or a foreign real estate company holding Finnish real estate (2%). The tax base for transfer tax includes both:

- Any payment that the purchaser makes that is a prerequisite for the transfer of the securities.
- Any liability that the purchaser assumes that the seller benefits from, in addition to the purchase price for the securities.

Transfer of securities is tax exempt if either:

- The securities are listed on a qualifying stock exchange or subject to multilateral trading, provided that the securities are transferred against fixed cash consideration through a securities intermediary and that certain other qualifications are fulfilled.
- Both parties are non-residents, unless the securities are in a Finnish housing or real estate company, in which case the transfer is always subject to transfer tax.

Transfer tax is also payable on the transfer of real estate (4%).

Transfer tax on securities must be paid and the transfer tax return filed within two months following the transaction. Transfer tax on real estate must be paid within six months following the transaction.

### **Social security payments**

See [Question 17, Employers](#).

### **Dividends, interest and IP royalties**

20. How are the following taxed:

- Dividends paid to foreign corporate shareholders?
- Dividends received from foreign companies?
- Interest paid to foreign corporate shareholders?
- Intellectual property (IP) royalties paid to foreign corporate shareholders?

### **Dividends paid**

Generally, dividends paid by Finnish companies to foreign corporate shareholders are subject to a 20% withholding tax or a lower rate defined in applicable double tax treaty (if any). Dividends paid to foreign corporate shareholders who have their place of residence in the EEA, are subject to a 15% withholding tax (or a lower rate defined in an applicable tax treaty) where the shares of the foreign corporate shareholder in the dividend distributing company are considered to be investment assets of the foreign corporate shareholder, and the foreign corporate shareholder does not have at least a 10% holding in the dividend distributing company.

Dividends paid by Finnish companies to foreign corporate shareholders are not subject to withholding tax if the following conditions apply:

- Where a similar dividend would be exempt if paid out to a resident corporate shareholder in Finland.
- If the place of residence of the foreign corporate shareholder is in the EEA.
- No full credit for the Finnish-source tax is available in the country of tax residence.

Also, dividends paid to an EU resident company holding at least 10% of the share capital in the distributing company are not subject to withholding tax, provided the recipient falls within Article 2 of Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (as amended by Directives 2013/13/EU and 2014/86/EU) on the taxation of parent companies and subsidiaries..

Dividends paid on nominee registered shares are generally subject to a 15% withholding tax if the recipient resides in a double tax treaty country.

In addition, the return of capital by publicly listed companies from the invested unrestricted equity fund is also regarded as dividend distribution and taxed accordingly. Return of capital other than by publicly listed companies is also taxed as dividend, unless the payment constitutes return of capital invested by the shareholder less than ten years prior to the distribution of funds (in this case the return of capital is subject to capital gains taxation).

### **Dividends received**

Generally, dividends received by companies are tax exempt. However, 75% of dividends are taxable (at a rate of 20%) and the remaining 25% is tax exempt in the following situations:



- Where dividends are received from shares accounted for as investment assets of the recipient company.
- Where the distributing company is not a domestic or an EU company mentioned above.
- Where dividends are received from shares held in a listed company, if the recipient company is neither a listed company nor owns at least 10% of the distributing company's share capital.

Foreign dividends are taxed in line with domestic dividends if the following criteria are met:

- The distributing company, will be liable to pay tax on its income at a minimum rate of 10% (or Article 2 of Directive 2011/96/EU (as amended by Directives 2013/13/EU and 2014/86/EU) on the taxation of parent companies and subsidiaries will apply).
- The distributing company is resident within the EEA according to the rules of the relevant jurisdiction and for tax treaty purposes.

If the distributing company resides in a non-tax treaty country, 100% of the dividend is taxable.

### **Interest paid**

Interest paid to foreign corporate shareholders on a loan is not subject to withholding tax, provided that the loan is not deemed to be a capital investment comparable to equity.

### **IP royalties paid**

Generally, royalties paid by a Finnish company to an affiliated EU corporate shareholder are not subject to withholding tax (*Directive 2003/49/EC on interest and royalty payments*). Otherwise, a withholding tax of 20% is payable. Usually double tax treaties reduce or eliminate this tax.

### **Groups, affiliates and related parties**

21. Are there any thin capitalisation rules (restrictions on loans from foreign affiliates)?

Under the Finnish interest barrier rules, net interest expense (that is, interest expense in excess of interest income) is deductible, provided it does not exceed EUR500,000. If this level is exceeded, all net interest expense is non-deductible, with two exceptions:

- Net interest expense below 25% of taxable earnings before interest, tax, depreciation and amortisation, and after accounting for granted or received group contributions, is always deductible.
- Net interest expense above 25% of the corrected taxable earnings is non-deductible only up to the amount of net interest expense between related parties. Therefore, interest expenses to third parties are fully deductible, although certain back-to-back financing and security arrangements are deemed as related party arrangements.

The interest barrier applies to both domestic and cross-border situations. However, the scope of applicability is limited:

- The rules apply only to business income and are not applied to real estate and other companies taxed under the Income Tax Act.
- Financial, insurance and pension industries are excluded from the scope of the new legislation.
- If the equity/asset ratio of the debtor is equal to or higher than the corresponding ratio at the consolidated group level, the rules are, with some further qualifications, inapplicable.

Any net interest expense that is not deductible due to the interest barrier can be carried forward indefinitely and deducted in future years, subject to the above restrictions.

New interest barrier rules [##will] enter into force in Finland as of 1 January 2019.

22. Must the profits of a foreign subsidiary be imputed to a parent company that is tax resident in your jurisdiction (controlled foreign company rules)?

Income tax can be levied on a tax-resident individual or company for their share of the profit of a controlled foreign company (CFC), regardless of whether the profit is distributed by the CFC to its shareholders. Generally, a CFC is a foreign company that in its country of tax residence is subject to income tax at a rate lower than three-fifths of the level of corporate tax payable in Finland. The criteria to apply CFC legislation for a company residing in a tax treaty country or in an EU/EEA member state is stricter than for a company residing in a country that has no tax treaty with Finland or is not a EU/EEA member state.

23. Are there any transfer pricing rules?

Transactions between related parties, as defined in the law, must be carried out in accordance with the arm's length principle, even if between Finnish resident companies. In addition, large enterprises must prepare transfer pricing documentation of cross-border transactions between related parties.

### Customs duties

24. How are imports and exports taxed?

Exports of goods outside the EU are in most cases exempt from VAT. Imports from outside the EU are subject to Finnish VAT, which is payable by the importer as if the goods were supplied in Finland (see [Question 19, Value added tax \(VAT\)](#)). Customs duty and excise duty may also be payable on the imported goods.

### Double tax treaties

25. Is there a wide network of double tax treaties?

Currently, Finland has double tax treaties with about 90 countries. The tax treaties generally follow the OECD Model Tax Convention on Income and on Capital and the tax treaties are applied in accordance with the OECD commentary.

## Competition

26. Are restrictive agreements and practices regulated by competition law? Is unilateral (or single-firm) conduct regulated by competition law?

### Competition authority

The two main authorities responsible for enforcing the national competition rules, as well as Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU), are the:

- **Finnish Competition and Consumer Authority (FCCA).** This is the authority of first instance and is responsible for assessing whether the provisions of the Competition Act (*948/2011, as amended*) (Competition Act) (or articles 101 and 102 of the TFEU) have been infringed. The FCCA is also responsible for merger control. It investigates a concentration and either clears it, with or without conditions, or requests the Market Court to prohibit it.
- **Market Court.** The FCCA decisions can be appealed to the Market Court. This has the exclusive competence to impose fines or periodic penalty payments, and to prohibit mergers. However, it must always act on (although not necessarily follow) the FCCA's proposal.

The ultimate appellate body in competition matters is the Supreme Administrative Court. This functions as second appellate instance for the FCCA's decisions and as first appellate instance for the Market Court's decisions.

In addition, at regional level, the regional state administrative agencies also have powers to investigate restrictions on competition in co-operation with the FCCA. There are also sectoral authorities for certain industries.

### **Restrictive agreements and practices**

The rules applicable to prohibited horizontal and vertical co-operation are contained in section 5 of the Competition Act. According to this provision, agreements between business undertakings, decisions by associations of business undertakings and concerted practices by business undertakings which have as their object or effect the significant prevention, restriction or distortion of competition are prohibited. This is in line with Article 101 of the TFEU. In particular the following competition restrictions are prohibited:

- Price fixing (including the fixing of selling prices and other trading conditions).
- Limitation of output, allocation of markets, customers or sources of supply.
- The use of discriminatory trading conditions.
- Tying.

A restriction on competition can be exempt under section 6 of the Competition Act where certain conditions (identical to those listed in article 101(3) TFEU) can be satisfied.

### **Unilateral conduct**

Section 7 of the Competition Act, which is modelled on article 102 TFEU, prohibits abuse by one or more business undertakings of a dominant position. There are many forms of abuse that are liable to fall within the scope of this prohibition such as:

- Predatory pricing.
- Price squeezing.
- Unfair pricing.
- Price discrimination.
- Rebate systems.
- Refusal to deal.
- Tying.
- Exclusive sales or exclusive purchasing agreements.

On 1 September 2013, new provisions for ensuring neutrality of competition between public and private sector business activities were included in the Competition Act (*sections 30 (a) to 30(d)*). Under these provisions, the FCCA has the authority to intervene in the provision of goods and services in public sector business activities if the used operating models (for example, overpricing) or operating structures (for example, undertakings controlled by the public sector) prevent or distort competition.

In addition, on 1 January 2014, a new section 4(a) was included in the Competition Act, containing a specific definition of a dominant position in the grocery retail sector. Under this provision, one or more business undertakings or an association of business undertakings with a minimum of a 30% market share in the Finnish grocery retail market is deemed to hold a dominant position.

27. Are mergers and acquisitions subject to merger control?

Notification with the FCCA is required when both of the following turnover thresholds are met:

- The combined aggregate worldwide turnover of the parties exceeds EUR350 million.
- The aggregate turnover in Finland of each of at least two of the parties exceeds EUR20 million.

Foreign-to-foreign transactions are subject to the same thresholds and there are no other foreign exemptions.

The FCCA is authorised to intervene in transactions where it assesses that the concentration significantly impedes effective competition in the Finnish market or a substantial part thereof, in particular due to the creation or strengthening of a dominant position. This is the same test as applied by the European Commission.

## Intellectual property

28. Outline the main IP rights in your jurisdiction.

### Patents

**Definition and legal requirements.** To be protected, an invention must:

- Be novel.
- Involve an inventive step.
- Be capable of industrial application.

A patent provides a right to prohibit unauthorised exploitation, including the manufacture, offering, making available, and use, of the patented invention in Finland.

**Registration.** Patent protection is sought by filing an application with the National Board of Patents and Registration (NBPR) or with the European Patent Office (EPO) and it is conditional on grant by the NBPR or the EPO respectively. Finland is also a member to the Patent Cooperation Treaty (PCT). Patent protection for international PCT applications filed via the NBPR, EPO, or World Intellectual Property Organization (WIPO) is conditional on grant by the NBPR.

**Enforcement and remedies.** The Market Court, or subject to leave to appeal to the Supreme Court, may:

- Issue interim injunctions.
- Issue injunctions.
- Order that the infringing product be confiscated or destroyed.
- Award compensation for unauthorised use and/or damages.
- Order disclosure of information on the origin and distribution network of products or services.
- Allow the claimant to publish information regarding the judgment at the defendant's expense.

Patent related criminal proceedings imposing fines or imprisonment are handled at first instance by the District Court of Helsinki.

**Length of protection.** Subject to the payment of renewal fees, protection lasts for 20 years from filing the application. On application, the term of protection for inventions concerning pharmaceutical products and plant protection products may be further extended with a maximum of five years.

### **Trade marks**

**Definition and legal requirements.** To be protected, a sign must be:

- Capable of graphic representation.
- Distinctive.

The right to a trade mark provides an exclusive right to prevent others from using it, or a mark confusingly similar to it.

**Protection.** Trade marks are established through registration with the NBPR or the European Union Intellectual Property Office (EUIPO), or through establishment in Finland. Registrations with the NBPR or the EUIPO are conditional on examination by the NBPR or the EUIPO respectively. Trade mark protection in Finland is also available via the Madrid System of the WIPO. Registration of a trade mark filed as an international application under the Madrid System is conditional on examination by the NBPR.

**Enforcement and remedies.** Enforcement is similar as for patents (*see above, Patents*).

**Length of protection and renewability.** A Finnish trade mark registration expires after ten years from the date of registration and is renewable indefinitely for consecutive ten-year periods. Under the upcoming complete reform of the Trade Marks Act, which will implement the new EU Trade Marks Directive, the initial ten-year period will be calculated from the date of application. Unregistered trade marks are protected if they are established through use.

### **Registered designs**

**Definition.** To be registered, a design, pattern or ornament must both:

- Be novel.
- Have individual character.

The design right provides an exclusive right to prevent others from exploiting it by manufacturing, offering, making available, using, importing, exporting or storing a product based on, or including, the protected design.

**Registration.** Rights to registered designs are sought by filing an application with the NBPR or EUIPO and are conditional on examination by the NBPR or EUIPO respectively.

**Enforcement and remedies.** Enforcement is similar as for patents (*see above, Patents*).

**Length of protection and renewability.** Protection lasts for five years and is renewable for four additional five-year periods.

### Unregistered designs

**Definition and legal requirements.** For unregistered designs, protection is available based on Regulation (EC) No. 6/2002 on Community designs. Unregistered designs are only protected against copying.

**Enforcement and remedies.** Enforcement is similar as for patents (*see above, Patents*).

**Length of protection.** Protection lasts for three years from the date the design was first made available to the public in the EU.

### Copyright

**Definition and legal requirements.** The original and unique expression of an idea, motif or subject of a literary or an artistic work of authorship is protected. The copyright owner has the exclusive right to authorise or prohibit the use of the work through:

- Reproduction of the work.
- Distribution of the work or copies of it.
- Communicating or making the work available to the public.

**Protection.** Protection subsists automatically and does not require registration.

**Enforcement and remedies.** Enforcement is similar as for patents (*see above, Patents*).

**Length of protection and renewability.** As a general rule, protection expires 70 years after the author's death.

### Utility models

Utility models can be protected. They are technical inventions that:

- Comprise a technical solution that can be industrially applied.
- Are novel.
- Distinctly differ from what has become known before the date of filing of the utility model application.

Protection provides an exclusive right to prohibit others from commercially exploiting the technical solution protected by the utility model.

**Length of protection and renewability.** Protection lasts for four years from the date of application and is renewable twice; first for a period of four years and after that for a period of two years.

## Marketing agreements

29. Are marketing agreements regulated?

### Agency

The Act on Commercial Representatives and Salesmen (*417/1992, as amended*) contains mandatory rules on:

- The agent's and the principal's general obligations, such as the duty to disclose information.
- Termination of agency contracts.
- Agents' remuneration and compensation on termination.
- Restrictions on competition.

### Distribution

No statutes specifically regulate distributorships, but a number of statutes indirectly apply to distribution agreements.

### Franchising

No specific statutes regulate franchises, but a number of statutes indirectly apply to franchising agreements.

## E-commerce

30. Are there any laws regulating e-commerce (such as electronic signatures and distance selling)?

In addition to general statutes, the following acts regulate e-commerce:

- **The Information Society Code (917/2014, as amended).** The Information Society Code is an umbrella statute that consolidates, updates and streamlines the regulation of electronic communications. It is the result of a comprehensive reform and entered into force on 1 January 2015. Numerous preceding statutes are incorporated in the Information Society Code. The Code regulates, among other things, the provision and



offering of information society services, including distance selling, information to be provided by the service provider, electronic direct marketing, cookies as well as protection of privacy and information security.

- **The Act on Strong Electronic Identification and Electronic Signatures (617/2009, as amended).** The Act regulates strong electronic identification and electronic signatures, as well as the offering of these services to service providers using them and to the general public.
- **The Consumer Protection Act (38/1978, as amended).** The Act applies to e-commerce and contains requirements on the information to be provided to consumers, both prior to the conclusion of the sales contract and during the order process, as well as with regard to the consumers' right to receive a refund.

## Advertising

31. Outline the regulation of advertising in your jurisdiction.

The Consumer Protection Act (38/1978, as amended) provides the main legal framework for marketing directed at consumers. For example, it prohibits:

- Marketing that is contrary to good practice or otherwise inappropriate.
- Providing false and misleading information in marketing.

The Consumer Protection Act contains a number of specific and mandatory rules on consumer marketing, for example on the information to be included in marketing. In addition, the Consumer Ombudsman issues guidelines on consumer marketing related matters, for example regarding promotional games, giveaways and other additional benefits. These guidelines are not binding but provide an indication of how the supervising authority interprets the Consumer Protection Act's provisions.

Business-to-business marketing is regulated by the Unfair Business Practices Act (1061/78, as amended). Additionally, there are specific rules relating to, among others:

- Electronic direct marketing.
- Marketing in certain media.
- Marketing of certain types of products including alcohol, tobacco, pharmaceuticals and foodstuff.

Special consideration must be given when targeting minors for sales promotion purposes.

The statutory legislation is supplemented by several self-regulatory codes of the International Chamber of Commerce (ICC), most importantly the ICC International Code of Advertising Practice. In the pharmaceutical industry, Pharma Industry Finland, has issued a Code for the Marketing of Medicinal Products. In addition, the Finnish Direct Marketing Association has issued several self-regulatory codes on direct marketing.

## Data protection

32. Are there specific statutory data protection laws? If not, are there laws providing equivalent protection?

The collection, storage and processing of personal data are regulated by the Personal Data Act (523/1999, as amended). The Act on the Protection of Privacy in the Work Environment (759/2004, as amended) regulates the protection of privacy in employment relationships, whereas the Information Society Code (as amended 917/2014) regulates the processing of data in electronic communications.

As of 25 May 2018, the Regulation (EU) 679/2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) becomes applicable and will further tighten the privacy and data protection obligations of undertakings.

## Product liability

33. How is product liability and product safety regulated?

The Product Liability Act (694/1990, as amended) provides for compensation for personal injury and damage caused by a defective product to property where the property is intended, and primarily used, for private use or consumption.

The Consumer Safety Act (920/2011, as amended) applies to consumer goods and services and contains rules on product safety.

## Main business organisations

**Trade Register (Patentti- ja rekisterihallitus) (PRH)**  
W [www.prh.fi/en/kaupparekisteri.html](http://www.prh.fi/en/kaupparekisteri.html)

**Main activities.** This is a public register that contains official information on Finnish companies and other business vehicles.

**Tax Administration (Verohallinto)**

W [www.vero.fi/en-US](http://www.vero.fi/en-US)

**Main activities.** This collects the majority of Finnish taxes and tax-like charges.

**Financial Supervisory Authority (Finanssivalvonta) (FIN-FSA)**

W [www.fin-fsa.fi/en/Pages/Default.aspx](http://www.fin-fsa.fi/en/Pages/Default.aspx)

**Main activities.** This supervises Finland's financial and insurance sectors.

## Online resources

**Finlex**

W [www.finlex.fi/en](http://www.finlex.fi/en)

**Description.** Finlex is the Ministry of Justice's online database, including legislative and other judicial information. Most of the information is only available in Finnish and Swedish. Some translations of Finnish acts and decrees are also available in English and a few other languages.

**Edilex**

W [www.edilex.fi/english](http://www.edilex.fi/english)

**Description.** Edilex is a continuously updated legal information service produced by Edita Publishing Ltd. Edilex offers legal information, mainly in Finnish, including Finland's most extensive database of national legislation, a daily news service, law books, articles, journals and other material. There is a charge for most of the services.

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