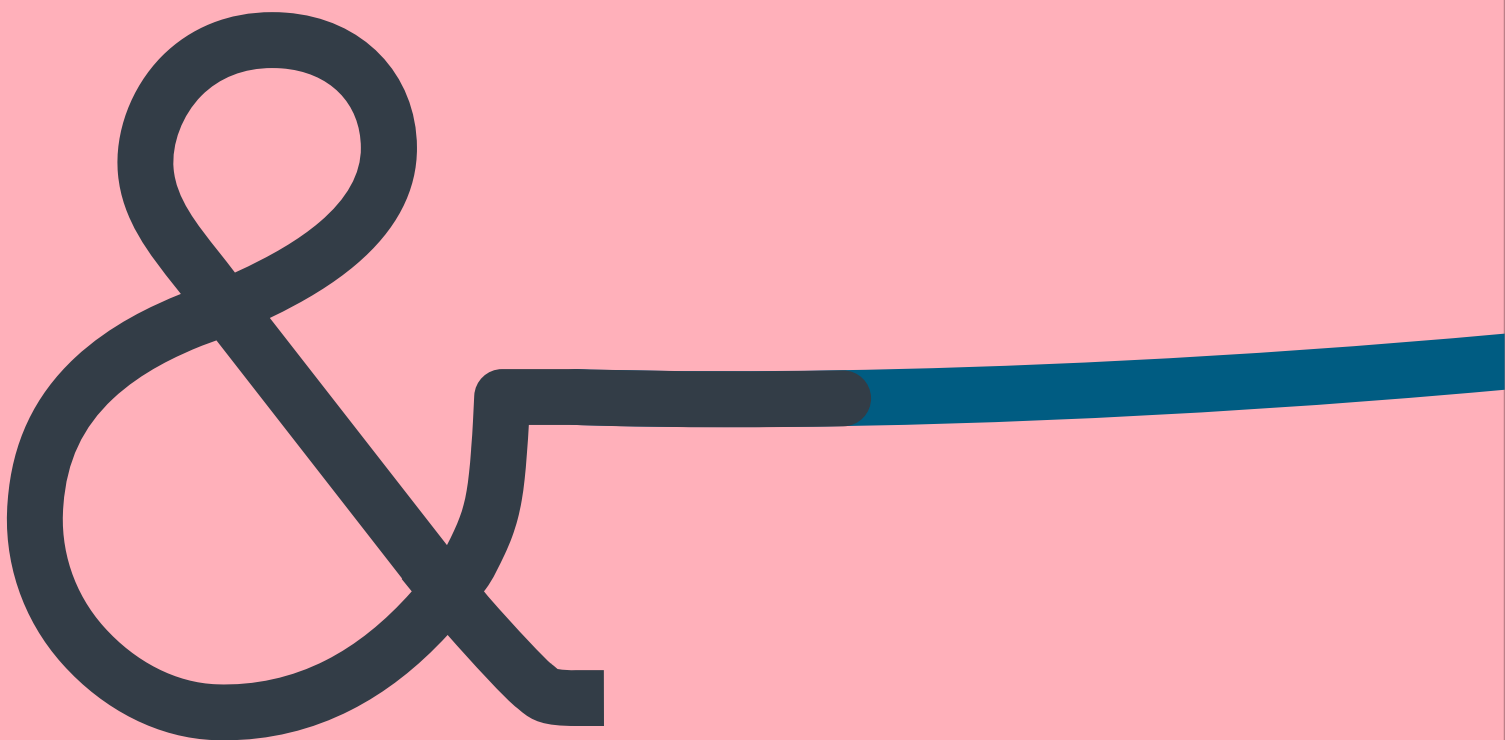


Bird & Bird

# Setting up a business in Finland

*June 2022*



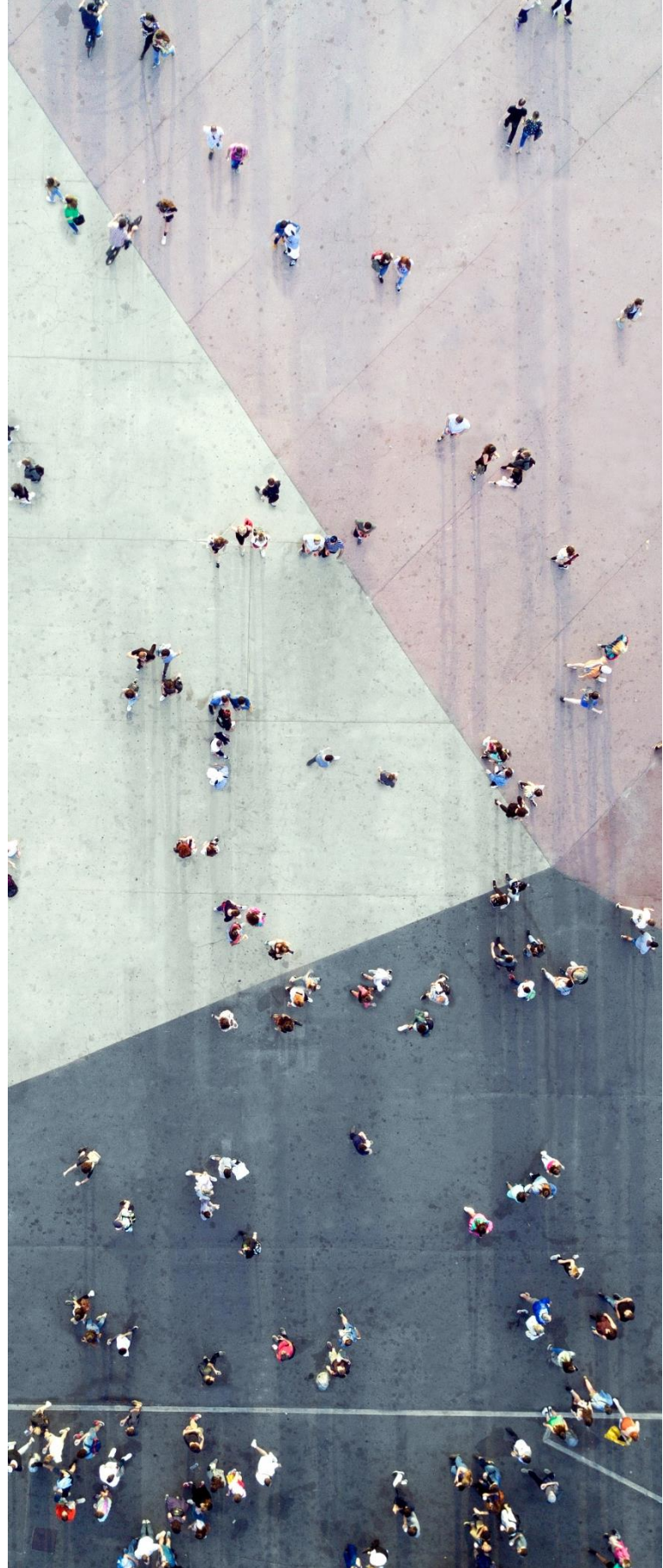


‘This team is really able to have sparring discussions with the client and they participate in finding the real solutions together with the client.’

*Legal 500 EMEA, 2022, Finland*

# Setting up a business in Finland

Finland is a welcoming environment to foreign investors. Finland is an advanced industrial economy with a thriving private sector and a business environment that is highly conducive to foreign investors. The government is business-friendly, and the country has a developed infrastructure, a skilled workforce, and competitive operating costs. As one of the most competitive and open economies in the world, Finland has a great deal to offer for foreign investors.





“They understand well what we do, listen to what we need and consistently provide clear, pragmatic advice grounded in a business context,” remarks one client.

*Chambers Europe 2022, Finland*

## Choice of legal entity

Setting up a business in Finland is quick and easy. A foreign company can carry on business in Finland either by incorporating a registered subsidiary company (in most cases a limited liability company) or by registering a branch in Finland, which is considered as an extension of the foreign company.

Subsidiary	Branch
Separate legal entity to contract.	Branch has no separate legal personality, remains part of the company and contracts as a Finnish branch on behalf of the foreign company. Company accounts show Finnish income.
Limited liability: liability of the shareholders of the company is limited to the payment of the subscription price of the shares (share capital). The minimum share capital is €0.00. In the event the company shall have a share capital, such amount must be paid prior to the registration of the Company. The shareholders are not personally liable for the liabilities of the company.	Parent company retains direct liability.
Incorporation documentation includes Memorandum of Association, Articles of Association and Trade Register Notification with the relevant appendices.	Incorporation documentation includes resolution on establishment of the branch and Trade Register Notification with the relevant appendices, such as extract from parent company's domestic register.
Every limited liability company is obliged to file a standard trade register notification concerning the establishment of the company which includes: <ul style="list-style-type: none"><li>• declaration of the members of the Board of Directors and the Managing Director that the Limited Liability Companies Act has been complied with in the incorporation,</li><li>• in the event the company shall have a share capital, an auditor's statement regarding payment of the share price or if no auditor is appointed, other evidence of payment of the share price,</li><li>• copy of the Articles of Association,</li><li>• original copy of the Memorandum of Association, and</li><li>• receipt showing that the handling fee has been paid.</li></ul>	A foreign company must submit a trade register notification concerning the establishment of its branch before the branch commences its operations. If the company establishing the branch is from a country outside the EEA, it will also need a permit from the Finnish Patent and Registration Office for the establishment of the branch.

Subsidiary	Branch
<p>A company is legally established when it has been entered into the Trade Register.</p> <p>A company may be established online which speeds up the registration process. However, online registration is subject to rather strict requirements, and it is only possible, inter alia, if the Company chooses the standard form Articles of Association, the shares shall not have a subscription price and the share capital shall be €0.00. Furthermore, all the persons signing the Memorandum of Association must be adults and natural persons and have Finnish personal identity codes and their own online banking credentials which are used to verify their identity.</p> <p>Legal fees for preparing the basic incorporation and statutory documents are estimated at €2,500 — 4,500 in addition to the Trade Register costs.</p>	<p>Documents to be attached to the Trade Register notification includes:</p> <ul style="list-style-type: none"> <li>• evidence of the establishment of the branch (e.g., a copy of the minutes of the relevant board meeting),</li> <li>• statement on the election of the representative,</li> <li>• an extract from the register into which the foreign company has been entered in its home state or other statement of the existence of the company,</li> <li>• a Finnish or Swedish-language copy or a legally valid translation of the Memorandum of Association, the Articles of Association, the rules, or other corresponding documents of the foreign company,</li> <li>• the indication of granting of the right to sign the trade name together with the way the trade name must be signed,</li> <li>• if the company establishing the branch is from a country outside the EEA, a statement is required that the establishment of the branch has been authorised,</li> <li>• the indication of the persons authorized to represent the company as a statutory body or as members of such body, and</li> <li>• receipt showing that the Trade Register handling fee has been paid.</li> <li>• If a person who has no Finnish personal identity code and who is not mentioned in the register extract relating to a foreign entity or foundation is reported for entry in the Trade Register, the notification must be accompanied by proof of the existence of that person (e.g., a certified copy of that person's passport).</li> </ul> <p>Legal fees for preparing the basic incorporation and statutory documents are estimated at €2,500 — 4,500 in addition to the Trade Register costs.</p>
<p>Under Finnish law it is not necessary to appoint an auditor, if no more than one of the following three conditions have been fulfilled in both the last completed financial year and the financial year immediately preceding it (1) the balance sheet total exceeds €100,000; (2) net sales or comparable revenue exceeds €200,000; or (3) the average number of employees exceeds three. However, in practice this exception concerns only very small companies.</p>	<p>The trade register notification must also include the personal details of a local representative of the foreign company. The representative is a person who is entitled to receive any summons and other notifications on behalf of the foreign company and its Finnish branch. If the foreign company is founded under the legislation of an EEA-country and has its domicile or head office in an EEA-country, the representative must be resident in the EEA. In other cases, the representative must be domiciled in Finland.</p>
<p>N/A</p>	<p>Parent accounts show revenue of the Finnish branch.</p>

Subsidiary	Branch
<p>The members of the Board of Directors or the Managing Director do not need to be Finnish nationals and no separate permit from the Finnish Trade Register will be required in the event the parties of the management are resident of the European Economic Area. In the event at least one member of the Board of Directors is a resident within the European Economic Area, no permit is needed for the Board of Directors. In other events a separate permit is required.</p> <p>The Managing Director must be a resident of the European Economic Area, if he/she is not, a separate permit is required.</p>	<p>No need for Finnish directors.</p>
<p>Meetings do not need to be held in Finland. However, if the meetings are held abroad, the risk of formation of a permanent establishment (abroad) should be considered.</p>	<p>No need for meetings.</p>
<p>Companies are subject to a proportional corporation tax on worldwide profits and gains. In 2022 the tax rate of companies is 20%.</p>	<p>The country of residence of the company will levy taxes on the total income of the entire company. Double taxation is eliminated in the country of residence of the company by crediting the company in full for the tax paid in Finland.</p>
<p>All documents filed to the Trade Register / Tax Administration registers must be translated into the Finnish or Swedish language.</p>	
<p>Registration is approximately 22 working days from when the notification was filed.</p>	<p>N/A</p>
<p>The regular registration fee for the limited liability company is €380 and the online registration fee for the limited liability company is €240 (each additional auxiliary company name costs an additional €115/€60 respectively).</p>	<p>Regular registration fee for the branch is €380.</p>
<p>Most companies (e.g., limited liability companies are obliged to file a notification of their actual beneficial owners with the Finnish Trade Register.</p>	<p>N/A</p>



Bird & Bird have a global reach, can navigate the issues and implications of a course of action in overseas jurisdictions, and help us drive towards strategic aims in complex areas.”

*Chambers Global, 2022*



# Setting up a business in Finland

## *Taxation*

### Corporate taxation in Finland

Finnish resident companies are subject to Finnish corporate income tax on their worldwide income at the rate of 20%. Taxable income is calculated by deducting losses and tax-deductible expenses from the taxable income. Finnish branches are subject to corporate income tax to the extent the income attributable to the branch. Double taxation is eliminated in the country of residence of the company. Finland does not levy municipal income tax on the income of a company or a branch.

Finland does not have stamp tax but transfers of real estate situated in Finland, shares in real estate and housing companies and shares in other Finnish companies are subject to transfer tax at the level of 1.6% - 4% of the sales price.

### Value-added tax

Value Added Tax (VAT) is a general consumption tax on the consumption of goods and services. The standard VAT rate is 24%. Reduced rate of 14% applies on food and fodder as well as restaurant and catering services. Reduced rate of 10% is applied to several goods and services, for example to books and newspapers, medicines, accommodation services and cultural and entertainment events.

### Payroll taxes and social security contributions

Finnish and foreign employers are obliged to withhold taxes on wages and other remunerations paid to its employees. Work performed in Finland is also subject to social security contributions. Withheld taxes and social security contributions are disbursed to the Finnish Tax Administration, insurance providers and the Employment Fund.

Employees from foreign countries are taxed on income earned within Finland. Finland has several tax treaties which are based on prevention of international double taxation.

### Taxation of individuals

Taxation of Finnish tax resident individuals is divided into earned income and capital income.

Other income than capital income is considered as earned income. Salary and other corresponding income as well as pension and benefit or compensation received in lieu of such income are considered as earned income. Earned income is subject to progressive tax rate up to appr. 56%.

Capital income is income accrued from assets, profit received through transfer of assets and other income generated through the possession of wealth. Dividend income, rental income and capital gains are among other things considered as capital income. The capital tax rate is 30% and 34% for the portion of taxable capital income that exceeds 30,000. Dividend received from an unlisted company is partly tax-exempt.

## *Employment*

### Applicable mandatory law

Most of the relationship between employer and employee in Finland is governed by the Employment Contracts Act (2001/55) which provides mandatory provisions regarding employment relationships. Organisations acting as employers must also comply with other mandatory legislation such as the Working Time Act (2019/872), Annual Holidays Act (2005/162) and Act on Co-operations Within Undertakings (2007/334).

### Employment contract

An employment contract may be oral, written, or electronic. The employer shall present an employee whose employment relationship is valid indefinitely, or for a term exceeding one month, with written information on the principal terms of work by the end of the first pay period at the latest, unless the terms are laid down in a written employment contract. Employment contracts are usually quite broad and cover the general obligations of the employee, working hours, annual leave, health and safety and the employer's responsibility to pay salary. There is no statutory minimum wage in Finland, but collective agreements set minimum rates which cover much of the workforce.

## Foreign employees

Typically, foreign employees from outside the EEA need a work permit to work in Finland. Non-EEA citizens must apply for a work permit generally before arriving in Finland.

## Pension insurance and insurance

An employer must subscribe its employees for pension insurance with a pension provider handling earnings-related pensions. Supplemental pension insurance is optional. The employer must insure its employees against accidents and occupational diseases.

## Commercial Contracts

As with most of the European countries, Finland has a civil law system. There is considerable freedom in Finland for all types of collaboration, licensing, and distribution agreements.

EU legislation applies in Finland and regulates consumer protection, sales agents, distance selling, government procurement, direct marketing, and the privacy of personal data.

Finnish consumer law restricts certain consumer contract terms, including limits on liability.

Finnish and EU competition law prohibits anti-competitive behaviour (e.g., price fixing) where there is an appreciable effect on trade in Finland and/or between EU member states.

## Real Estate

Most companies set up a business in Finland will lease their premises rather than buy them. Leases are usually in effect for a fixed period rather than until further notice, often with break clauses and clauses regarding annual index adjustment of the rent. Leased premises usually require fitting-out by the tenant at its own cost although the landlord may contribute by allowing a rent-free period. The tenant will be responsible for reinstating the premises at the end of the lease unless otherwise agreed separately by the parties. Depending on the contract, the tenant may have an option to extend the term of the lease.

The rent typically consists of capital rent and maintenance rent. The maintenance costs to be included in the basis for the maintenance rent may consist of, inter alia, property maintenance, upkeep & repair, property taxes and insurance, Security, heating cleaning & waste disposal, electricity, water & sewage as well as all other maintenance costs of the property to the extent they are not invoiced from the tenants as compensations for use.

If the entity taking the lease is a company with little or no trading history, the landlord will usually require collateral security, including a cash deposit of 3–6 months' rent and/or a bank or parent company guarantee. The landlord may have applied to be liable to value-added tax in respect of leasing business premises. Therefore, the rent may be subject to VAT and the landlord may require that the tenant undertakes to carry out actions subject to VAT. If a company chooses to buy premises, they need to be aware that property transactions costs include, among others, real property transfer tax (4 % of the property value), registration fees (including notarization of the deed of sale), a registration fee for title, real estate agent commissions, and legal fees if using lawyers in the transaction. The company may instead purchase another company that already owns the property they need, thus avoiding the aforementioned real estate transaction fees.

Foreigners are allowed to buy real estate in Finland, but buyers outside the EU and EEA need permission from the Ministry of Defence of Finland. The Ministry will process permission applications and make decisions on permissions throughout Finland, except for the Åland Islands, where foreigners are restricted from acquiring property.

# Setting up a business in Finland

## *Data Protection/Privacy*

As with all EU member states, the General Data Protection Regulation (GDPR) applies in Finland. Therefore, companies setting up business in Finland must comply with the obligations of the GDPR. The GDPR imposes obligations regarding e.g., transparency (informing individuals) and requires companies to notify data breaches and keep record of data processing activities.

The GDPR allows EU member states to adopt supplementary data protection legislation. The Finnish Data Protection Act (1050/2018) nationally specifies and supplements the GDPR and provides for e.g., legal grounds for processing health data and data related to criminal convictions, requirements relate to Finnish personal identity codes (PIC) and sets the applicable age limit for children.

The Act on the Protection of Privacy in Working Life (759/2004) sets a strict standard for processing employees' personal data in Finland. The Act sets restrictions and additional requirements on technical monitoring of employees, employer's right to access employees' emails as well as on drug testing of employees.

Furthermore, the Finnish legislator has utilized the national discretion in the GDPR, and Finland continues to have several sector-specific rules on data processing that must be considered when setting up business in Finland.

## *Intellectual Property*

Businesses may seek protection of their business and trade names by registering at the Trade Register. In addition, it is recommended that additional protection is sought for the various forms of intellectual property utilized by a business.

In particular, qualifying brand names and other marks should be registered as trademarks. This can be done on a national basis or through the EU trademark system which grants exclusive rights in all EU member states.

Designs, including the appearance, textures, shapes, patterns, and colours of a product, can be protected through design registration in Finland or on an EU-wide basis.

Patents and utility model rights can be applied for to protect technical inventions through a national system. In addition, patents can be applied for through a European-wide single process, although the patents granted are national and are not centrally enforceable.

## *Business Model Design*

Alongside legal challenges, whatever the nature of your international ambitions the planning process requires some key questions to be addressed:

- Is internationalisation a feasible option, and are you ready for it?
- What is your internationalisation strategy, and how will you prioritise which markets to target?
- What business model will be most effective for driving profitable growth?
- Will you require business partners, and how do you plan to find them?
- What will your penetration strategy be for your selected markets?
- How will you build the infrastructure and operating model required to support your move into the new markets?
- How will you execute the plan and implement the business model?

Wherever your starting point, our consultancy arm OXYGY can help you answer these questions and create a fit-for-purpose roadmap to guide your business through its internationalisation journey.

## Contact us

If you would like further information on setting up business in Finland, please e-mail our Set up Desk at [new.company@twobirds.com](mailto:new.company@twobirds.com) and we will contact you within 24 hours.

This summary gives general information only as of June 2022 and is not intended to give comprehensive analysis. It should not be used as a substitute for legal or other professional advice, which should be obtained in specific circumstances.



“Bird & Bird has a solid team with extensive expertise and experience in complex matters.”

*Chambers Europe 2022, Finland*



twobirds.com

Abu Dhabi • Amsterdam • Beijing • Bratislava • Brussels • Budapest • Casablanca • Copenhagen • Dubai  
• Dusseldorf • Frankfurt • The Hague • Hamburg • Helsinki • Hong Kong • London • Luxembourg • Lyon  
• Madrid • Milan • Munich • Paris • Prague • Rome • San Francisco • Shanghai • Singapore • Stockholm  
• Sydney • Warsaw

The information given in this document concerning technical legal or professional subject matter is for guidance only and does not constitute legal or professional advice. Always consult a suitably qualified lawyer on any specific legal problem or matter. Bird & Bird assumes no responsibility for such information contained in this document and disclaims all liability in respect of such information.

This document is confidential. Bird & Bird is, unless otherwise stated, the owner of copyright of this document and its contents. No part of this document may be published, distributed, extracted, re-utilised, or reproduced in any material form.

Bird & Bird is an international legal practice comprising Bird & Bird LLP and its affiliated and associated businesses.

Bird & Bird LLP is a limited liability partnership, registered in England and Wales with registered number OC340318 and is authorised and regulated by the Solicitors Regulation Authority (SRA) with SRA ID497264. Its registered office and principal place of business is at 12 New Fetter Lane, London EC4A 1JP. A list of members of Bird & Bird LLP and of any non-members who are designated as partners, and of their respective professional qualifications, is open to inspection at that address.