Bird & Bird &
Setting up a business in Finland
Bird & Bird LLP are praised for being “extremely well prepared, with the capability to discuss complete agreements in different languages, providing always the best cost-efficient advice.”

Chambers, Global 2018
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.
“Bird & Bird is ‘both big enough to have enough resources and small enough to have flexibility and value for money’.”

Finland, Legal 500 EMEA, 2018
**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.

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate legal entity to contract.</td>
<td>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.</td>
</tr>
<tr>
<td>Limited liability: liability of the shareholders of the company is limited to the payment of the subscription price of the shares (share capital).</td>
<td>Parent company retains direct liability.</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Incorporation documentation includes Memorandum of Association, Articles of Association and Trade Register Notification with the relevant appendices.</td>
<td>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.</td>
</tr>
<tr>
<td>Every limited liability company is obliged to file a standard trade register notification concerning the establishment of the company which includes:</td>
<td>A foreign company must submit a trade register notification concerning the establishment of its branch before the branch commences its operations. If the company opening 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.</td>
</tr>
<tr>
<td>• declaration of the members of the board of directors that the Companies Act has been complied with in the incorporation,</td>
<td></td>
</tr>
<tr>
<td>• 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</td>
<td></td>
</tr>
<tr>
<td>• copy of the Articles of Association,</td>
<td></td>
</tr>
<tr>
<td>• original copy of the Memorandum of Association, and</td>
<td></td>
</tr>
<tr>
<td>• receipt showing that the handling fee has been paid.</td>
<td></td>
</tr>
</tbody>
</table>

Every limited liability company is obliged to file a standard trade register notification concerning the establishment of the company which includes:

- declaration of the members of the board of directors that the Companies Act has been complied with in the incorporation,
- 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
- copy of the Articles of Association,
- original copy of the Memorandum of Association, and
- receipt showing that the handling fee has been paid.

A company is legally established when it has been entered into the Trade Register.

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 social security numbers and their own online banking credentials which are used to verify their identity.

Legal fees for preparing the basic incorporation and statutory documents are estimated at €2,500 – 4,500 in addition to the Trade Register costs.

Documents to be attached to the Trade Register notification includes: evidence of the establishment of the branch (e.g. a copy of the minutes of the relevant board meeting), an extract from the register into which the foreign company has been entered in its home state, 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, the indication of granting of the right to sign the company name together with the manner in which the company name must be signed (e.g. a copy of the minutes of the relevant board meeting) and the indication of the persons authorized to represent the trader as a statutory body or as members of such body.

If a person who has no Finnish personal identity code is reported for entry in the Register, the notification must be accompanied by proof of the existence of that person (e.g. a certified copy of that person’s passport). If the person concerned is mentioned in the extract from the register concerning the foreign company, no other proof of his or her existence is needed.

Legal fees for preparing the basic incorporation and statutory documents are estimated at €2,500 – 4,500 in addition to the Trade Register costs.
<table>
<thead>
<tr>
<th><strong>Subsidiary</strong></th>
<th><strong>Branch</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>N/A</strong></td>
<td></td>
</tr>
<tr>
<td>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 Director 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.</td>
<td>No need for Finnish directors.</td>
</tr>
<tr>
<td>The Managing Director must be a resident of the European Economic Area, if he/she is not, a separate permit is required.</td>
<td>No need for meetings.</td>
</tr>
<tr>
<td>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.</td>
<td>Companies are subject to a proportional corporation tax on worldwide profits and gains. In 2020 the tax rate of companies is 20%. 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.</td>
</tr>
<tr>
<td>All documents filed to the Trade Register / Tax Administration registers must be translated into the Finnish or Swedish language.</td>
<td></td>
</tr>
<tr>
<td>Registration is approximately 14 working days from when the notification was filed.</td>
<td>Regular registration fee for the branch is €380.</td>
</tr>
<tr>
<td>The regular registration fee for the limited liability company is €380 and the online registration fee for the limited liability company is €275 (each additional auxiliary business name costs an additional €100/€60 respectively).</td>
<td></td>
</tr>
<tr>
<td>Most companies (e.g. limited liability companies) are obliged to file a notification of their actual beneficial owners with the Finnish Trade Register by 1 July 2020.</td>
<td></td>
</tr>
</tbody>
</table>
Bird & Bird’s ‘customer-oriented’ team combines ‘high-level business knowledge, with value for money’.

Finland, Legal 500 EMEA, 2018
Setting up a business in Finland

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.

Taxation, social security and pension
As the employer, the company is obliged to withhold tax from salaries paid and to pay the tax and employer’s social security contributions to the tax office. The liability to pay income tax arises when payments of wages, salary, bonus or commission come under the control of the employee. 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.

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 contracts 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.
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 a number of sector-specific rules on data processing that must be taken into account 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 trade marks. This can be done on a national basis or through the EU trade mark system which grants exclusive rights in all EU member states.

Designs, including the appearance, textures, shapes, patterns and colors 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 question 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 and we will contact you within 24 hours.

This summary gives general information only as at March 2020 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 are a “European powerhouse backed up by strong teams across the Middle East and Asia-Pacific regions” that are “strategic thinking and global thinking” with a “very good footprint across the world.”
Setting up a business in Finland

For information on the international legal practice comprising Bird & Bird LLP and its affiliated and associated businesses, our offices, our members and partners, regulatory information, privacy, complaints procedure and the use of e-mail see www.twobirds.com/LN. Bird & Bird LLP, a limited liability partnership, registered in England and Wales with registered number OC340318, with its registered office and principal place of business at 12 New Fetter Lane, London EC4A 1JP, is authorised and regulated by the Solicitors Regulation Authority, whose professional rules and code may be found at www.sra.org.uk/handbook/. A list of members of Bird & Bird LLP and of any non-members who are designated as partners, being lawyers or other professionals with equivalent standing and qualifications, and of their respective professional qualifications, is open to inspection at its registered office. References in this document to “Bird & Bird”, the “firm”, “we” or “our” mean Bird & Bird LLP and the other affiliated and associated businesses authorised to carry the name “Bird & Bird” or one or more of Bird & Bird LLP and those affiliated or associated businesses as the context requires.

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. Any engagement of Bird & Bird arising from the process that incorporates this document shall be on the terms of such engagement. Bird & Bird for itself and for any of its employees, consultants and partners, disclaims liability for the content of this document and any associated oral presentation or related correspondence, or discussions (together “relevant content”), and, in particular, shall have no liability if no engagement arises. Any liability that does arise shall only be to the client to whom Bird & Bird owes a duty of care. If as a client you wish to be able to rely on any relevant content, you should ask for it to be confirmed at or following the time of engagement.

Content of this document is confidential, including the affairs of Bird & Bird, its clients and details of fee rates, and may be proprietary. Bird & Bird is, unless otherwise stated, the owner of copyright of this document, its contents, including strategies, structures and processes disclosed in it. No part of this document may be published, distributed, extracted, utilised, re-utilised, or reproduced by the recipient in any form, except with the written approval of Bird & Bird. If you instruct us in accordance with the proposals set out in this document, we will grant you a non-exclusive, non-transferable, non-sub-licensable licence to make use of documents provided for use, including such strategies, structures and processes, for the purpose for which they were created, but not for any other purpose. We otherwise retain the entire ownership in documents prepared in the course of a matter, except for any intellectual property rights of yours inherent in documents initially provided by you to us.

For information on the international legal practice comprising Bird & Bird LLP and its affiliated and associated businesses, our offices, our members and partners, regulatory information, privacy, complaints procedure and the use of e-mail see www.twobirds.com/LN. Bird & Bird LLP, a limited liability partnership, registered in England and Wales with registered number OC340318, with its registered office and principal place of business at 12 New Fetter Lane, London EC4A 1JP, is authorised and regulated by the Solicitors Regulation Authority, whose professional rules and code may be found at www.sra.org.uk/handbook/. A list of members of Bird & Bird LLP and of any non-members who are designated as partners, being lawyers or other professionals with equivalent standing and qualifications, and of their respective professional qualifications, is open to inspection at its registered office. References in this document to “Bird & Bird”, the “firm”, “we” or “our” mean Bird & Bird LLP and the other affiliated and associated businesses authorised to carry the name “Bird & Bird” or one or more of Bird & Bird LLP and those affiliated or associated businesses as the context requires.

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. Any engagement of Bird & Bird arising from the process that incorporates this document shall be on the terms of such engagement. Bird & Bird for itself and for any of its employees, consultants and partners, disclaims liability for the content of this document and any associated oral presentation or related correspondence, or discussions (together “relevant content”), and, in particular, shall have no liability if no engagement arises. Any liability that does arise shall only be to the client to whom Bird & Bird owes a duty of care. If as a client you wish to be able to rely on any relevant content, you should ask for it to be confirmed at or following the time of engagement.

Content of this document is confidential, including the affairs of Bird & Bird, its clients and details of fee rates, and may be proprietary. Bird & Bird is, unless otherwise stated, the owner of copyright of this document, its contents, including strategies, structures and processes disclosed in it. No part of this document may be published, distributed, extracted, utilised, re-utilised, or reproduced by the recipient in any form, except with the written approval of Bird & Bird. If you instruct us in accordance with the proposals set out in this document, we will grant you a non-exclusive, non-transferable, non-sub-licensable licence to make use of documents provided for use, including such strategies, structures and processes, for the purpose for which they were created, but not for any other purpose. We otherwise retain the entire ownership in documents prepared in the course of a matter, except for any intellectual property rights of yours inherent in documents initially provided by you to us.