



# Year-end Changes in Finland

Summary of the Key Changes 2024–2025



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## Pension and social security contribution 2025

Employer contributions, % of salary	2024	2025	Change
Employers' health insurance contribution	1.16	1.87	0.71
Unemployment insurance contribution (average)	0.82		
• if paid wages do not exceed €2,337,000 per year	0.27	0.20	-0.07
• If paid wages exceed €2,337,000 per year	1.09	0.80	-0.29
• for partial owners of the company	0.27	0.20	-0.07
Employer's pension insurance (TyEL) contribution (average)	17.34	17.38	0.04
Contribution to insurance against accidents and occupational diseases (average).	0.57	0.54	-0.03
Group life insurance (average)	0.06	0.06	
All together (average)	19.95	19.95	-1.14

Employee contributions % of salary	2024	2025	Change
The health insurance premium of the insured party (employee)			
• Daily allowance contribution for income less than €15,703 per year	0.00	0.00	-
• Daily allowance contribution for income of €15,703 or more	1.01	1.06	0.05
• The health care contribution on wage income (included in the employee's tax rate)	0.51	0.84	0.33
Unemployment insurance contribution			
• employee	0.79	0.59	-0.20
• shareholder employee	0.43	0.30	-0.13
Employees' pension insurance (TyEL) contribution (average)	7.45	7.45	-
• employees under 53 years old or 63 years and older	7.15	7.15	-
• employees 53 – 62 years	8.65	8.65	-

## Tax cards 2025

The Prepayment Act has been amended as of 1 September 2024, so that the new basic tax cards will come into effect on 1 January 2025.

The validity period of the basic tax card will be from the beginning of January (1 January) to the end of December (31 December) starting from 2025. However, the basic tax card is valid only until a revised tax card for the same income comes into effect.

If the payer does not know the withholding tax rate, they must apply the withholding tax based on the recipient's tax rate that was in effect at the end of the previous year for any payments made in January.

Tax cards will be sent to income earners in December. The tax card will be available by post and in MyTax. If the wage earner has activated Suomi.fi messages, the basic tax card will only be available electronically in MyTax.

The withholding tax information on the salary tax card can be used by all employers paying wages, even if the employee has multiple employers simultaneously. The tax card has a single income limit, and withholding tax is applied according to the withholding tax rate up to this limit. If the income limit is exceeded, an additional percentage is used.

It is the employee's responsibility to ask the employer to increase the withholding tax rate if necessary or to apply for a revised tax card (especially if there are multiple payers).

The tax card is issued by the Tax Administration. If the taxpayer does not receive the tax card, they are responsible for requesting it from the Tax Administration

However, the employee does not need to present the tax card to the employer if the employer has received the withholding tax information digitally from the Tax Administration.

The payer or an authorised person can obtain the recipient's withholding tax information either through the direct transfer procedure or via the Tax Administration's interface service, Vero API.

The withholding tax rate is 60% if the employer has not received the withholding tax information through the direct transfer procedure or via the Tax Administration's interface service, Vero API and the employee has not provided a tax card.

## Tax-exempt allowances in 2025 for business travel

**Business trip** = a temporary journey undertaken to a specific work location for job-related tasks

**Specific work location** = a place where the employee works temporarily

Employers may pay kilometre allowance and/or per diem allowance for business trips. Tax Administration announces annually the [tax-exempt allowances for business travel](#).

### Allowance per kilometre

When an employee undertakes a business trip using a vehicle they own or control, the maximum amounts for tax-free travel expenses are as follows:

Vehicle (means of transport)	Maximum allowance amounts per kilometre
Passenger car	57 cents per km, raised by: <ul style="list-style-type: none"> <li>• 10 cents for towing a trailer.</li> <li>• 15 cents, if performance of the duties-at-hand requires towing a caravan attached to the car.</li> <li>• 30 cents, if performance of duties requires towing a mobile canteen or other comparable heavy load attached to the car.</li> <li>• 4 cents for transporting machinery or other items in the car; weighing over 80 kilograms, or of large size.</li> <li>• 4 cents, if performance of duties requires the employee to transport a dog in the car</li> <li>• 13 cents for actual kilometres driven on forest roads or road construction sites closed to other traffic if performance of duties so requires.</li> </ul>
Motorboat, up to 50 hp	103 cents
Motorboat, more than 50 hp	149 cents
Snowmobile	142 cents

All-terrain quad bike	134 cents
Motorcycle	45 cents
Moped	24 cents
Other means of transport	14 cents

If other persons, for whose transport the employer is responsible, travel in a vehicle owned or held by the employee, the maximum allowance is raised by 4 cents per km and passenger.

If an employee who receives a company car as a benefit uses this car for business travel and pays for the fuel themselves, the maximum reimbursable fuel cost is 13 cents per kilometre.

## Daily allowances

Payment of the daily allowance i.e. per diem requires that the specific work location is more than 15 km away from the employee's primary workplace or residence, depending on the starting point. Additionally, the specific work location must be more than 5 km away from both the primary workplace and the residence.

### Daily allowances in Finland

Duration of the trip	Maximum per diem €
More than 6 hours (partial amount)	24.00
More than 10 hours (full amount)	53.00
If travel time exceeds the last full day of travel:	
- by at least 2 hours	24.00
- by more than 6 hours	53.00

For any day of travel, when the employee receives free meals, or meals included in the travel ticket, the maximum per diem is half the amount specified above. Free meals comprise two free meals in the case of full per diem, and one free meal in the case of partial per diem.

### Meal Allowance

The maximum amount for the meal allowance is €13.25, or €26.50 for two meals. Payment of the meal allowance requires that no daily allowance is paid for the business trip and that the employee, due to work, does not have the opportunity to eat at their usual dining place during their meal break.

### Overnight Allowance

The maximum amount for the overnight allowance is €16.00. Payment of the overnight allowance requires that at least 4 hours of the travel day qualifying for the daily allowance fall between 21:00 and 07:00, and that the employer does not provide free accommodation or pay an accommodation allowance or a berth fee.

## Daily allowances outside Finland

Examples of maximum per diems payable for business travel outside Finland:

Country or region	Maximum per diem €
United Kingdom	83.00
London and Edinburgh	87.00
Spain	75.00
Japan	69.00
Norway	70.00
France	79.00
Sweden	68.00
Germany	77.00
Denmark	80.00
Estonia	78.00
United States	88.00
New York, Los Angeles, Washington	95.00

The per diem allowance concerns one day of travel i.e., 24 hours from the beginning of a business trip or 24 hours from the end of the preceding day of travel.

The maximum per diem is defined by the country or region where the day of foreign travel ends. If the day of travel ends on a ship or airplane, the amount should be based on the country from where the ship or airplane last departed or, if leaving Finland, where it will first arrive.

## In-Kind Benefits (Fringe Benefits) 2025

In-kind benefits refer to earnings, usually from employment, other than in cash, as part of compensation for work (examples: accommodation, company car, etc.), which are a portion of employment income. Tax Administration will annually make the decision on [the valuation of taxable in-kind benefits](#).

### Mobile phone

The value of an employer-provided mobile (cellular) phone is 20.00 € per month.

### Accommodation and the use of electricity

The tax values of employer-provided accommodation that includes heating, in dwellings with central heating, are as follows:

Region	Value per month € per square meter
Helsinki 1	298.00 + 13.20
Helsinki 2	297.00 + 12.10
Helsinki 3, Espoo, Kauniainen	266.00 + 11.30
Helsinki 4, Vantaa	215.00 + 11.40

Jyväskylä, Kuopio, Lahti, Oulu, Tampere, Turku, other municipalities in Helsinki Metropolitan area, Helsinki's areas other than 1-4	205.00 + 9.60
Other regions in Finland	177.00 + 8.60

The postal codes for each district are listed on the [Tax administration's web site](#)

The 'other municipalities Helsinki metropolitan area' refers to employer-provided accommodation in Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Nurmijärvi, Riihimäki, Sipoo, Tuusula and Vihti.

## Garage

Garage	The value per month in 'Helsinki 1 to 4' districts, Espoo, Kauniainen and Vantaa	The value per month elsewhere in Finland
Heated garage or an indoor space in a parking structure	€91.00	€60.00
An unheated garage or indoor parking space	€60.00	€49.00

## Meals

Employer-provided meals are valued at €8.60 per meal if the employer's direct costs including VAT for providing this benefit are at least €8.60 but not more than €13.70. If direct costs including VAT are less than €8.60 or more than €13.70, the valuation of this benefit must reflect the actual costs including VAT.

### Special cases (institutions, schools, hospitals etc.)

Employer-provided meals are valued at

- €6.45 per meal for personnel working in a hospital, school, day care centre, or other similar institution, and eating at the institution
- €5.16 per meal for personnel supervising the mealtimes of students or patients in a school, day care centre or other comparable institution
- €7.31 per meal for hotel and restaurant staff and flight crews during flights.

### Lunch voucher or other similar payment method

If it is not connected with a special agreement with a restaurant on furnishing meal services for the staff, the value of a benefit given in the form of a lunch voucher or other similar method of payment with the maximum nominal value of €13.70 is 75 percent of nominal value and at least €8.60. If the voucher's nominal value exceeds €13.70, its taxable in-kind benefit value will equal its nominal value.

- Employees only can use the voucher to pay for meals and meal delivery, i.e. no money, food ingredients or other commodities are given in return. If the voucher does not fulfil these requirements, it must be valued at nominal value.
- An employee can only receive one voucher per actual working day in Finland, on the condition that the employer has not made any other arrangements regarding daily meals.



## Payment card, other targeted payment instrument

When using a targeted payment instrument, the valuation is 75% of the balance loaded by the employer, but at least €8.60 per day. This is provided that the payment instrument is charged €8.60–€13.70 per meal and that it is loaded with a maximum of €13.70 per actual working day in Finland.

Otherwise, it functions the same as a voucher:

- No cash back, no groceries, etc.
- No need to account for the remaining balance at the end of the year when the benefit is given for working days
- Can also be used to pay for transportation costs in 2025.

## Car benefit

If an employee or their family uses the employer's car or van for private journeys, the benefit received by the taxpayer is considered a car benefit.

**Unlimited benefit** = the employer pays the costs associated with the car.

**Limited benefit** = the employee pays at least the running costs of the car.

The compensation paid by the employee to the employer for the car's costs is deducted from the monetary value of the free car benefit or the car usage benefit.

The value of the car benefit is calculated as a percentage of the new purchase price based on the year of first registration noted in the car's registration certificate, plus a fixed amount.

Age group	Year of the car's initial registration		Monthly value of the benefit
Age group A	2023–2025	Unlimited benefit	1.5% of the replacement price of the vehicle + €285.00 or 19 cents/km
		Limited benefit	1.5% of the replacement price of the vehicle + €105.00 or 7 cents/km
Age group B	2020–2022	Unlimited benefit	1.2% of the replacement price of the vehicle + €300.00 or 20 cents/km
		Limited benefit	1.2% of the replacement price of the vehicle + €120.00 or 8 cents/km
Age group C	Vehicles put into service before 2020	Unlimited benefit	0.9% of the replacement price of the vehicle + €315.00 or 21 cents/km
		Limited benefit	0.9% of the replacement price of the vehicle + €135.00 or 9 cents/km

## Company car benefit received in another country (vehicles put on the road before 2008)

	Monthly value	Value based on a driver's log or other reliable record provided by the taxpayer or the tax authorities	
	€/month	Basic value €/month	+ value €/km
Unlimited benefit	744.00	264.00	0.32
Limited benefit	444.00	264.00	0.12

**For following vehicles, the taxable value of an unlimited company-car benefit is reduced:**

- For all-electric vehicles, either 8 cents per kilometre or €120 from the monthly value is subtracted.
- Either 4 cents per kilometre, or alternatively €60 from the monthly value, is subtracted for plug-in hybrid vehicles including gasoline-electric hybrids and diesel-electric hybrids, and for vehicles running on methane-based natural gas.

## Temporary tax changes related to cars

### Tax value of an all-electric car

For a vehicle given to an employee as a company-car benefit, with emissions of carbon dioxide equalling 0 grams per kilometre, the tax value is reduced by €170 per month

- applies to both unlimited benefit and limited benefit
- applies to both basic value and value per kilometre
- applies to cars where the vehicle registration in Finland has been obtained for the first time in 2020 or later
- Valid from 2021 to 2025.

### Other Low-Emission Company Cars

The taxable value of a company car is reduced by €85 per month if the car's carbon dioxide emissions are at least 1 g/km and at most 100 g/km.

- Applies to hybrids and gas-powered cars.
- Applies to both unlimited benefit and limited benefit
- Applies to cars first registered in Finland in 2021 or later.
- Valid from 2022 to 2025.

[In-Kind Benefits \(Fringe Benefits\) 2025 - vero.fi](#)

## Changes in Labour Legislation in 2025

Expansion to local collective bargaining agreements coming into effect on 1 January 2025

From the beginning of 2025, workplace-specific local agreements will also extend to non-unionised sectors. In other words, going forward, employers who are not members of their own employer association will also have the opportunity to negotiate different working conditions, just as those employers who are members of their own employer association have been able to do previously. The scope of representation on the employees' side will also be expanded.

## Potential Changes in Labour Legislation in 2025

- Possibility to make a fixed-term employment contract for one year without a specific reason.
- The notice period for layoffs may be shortened to seven days, and this can be followed regardless of the provisions of the collective agreement.
- Change to sick pay: the first day of sick leave would be a self-funded day, during which the employer is not obliged to pay wages unless otherwise agreed in the collective or employment contract. The self-funded day would not apply to sick leaves of five days or longer, nor when the incapacity is due to a work accident or occupational disease.
- The grounds for individual dismissal may be changed so that in the future, only a valid reason is needed, rather than a valid and weighty reason.
- The scope of application of the Cooperation Act will be raised from 20 employees to 50 employees.
- The re-employment obligation related to economic and production-related dismissals will be removed for companies with fewer than 50 employees.

## Pay Transparency Directive

- A directive, or legislative instruction, is a regulation of the European Union that obliges member states to amend their legislation.
- The legislator's duty is to implement the content of the directive into their national legislation, but each member state can choose the form and means of implementation. Thus, national legislations may differ from each other.
- Compare with EU Regulations (such as GDPR) - directly applicable law nationally. The national legislator may not enact legislation that deviates from the regulation.
- The directive only concerns pay differences and possible pay discrimination between women and men.
- It does not concern differences between other groups such as age, nationality, or new vs. "old" employees.
- The directive applies to employers of all sizes in both the private and public sectors.
- An employee refers to all individuals who have a valid employment or official relationship. For example, it does not apply to temporary agency workers employed by a company.

### **A few points to note already:**

- Salary does not need to be disclosed in job advertisements in the future.
- Employees or staff representatives, such as shop stewards, will not have the right to know an individual employee's salary from the employer in the future.
- The legislative changes required by the directive must be made to Finnish legislation so that they come into force by June 2026 at the latest.
- As of this writing (19 December 2023), legislative work has not yet begun in Finland.
- Preliminary information on the content of the law may be available as early as 2024.
- The law is likely to be passed by Parliament in 2025 and come into force in the spring of 2026.

**ACTION PLAN:** Wait for more detailed information on the legislative changes. For example, Azets will provide updates on them.

## **Special Considerations Related to Financial Statements**

### **Continuity of Operations and Disruptions**

When preparing the financial statements, the conditions of going concern must always be considered. Particularly in the 2020s, the COVID-19 pandemic and the war in Ukraine, along with the resulting high inflation rate and the rise in general interest rates over the past couple of years, may have adversely affected companies' operating conditions. If, for whatever reason, challenges to the company's operating conditions are expected over the next 12 months, the notes to the financial statements should point out this issue.

### **Increased depreciation 2020-2025**

In 2019, the Finnish Parliament enacted a law (1572/2019) that allows a maximum of twice the depreciation of the acquisition cost of machines, equipment and other comparable movable assets compared to regular depreciation. Increased depreciation is possible for machines and equipment that are used in the company's business operations (or agriculture), acquired and put into use between 2020 and 2025. It is possible to make an increased 50% residual cost depreciation for such items.

It should be noted that increased depreciation is also possible to only be done in some years during the validity period of this law. For example, in the commissioning year 2023, a normal 25% residual cost depreciation can be made, but in the following year 2024, an increased residual cost depreciation can be made for such an asset up to 50%. These commodities must be tracked in taxation, and therefore in accounting, as separate items, so they must be recorded in their own account or tracking object. A sale of such a commodity will be treated separately from the rest of movable assets.

### **Distribution of funds from SVOP investments**

Distributing funds from SVOP funds (sijoitetun vapaan oman pääoman rahasto, invested unrestricted equity fund) is taxed as dividend by default. However, under certain conditions, SVOP can be distributed as a return of capital rather than a dividend: the taxpayer will be refunded the capital investment made by the taxpayer in the company if the capital investment was made within ten years of the date of

distribution. In addition, the taxpayer must provide a statement of compliance with the conditions set out in Article 45a of the Income Tax Act, which is submitted in the tax return.

In the context of the financial statements, it is therefore useful to examine whether the ten-year period for the SVOP investment is about to expire and to consider whether the company is able to return the SVOP investment before the ten-year period expires. This is a good point to discuss with Azets' accountant. Returns of older SVOP fund investments are taxed as dividends.

For accounting purposes, it is important to keep close track of SVOP investments and to identify who made the investment and when, in order to demonstrate that the conditions for capital gains tax are met. Decisions on SVOP investments should also take this into account.

In November 2023, the Tax Administration updated its guidance on the subject, clarifying the accounting requirements for monitoring investments and adding a completely new chapter on the directed distribution of assets from the SVOP fund. If the conditions set out in the guidance are met, a directed distribution from an SVOP fund can be taxed like any other SVOP return, i.e. as a dividend or as a disposal, depending on the situation. The Tax Administration's guidance is available only in Finnish and in Swedish.

### **Allowable losses from previous years**

Confirmed losses in company income taxation can be carried forward for a maximum of 10 years, after which the losses cannot be used to reduce the amount of taxable income. The confirmed losses can be checked from the latest tax decision.

If there are expiring losses which cannot fully be utilized, there are certain options to try to optimize taxation. One option is to utilize so-called shelf write-offs in accounting depreciations. Shelf depreciations mean that depreciations are made to the full extent permissible in accounting but not fully utilized in taxation. These "shelved" depreciations are then usable in future years' taxation.

Capital losses on the disposal of other property are deductible from capital gains on the disposal of other property only in the tax year and for the following five years. Such losses are also visible in the tax decision.

Under restrictions on net interest expenses deductions in Finland, there is no specific expiration period for such net interest expenses that were not deducted in previous tax years. Net interest expenses that were subject to the interest deduction restriction in previous years can be utilized whenever and after the net interest expenses deducted for the tax year. It is advisable to be particularly careful regarding the deductibility of net interest expenses, as an incorrect deduction in the tax return will directly result in a tax increase.

### **Incorrect tax return results in tax increase**

The amount of the tax increase is typically 2% of the additional income in cases of incorrect tax returns. A tax return is considered incorrect if the loss for the tax year is reported too high or the taxable income for the tax year is reported too low. However, the amount of the tax increase can vary between 0.5% and 10% of the additional income, depending on the facts and circumstances of the case.

### **Notifications for ultimate beneficiaries**

Most companies are required to make a notification of so-called ultimate beneficiaries and keep the record up to date in the trade register. All limited liability companies (osakeyhtiö, "oy") are required to give the notification. Private entrepreneurs and trader companies do not send in a notification.

Beneficiary information must be given on persons who directly or indirectly own the company or make actual decisions in the company. The threshold for notification is when a person owns 25 per cent of shares or votes in a company, either formally or through a shareholder's agreement.

A company's board of directors is responsible for the notification. Financial statement is a good time to check whether the ultimate beneficiary information is up to date. Auditors have a responsibility to flag false or expired beneficiary information.

**It is important to keep in mind that the Finnish Patent and Registration Office (PRH) can remove a company from the trade register or place it into liquidation phase if the company fails to report its beneficiary information despite repeated requests.**

## **Transfer pricing within affiliated parties**

When preparing the financial statements, it is highly advisable to ensure that the transfer pricing of intra-group transactions within the group companies is at arm's length. Transactions within the group, such as services, goods, assets, rights in intangibles, and any intra-group loans, should be priced at arm's length value, even between affiliated parties within the domestic market.

Inconsistent transfer pricing of intra-group transactions always carries the risk that tax authorities in one or more countries may become willing to scrutinize the transfer pricing model applied within the group. There is a risk of transfer pricing adjustments to be made by the tax authority if the group's transfer pricing is not considered to be in line with the arm's length principle.

It is often possible to obtain a reasonable overview of the arm's length nature of the group's transfer pricing model and the systematic nature of the transfer pricing policy with a relatively light review.

If needed, Azets' tax experts are happy to assist with any questions related to transfer pricing for group companies, validating the arm's length nature of transfer pricing, and potential communication with tax authorities.

## **Review of consolidated assets and liabilities and financial position before the financial statements**

It is advisable to review the situation of group companies well before the end of the financial year. If the group companies operate "independently" in such a way that their financial situation affects financing, tenders, etc., the following measures should be considered:

- offsetting group receivables and payables
- payment of group debts before the end of the financial year, if the cash situation permits
- intra-group dividend distribution and payment of dividends before the end of the financial year
- planning of items affecting the parent company's net assets
- the use of group contribution system in Finland

Note: A board-level decision must be made by both the company granting the group contribution and the company receiving it during the financial year from which the group contribution is intended to be distributed.

## **Applying for an additional prepayment tax before the end of January - avoid interest**

By paying an additional prepayment tax, you can reduce the future residual tax and thus avoid paying the late-payment interest with relief altogether. If you complete your tax by the end of January, you do not have to pay the late-payment interest with relief, as it only starts to accrue from the beginning of February. For companies, the interest-free payment of the additional prepayment is possible in the month following the end of the financial year. You can apply for an additional prepayment tax in MyTax.

The amount of the late-payment interest with relief imposed on the residual tax is reduced by €20, up to the amount of the interest. If the additional tax payable does not exceed approximately €650, payment of the residual tax may be a more advantageous option than payment of the additional prepayment tax.

For more information, see the Tax Administration's [website](#).

## **Key Corporate Tax Law Changes for 2025**

### **Changes to VAT Rates from 2025 onwards:**

Changes to the VAT rates will take effect from January 1, 2025. Goods and services currently subject to the reduced 10% VAT rate will be moved to the reduced 14% VAT rate. This change does not apply to newspapers, magazines, or public broadcasting.

From 2025, the 14% VAT rate will apply to the following goods and services:

- Books (printed and electronic publications), medicines
- Sports services, e.g., sales of game and gym sessions and ski lift tickets
- Access to cultural, entertainment, and sports events
- Passenger transport (buses, trains, taxis, domestic air transport)
- Accommodation services (hotels, motels, camping sites, etc.)
- Fees received by performing artists, athletes, or other public performers, if the recipient is VAT-registered

Additionally, items such as menstrual products and children's diapers will be moved from the 25.5% rate to the reduced 14% VAT rate.

The VAT rate change will generally be applied on an accrual basis. The delivery time of the goods and the time of service performed will normally determine the applicable VAT rate. Goods are considered delivered when they are handed over to the buyer.

If the service is still being performed when the VAT rate changes, the rate at the time-of-service completion will apply. If an advance payment has been received for the sale of goods and/or services, the VAT rate at the time of payment receipt will apply. An advance payment means a situation where the payment has been received by the seller before the goods are delivered or the service is performed.

It is important to note that the obligation to pay tax does not determine the VAT reporting period. For example, you may need to report 10% sales for January or 14% sales for December.

For discounts, bad debts, and other adjustments, the accrual basis is also generally applied, meaning the VAT rate in effect when the goods were originally delivered, or the service was performed is used. Long-term discounts, such as annual discounts, are allocated to different VAT rates based on the passage of time, unless the seller demonstrates another basis for allocation.

## **Changes to VAT for Small Businesses in 2025**

Changes to VAT for small businesses will take effect from January 1, 2025, based on the EU's Small Business Directive.

The lower limit relief for small businesses will be removed from 2025. The lower limit relief has been a tax relief for companies registered for VAT with an annual turnover of less than 30,000 euros. Small businesses can still apply for the lower limit relief for the year 2024.

The threshold for minor business activity will increase from 15,000 euros to 20,000 euros starting in 2025. With this law change, turnover will always be assessed based on the calendar year's turnover instead of the current fiscal year's turnover. Therefore, a small business does not need to register for VAT if its calendar year turnover is less than 20,000 euros.

When assessing whether the threshold for minor business activity has been exceeded, the turnover of the current calendar year and the previous calendar year will be considered. If the 20,000-euro threshold for minor business activity is exceeded in 2024, the company will be liable for VAT in 2025 as well.

The company must monitor its turnover and register for VAT once the threshold for minor business activity is exceeded.

## **Voluntary VAT System for Small Businesses' EU Sales for Companies Engaged in International Trade**

The scope of the tax exemption for minor activities is expanding to include companies established in another EU member state.

A company with a turnover of up to 100,000 euros within the EU can benefit from the tax exemption, provided its sales do not exceed the national threshold for minor activities in the destination country, for example, the 20,000-euro threshold in Finland. The company must register for the EU sales VAT system in its country of establishment. Companies are responsible for monitoring the thresholds themselves.

Companies established in Finland can submit a pre-registration notification for the small business EU sales VAT system in MyTax (Finnish Tax Administration's e-system) starting from January 1, 2025. This means the company would not have a VAT registration obligation in the destination country of the sales.

The company will be registered in a separate identification register of the Tax Administration and will receive a unique identification. A company registered in the system will submit a small business EU sales report for each quarter i.e. once every three months.

## **Global Minimum Taxation for Corporations (OECD Pillar II)**

The OECD's BEPS project developed the Pillar II regulatory framework, which addresses the global minimum taxation of income for multinational groups, regardless of the countries where the group entities are domiciled. This change introduces a new globally assessed minimum tax for large groups.

The new top-up tax ensures that the minimum tax rate for low-taxed constituent group entities is raised up to 15%. The top-up tax is imposed either on:

- the parent entity based on the Income Inclusion rule (IRR), or
- other constituent entities based on the Undertaxed Profits rule (UTPR).

The minimum taxation regulation applies to global MNEs whose annual income according to the consolidated financial statements exceeds EUR 750 million during at least two of the four accounting periods preceding the fiscal year in question. Domestically low-taxed group entities are required to submit



a top-up tax return in Finland. Other group entities must give notification to their home country's tax authorities.

The first return must be submitted within 18 months from the end of the accounting period 2024. The Finnish Tax Administration will provide more detailed guidance on submitting the top-up tax return during 2025.

For more information on the Pillar II framework in Finland, please see the Finnish Tax Administration's [guidance](#).

## **Taxation of Rental Income from Farm field and Forestland Changes in 2025**

Starting in 2025, rental income from land areas will no longer be included in agricultural income. Instead, farmers will report rental income from agricultural and forest land, as well as other comparable compensations, on their personal pre-filled tax returns.

However, rental income from buildings, structures, and building sites, as well as rental income from agricultural machinery, will continue to be reported on the agricultural tax return. Rental income from forestry and other similar compensations will be reported on the pre-filled tax return in the same manner as other rental income.

## **Reduction in the household expenses deduction from 2025**

Starting in 2025, the maximum amount for deduction of the household expenses will be reduced to EUR 1,600 per person per year, and the own share will increase from EUR 100 to EUR 150.

The deduction percentages for the household expenses will change as follows:

- When purchasing services from a company, the deduction will be 35% of the share of the labour work.
- When hiring an employee directly, the deduction will be 13% of the paid salary (including other employer contributions).

The year in which the invoice is paid, or the salaries are paid determines the year for which the household expenses deduction is granted.

The maximum amount (EUR 3,500) and percentages (60% when purchasing from a company / 30% of paid salaries plus other employer contributions) for the deduction related to the abandonment of oil heating will remain in effect until the end of 2027.

## **Eligibility for combined deduction based on research and development costs**

The Act on additional deductions based on expenses of R&D activities (1298/2022) entered into force at the beginning of 2023. It will be applied for the first time in tax year 2023 for the general additional deduction and in tax year 2024 for the extra additional deduction.

The general addition deduction is 50% of the taxpayer's own R&D expenditure on salaries and purchased services (note: not on social security contributions). The maximum amount of the additional standard deduction for a tax year is EUR 500 000 and the lower limit is €5,000.

In addition, the taxpayer has the possibility for an extra additional deduction based on the increase in research and development activities compared to the previous year. The amount of the extra additional deduction is 45 % based on the actual increase in expenditure on salaries and purchased services for R&D activities. Also, the maximum amount of the extra additional deduction for a tax year is €500,000. However, there is no minimum limit.

To qualify for the combined R&D deduction, R&D activities must be creative, systematic, and aimed at achieving something substantially new. The results of R&D activities should be transferable and/or replicable, and there should be uncertainty regarding their success.

During the 2023 tax year, it has been observed that, for instance, that operate under technology industry may have faced challenges in presenting the grounds for the combined R&D deduction. There is a risk that the Finnish Tax Administration may interpret the conducted development activities as standard R&D activities, which would not meet the requirements for the combined deduction on R&D activities.

We are happy to assist with evaluating for the eligibility and planning of the combined R&D deduction.

For more information on the combined deduction for the research and development activities, see the Finnish Tax Administration's [guidance](#).

## **New tax on mined minerals**

From the beginning of 2024, a new tax on mined minerals will enter into force on mining minerals extracted in Finland. The mining companies will have to register with the Tax Administration before starting mining operations. The last date of registration for existing operators is 1 March 2024. The mining mineral tax is a self-assessed tax, and its tax period is the calendar year.

## **Legislative changes impacting businesses**

### **New Trade Register Act**

As of 2024, the changes in the new Trade Register Act authorise the PRH to order your company into liquidation or remove it from the Trade Register if the company does not submit beneficial owner details or rectify incorrect details despite requests to do so.

As of 2025, the PRH can impose a fee on companies that do not remedy incomplete or incorrect register information, despite PRH's notifications. A fee can be imposed if, for instance, an address is missing, or the register details include errors.

The Patent and Registration Office (PRH) can impose the following penalties on companies.

- A late fee if the company does not register its annual accounts with the Trade Register within eight months of the end of the financial year
- Financial statements submitted up to 2 months late: €150
- Financial statements 2 to 4 months late: €300
- Financial statements more than 4 months late or not registered at all: €600

- The fee is doubled:
  - if the company is a public limited company or a European Company
  - if the annual accounts for two or more consecutive financial years have not been registered in time
- From 2025, a default fee if the company has not corrected errors or omissions in the trade register data despite a request from the PRH.
- Initially €300, but €600 for public limited companies and SEs.

As of 2026 companies must annually review their details in the Trade Register. As of 2027, the PRH can impose a fee, if the details in the Trade Register are not reviewed. However, the Government's proposal for amendments to the Trade Register Act may affect the timing of the obligation to verify trade register data and postpone it to 2027.

More information on the subject can be found at the website of PRH: [PRH - Trade Register - New Trade Register Act](#)

## **Government proposes amendments to the Trade Register Act - Restoration to the Trade Register and termination of liquidation**

Government proposal HE 193/2024 vp proposes the addition of provisions on the termination of the liquidation, or restoration to the Trade Register on application of a company or cooperative which has been ordered to be wound up or deleted from the Trade Register on the basis of failure to comply with the notification obligation.

The Act would apply to obliged entities that has been ordered to be wound up or removed from the Trade Register from the beginning of 2023.

The entry into force provision of the Trade Register Act is proposed to be amended so that the provision on the reviewing the up-to-dateness of register information would only apply in 2027 instead of 2026.

The proposed law is currently under discussion. It is intended to enter into force as soon as possible, but no later than 1 March 2025.

## **Government Proposal for a law on a tax credit for large investments aimed at building a climate-neutral economy**

The draft law is under preparation, and its introduction to Parliament is scheduled for week 51 of 2024. The law is intended to enter into force as soon as possible after it has been approved and ratified, and after the European Commission has approved the proposed state aid. The date of entry into force would be determined by regulation.

According to the proposal, the right to the investment tax credit must be applied for in advance, and the credit must be granted by the end of 2025. Business Finland will begin accepting applications as soon as possible after the government proposal has been submitted.

Eligible investments for the tax credit could include investments in renewable energy, excluding electricity production, as well as renewable energy storage. Investments aimed at reducing greenhouse gas emissions and energy consumption in industrial processes, and investments in certain strategic sectors essential for the transition to a climate-neutral economy, may also qualify.

## **Enabling Debt-to-Equity Conversion in Corporate Restructuring**

A working group is preparing legislative amendments to enable debt-to-equity conversion in corporate restructuring, in line with the Orpo Government Programme.

Currently, a company's ownership structure cannot be reorganized during corporate restructuring without the consent of its owners. Under the debt-to-equity conversion outlined in the Government Programme, part of a company's debt could be converted into shares of the debtor company, even without the consent of the shareholders.

The objective is to support the realization of restructuring goals, improve the options for reorganizing the capital structure of companies facing financial difficulties, and prevent unnecessary bankruptcies.

Additionally, the initiative aims to enhance the competitiveness of Finnish companies issuing bonds in international markets and to promote access to international debt financing in Finland.

The term of the working group and the supervisory group evaluating its work is from November 28, 2023, to December 31, 2024. The proposed amendments are expected to be presented to Parliament in week 35 of 2025.

## **Act Amending the Limited Liability Companies Act: Gender balance in Boards**

Publicly listed companies must fulfil the obligations by no later than June 30, 2026.

The basis for these requirements is Directive (EU) 2022/2381, which aims to promote gender balance among the members of the governing bodies of publicly listed companies and includes related measures.

The goal for publicly listed companies is to ensure that at least 40% of the board members belong to the underrepresented gender if:

- The company's average number of employees during the last completed financial year and the preceding financial year exceeded 250, and:
  - The company's reported balance sheet total exceeded €43 million; or
  - The company's reported turnover exceeded €50 million.

The target number for members of the underrepresented gender must be calculated according to the method specified in the annex to the law.

## **Amendment to the Business Prohibitions Act**

It is proposed that in the future, criminal conduct in business or a business prohibition imposed in a country within the European Economic Area could be considered in the overall assessment of whether a business prohibition should be imposed in Finland.

The proposed law is intended to come into effect as soon as possible, but no later than January 1, 2025. The basis for the law is Directive (EU) 2019/1151.

The proposed law is intended to come into effect as soon as possible, but no later than January 1, 2025. The basis for the law is Directive (EU) 2019/1151.

At the same time, the exchange of information between member states will be enhanced.

## **Digital Product Passport in preparation**

The digital product passport is based on the Ecodesign for Sustainable Products Regulation (ESPR), which came into force on July 18, 2024.

The first digital product passports will be introduced in the EU region no earlier than 2027. It is estimated that over 14 billion products will need to have a digital product passport by 2030.

The goal of the product passports is to encourage companies and consumers to make more sustainable choices and products.

Through the product passport, consumers will receive information about the product's value chains: including raw materials, materials, carbon footprint, usage methods, and recyclability.

In companies, the product passport can be implemented, for example, as a QR code.

The Commission is preparing for the implementation of the digital product passport. This includes approving rules for identifiers and data carriers, defining access rights, and establishing a registry and website.

## **BEFIT Directive Proposal**

Status: Proposal under review.

The directive is intended to come into force in the member states starting from July 1, 2028.

### **BEFIT Framework**

- Mandatory for groups with a total turnover of at least 750 million euros.
- For smaller groups, it would be voluntary.
- The tax base for groups operating in the Union would be calculated according to uniform accounting rules.
- The profits of group companies established in the EU would be consolidated into a single tax base, which would be allocated to member states according to a specific formula. Taxes would then be collected according to national corporate tax rates.
- The Commission's plan is to harmonize and simplify corporate taxation.
- Harmonization of corporate taxation, uniform rules for calculating the corporate tax base for companies operating in the internal market.

## **Commission Proposal on Transfer Pricing**

Status: Proposal under review.

The directive would apply to groups that are:

- Registered in one or more member states;
- Taxable in one or more member states, including permanent establishments.

The OECD Transfer Pricing Guidelines would be incorporated into Union law to achieve a uniform interpretation of the arm's length principle.

The aim is also to eliminate the risk of tax disputes and double taxation. Additionally, the goal is to reduce opportunities for using transfer pricing for aggressive tax planning.

The directive is intended to come into force in the member states starting from January 1, 2026.

## **The Head Office Taxation proposal for SMEs**

Status: Proposal under review.

The directive would apply to SMEs engaged in cross-border activities through permanent establishments. SMEs within the scope of the directive proposal would only need to comply with the tax regulations of their home country and would not have to follow the tax regulations of the countries where their permanent establishments are located.

For example, SMEs could calculate the taxable income of their permanent establishments by following only the tax legislation of their head office. The aim of the proposal is to simplify the taxation of SMEs and reduce the administrative costs associated with taxation.

The directive is intended to come into force in the member states starting from January 1, 2026.

## **Sustainability Reporting Directive ("CSRD")**

The Sustainability Reporting Directive came into force in January 2023.

The obligations will enter into force on a staggered basis. The first to be subject to disclosure will be listed large companies, which will have to publish their sustainability data for 2024 in 2025. From 2025, all listed large companies with more than 250 employees will be subject to reporting. From 2026 onwards, small and medium-sized enterprises of public interest will also be subject to reporting. Finally, from 2028, third country companies with a turnover in the EU of more than 150 million will also be subject to the obligations.

More information on the Sustainability Reporting Directive can be found on the Government [website](#). The page in question is unfortunately only available in Finnish.



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For any questions relating to any year-end changes or other legal matters, you can always contact Azets legal services team at [legalservices.finland@azets.com](mailto:legalservices.finland@azets.com)