

# Doing Business in Finland

## Part 1 of 3: About Finland



**SCANDICORP**  
YOUR LINK TO NORDIC BUSINESS

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# Scandicorp Corporate Services

SCANDICORP offers efficient business solutions for companies and individuals wishing to establish a business presence in the Nordic countries. We have accumulated several years of experience that enables us to assist individuals, SMEs and large multinationals to gain access to the many opportunities in international business that the Nordic countries have to offer, including:

- ✓ Company formation and related management services
- ✓ Local Directors and registered address services at prestigious addresses
- ✓ International tax planning
- ✓ Corporate administration and Business Support Services
- ✓ Accounting, payroll and introductions to external auditors
- ✓ Introductions to Banks, law firms and other professionals
- ✓ Assistance with local language related matters





## Overview

Finland (Finnish name Suomi) is a republic which became a member of the European Union in 1995. Finland is bordered by Sweden to the west, Norway to the north, Russia to the east and by Estonia to the south across the Gulf of Finland. The population is circa 5.5 million. Helsinki, the capital, has 590,000 residents and if one includes its neighboring areas, the Greater Helsinki region's population is about 1.4 million. By area Finland is the fifth largest country in Western Europe – 338,440 km<sup>2</sup> with a population density of 17.9 inhabitants per km<sup>2</sup>.

Forests cover three quarters of the country's surface area. Other outstanding features of Finland's scenery are around 190,000 lakes and almost as many islands and skerries. The principal archipelago and the self-governing province of the Åland Islands lie off the south-west coast while the main lake district, centered on Lake Saimaa, is in the east. The climate of Finland varies between cold winters and fairly warm summers.

## Finnish Business Services

*SCANDICORP is able to assist and guide clients wishing to establish a presence in Finland.*

Finland's central location in Northern Europe, its full membership in the European Union, its long-established connections to Russia, the Nordic and Baltic countries and experience in doing business with them are just some of the reasons why Finland is an ideal base for your business in this fast-growing Northern market area with over 80 million consumers.

Finland offers many opportunities for success, boasting both a highly educated and reliable work force and an infrastructure which functions exceptionally well. Finland also has a tradition of ranking high in the annual Global Competitiveness Reports published by the World Economic Forum.

Finland has traditionally been a small, open economy with a large export sector in relation to GDP. Finland, together with the other Nordic countries, is generally associated with high taxes, especially on the personal level. However the general corporate tax rate is today at a moderate 20%.

SCANDICORP, based in the heart of Helsinki, as well as in Stockholm and Oslo, close to all major banks and professional firms will be happy to guide you through the process of establishing a business presence in Finland.





Finland was a part of the Kingdom of Sweden until 1809 when Sweden surrendered Finland (its eastern provinces) to Russia and the Czar declared Finland an autonomous Grand Duchy. The Russian era ended in 1917 when Finland declared its independence.

Finland has two official languages, Finnish and Swedish, the latter spoken as a mother tongue by about 5 % of the people. The official status of Swedish has historical roots in the period when Finland was a part of the Swedish realm, a period that lasted from the early 13th century until 1809. Another indigenous language is Sami, spoken within the small community of Sami people in Lapland (also known as Lapps). English has become the most popular foreign language and is widely spoken.

***While Finland is an attractive, efficient base for Northern European business it is also a knowledge centre offering world-class skills, research and development in cutting edge technologies, telecoms, e-business, software and semiconductor development, ship building, forestry, biotechnology, industrial design, and logistics. This is the place for international logistics centers, business/academic partnerships, expertise and innovation.***



## Economy

Finland has transformed its economy in a matter of decades to become one of the richest countries and most stable societies in the world. In the 1950s the Finnish economy was still largely based on primary production and an agrarian workforce. Today Finland has a highly industrialized, largely free-market economy with per capita GDP almost as high as that of Austria, Belgium, the Netherlands, or Sweden. Trade is important, with exports accounting for over one-third of GDP in recent years.

Finland is historically competitive in manufacturing. Finland excels in export of technology for mobile phones as well as promotion of startups in the ICT, gaming, cleantech, and biotechnology sectors. Except for timber and several minerals, Finland depends on imports of raw materials, energy, and some components for manufactured goods. Because of the climate, agricultural development is limited to maintaining self-sufficiency in basic products. Forestry, an important export industry, provides a secondary occupation for the rural population. The largest sector of the Finnish economy is services at 65%, followed by manufacturing and refining at 31%. Primary production is at 3%. Finland's main industrial products are paper and board, electronics and metal products. Engineering and high technology industries are the leading branches of manufacturing.



*Finland is one of the leading countries in Internet use. Today, there are more mobile phones than land line subscriptions.*

*Finland used to be one of the best performing economies within the EU before 2009 and its banks and financial markets avoided the worst of global financial crisis. However, the world slowdown hit exports and domestic demand hard in that year, causing Finland's economy to contract from 2012-15. The recession affected general government finances and the debt ratio.*

*Finland's main challenges will be reducing the relatively high labor costs and boosting demand for its exports. In the long term, Finland must address a rapidly aging population and decreasing productivity in traditional industries that threaten competitiveness, fiscal sustainability, and economic growth. The depreciating ruble and Russia's general economic slowdown has dampened exports to Russia.*





Multiparty coalition governments, the prevailing type, usually include two of the large parties. The present government was formed by a coalition consisting of the Centre Party, The National Coalition Party and the True Finns. The leader of the Government, the Prime Minister, normally comes from the party with the most seats in parliament. Finland's present constitution, adopted in 2000, allocates more power to the Prime Minister than its predecessor did.

## Government and politics

The head of state is the President of the Republic who is elected for a period of six years and may serve a maximum of two consecutive terms. The President is chosen by direct popular vote, with a run-off between the two leading candidates if no candidate wins an overall majority in the first round of voting. In 2000, the Finns elected their first female president, Tarja Halonen who was re-elected in 2006 for another 6 year term. The current president and head of state is Mr Sauli Niinistö who was elected in early 2012.

The Government must enjoy the confidence of parliament (the Eduskunta) which has 200 members elected every four years. In recent decades, the three biggest parties in parliament have consistently been the Social Democratic Party, the Centre Party, and the moderate conservative National Coalition Party.

In the last two elections a new populist and nationalist party known as the True Finns has gained popularity at the expense of the larger parties. In its foreign policy Finland promotes sustainable development, stability and security in the international community and endeavours to strengthen Finland's international position. Finland attaches special importance to principles such as democracy, the rule of law and human rights, in line with long-established Nordic values.

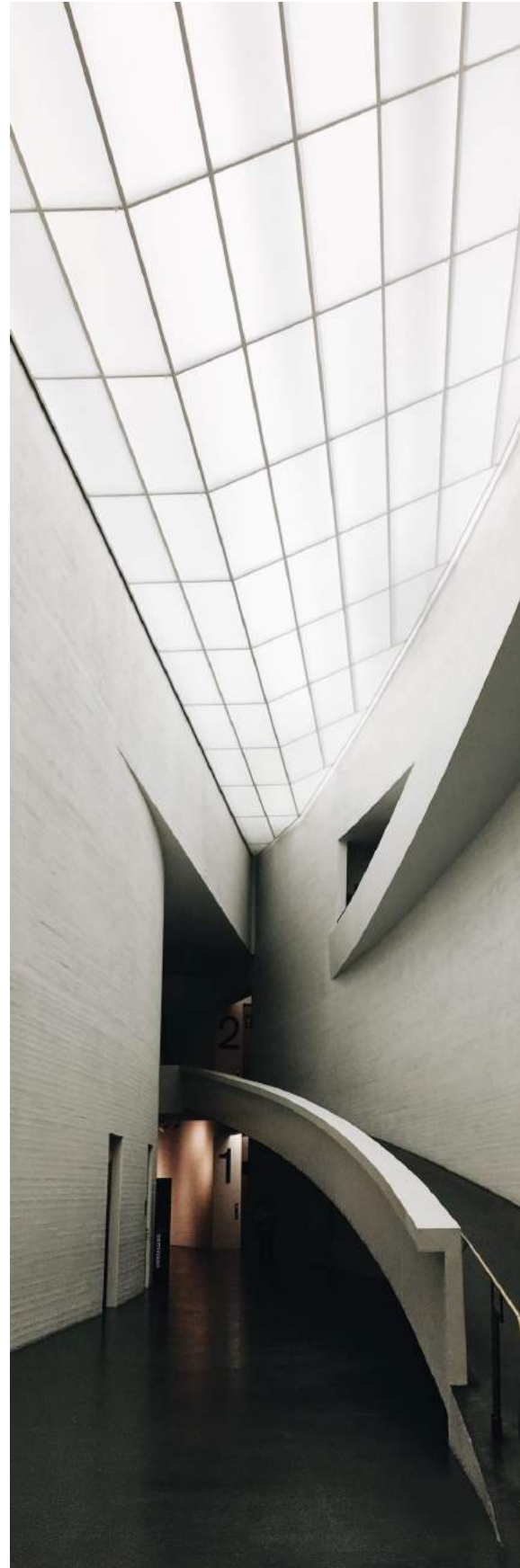


As a member of the European Union since 1995, Finland is part of an influential body in world politics. Finland is an active member of the Union and supports a further strengthening of its Common Foreign and Security Policy, including its capability to act in crisis management.

Finland's foreign and security policy is based on military non-alliance and credible national defence. Finland cooperates with NATO in the Partnership for Peace programme. Finland is well represented in the UN civil service in proportion to its population and belongs to several of its specialised and related agencies. Finnish troops have participated in United Nations peacekeeping activities since 1956, and the Finns continue to be one of the largest per capita contributors of peacekeepers in the world. Finland is an active participant in the Organization for Security and Cooperation in Europe (OSCE).

Finland is also a member of the International Bank for Reconstruction and Development, the International Monetary Fund, the World Trade Organization, the International Finance Corporation, the International Development Association, the Bank for International Settlements, the Asian Development Bank, the Inter-American Development Bank, the Council of Europe, the Organisation for Economic Co-operation and Development and the Nordic Council.

The government views entrepreneurial activity as the bedrock of Finland's competitiveness and is committed to providing companies with the best possible operating environment. Finland's economic policy aims at improving productivity through the utilization of new ideas, the creation and rapid adoption of new technology, a highly skilled workforce and the intelligent organization of work.





## Laws, Regulations and Standards

The legal system is characterised by civil law tradition originates from the period of Swedish rule. The autonomous status that Finland enjoyed during the 19th century allowed also for legislative self-determination. Hence, virtually nothing of the legal tradition of Russia remains, while Finland continues to display the characteristics of a continental legal tradition, with influences in statutory law and jurisprudence from Scandinavia and particularly from Germany. EC law is directly applicable in Finland and takes precedence over national legislation. All businesses operating in the Finland are subject to the laws of the country in which they operate.

Finland has long had a policy of minimising bureaucracy and deregulating marketplaces in order to generate competition, improve customer services and allow companies with good business models to develop and expand. There is no legislation restricting foreign investors in Finland. Foreign investment in manufacturing, R&D and internationally traded services on the contrary is encouraged. Foreign companies and individuals may in general establish or acquire businesses in the Finland and buy securities, land or mortgages without a special license.





There are no exchange controls regarding payments into or from Finland. There are nevertheless strict laws governing employment, industrial emissions, pollution monitoring and control, and waste disposal. Financial transparency is a requirement of limited companies which must submit independently audited annual reports to the Company Registry and Tax authorities. Smaller companies may be exempt from the requirement to appoint an auditor. To protect shareholder interests, there are more stringent annual reporting guidelines for publicly limited companies (PLCs). Finland's court system consists of two separate branches, the general courts and the administrative courts.

As a rule, matters concerning relations between natural or private legal persons are subject to the jurisdiction of the general courts, and matters regarding the application of administrative law generally fall within the administrative court's jurisdiction. Criminal matters are handled by the general courts. The courts of each branch are organised into a three tiered hierarchy. In addition, there are various courts with special jurisdiction in civil cases such as the Insurance Court, the Market Court and the Labour Court.



<b>Facts and Figures</b>	<b>(2015)</b>
<b>Official name</b>	Finland, Suomi in Finnish language
<b>Capital city</b>	Helsinki
<b>Other main cities</b>	Espoo, Vantaa, Turku, Tampere and Oulu
<b>Time</b>	UCT + 2hrs (UTC + 3 hrs during summer)
<b>Population</b>	5,500,000
<b>Official Languages</b>	Finnish and Swedish
<b>Currency</b>	Euro (€ / EUR)
<b>GDP</b>	EUR 207 billion
<b>GDP per capita</b>	EUR 37,827
<b>GDP growth</b>	0,5%
<b>Inflation</b>	-0.2%
<b>Exports</b>	37% of GDP
<b>Top import sources</b>	Germany, Sweden, Russia, Netherlands and China
<b>Top export markets</b>	Germany, Sweden, Russia, United States and Netherlands
<b>Religion</b>	The Evangelical Lutheran Church is the country's biggest denomination while a fraction of Finns belongs to the Finnish Orthodox Church. Both denominations are designated as state religions.
<b>Area size</b>	338,145 sq. Kilometres





## People

Generally speaking, Finland is a country where considerable weight is attached to the spoken word — words are chosen carefully and for the purpose of delivering a message. Indeed, there are very few other culture-specific considerations that visitors need be aware of. Finns place great value on words, which is reflected in the tendency to say little and avoid ‘unnecessary’ small talk. As the Chinese proverb puts it, “Your speech should be better than silence, if not, be silent.” Finnish customs and manners are clearly European, with only a few national variations, and attitudes are liberal.

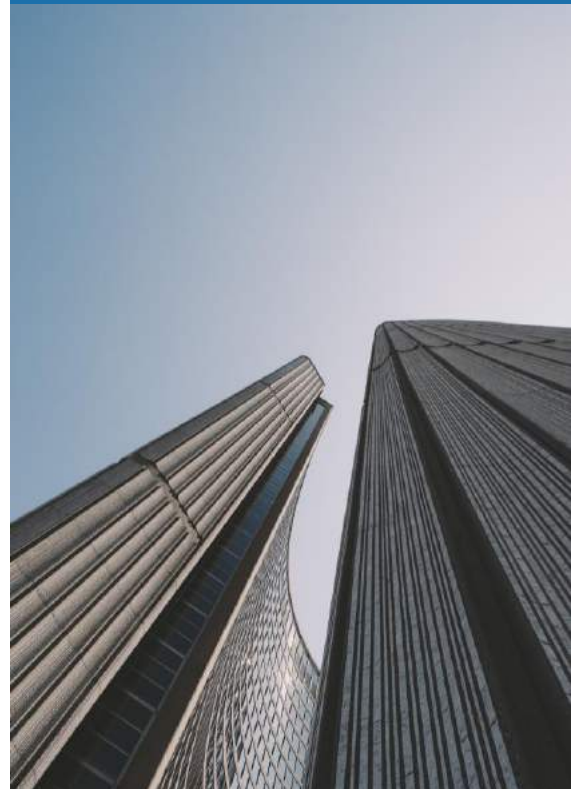
There is very little chance of a visitor committing fundamental social gaffes or breaches of etiquette that would fatally damage relations between himself and his hosts. Such breaches are viewed by Finns with equanimity if committed by their own countrymen and with understanding or amusement if committed by foreigners. Codes of behaviour are fairly relaxed, and reputations — good or bad — are built up over time as the result of personal actions rather than conforming to certain norms or standards. It is difficult in Finland to make or break a reputation on a single occasion.



Finns have a very strong sense of national identity. This is rooted in the country's history — particularly its honourable wartime achievements and significant sporting merits — and is today nurtured by pride in Finland's high-tech expertise. Although Finns are not generally well versed in the history of other countries, they may well be disappointed if a visitor proves to be unfamiliar with the turning points of Finnish history or the sports careers of Finnish athletes. Visitors would be well advised to know something about the achievements of Finnish rally drivers and Formula 1 stars, and would be expected to know that football players Jari Litmanen and Sami Hyypiä are Finns. Culturally oriented Finns will take it for granted that like-minded visitors are familiar not only with Sibelius but with contemporary composers and orchestra conductors.

English and Swedish are widely spoken in Finland and are very common in the business world; some international Finnish companies even use English as their house language. German is less common, although many Finns in their 60ies or older may have learned it as their first foreign language at school. French, Spanish and Russian form a growing part of the linguistic repertoire.

***Finland is a nation with 1.5 million saunas — learning to bathe in the sauna comes as naturally as learning to speak. The real Finnish sauna has nothing in common with massage parlours and their likes. Mixed bathing is rare — men and women usually bathe separately. The sauna is also one of the few places where Finns will forget about work and talk about something else.***

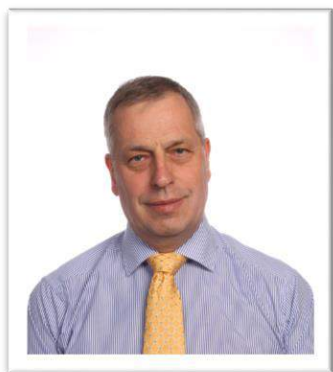




## About Scandicorp

Scandicorp is a Scandinavian corporate services provider specializing in corporate solutions and company management services. We assist international and domestic clients to structure and administer corporate entities in Scandinavia and throughout Europe. More specifically, Scandicorp assists clients to set up and manage efficient Nordic corporate structures according to individual requirements, while always remaining compliant. Scandicorp has a fresh and transparent approach towards its business relationships and aims to be a trusted partner for individuals and companies looking to start or grow a business in the Nordic countries.

*Disclaimer: Whilst every effort has been made to ensure that the details contained herein are correct and reflect the conditions at the time of publishing (October 2016), it does not constitute legal or professional advice. SCANDICORP does not accept responsibility, legal or otherwise, for any errors or omissions.*



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