

# Doing Business in Finland

## Part 2 of 3: Setting up a Business in Finland



**SCANDICORP**  
YOUR LINK TO NORDIC BUSINESS

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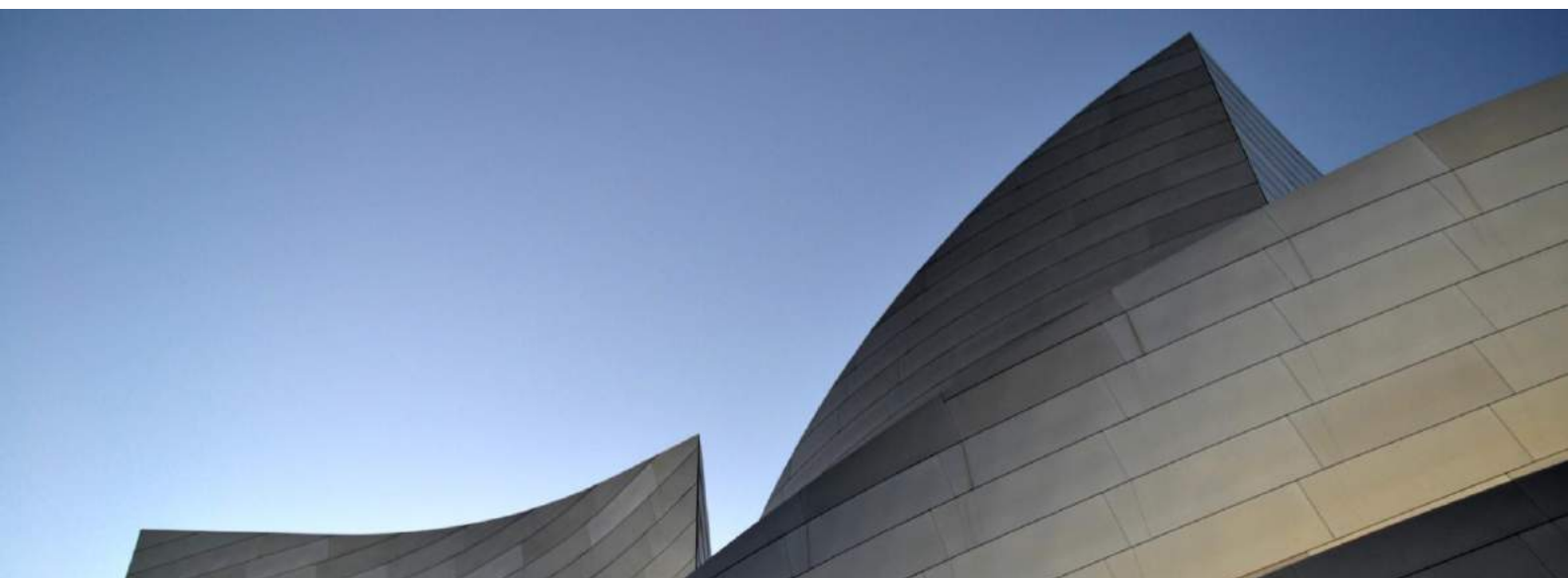
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# Scandicorp Corporate Services

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 which enable 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.

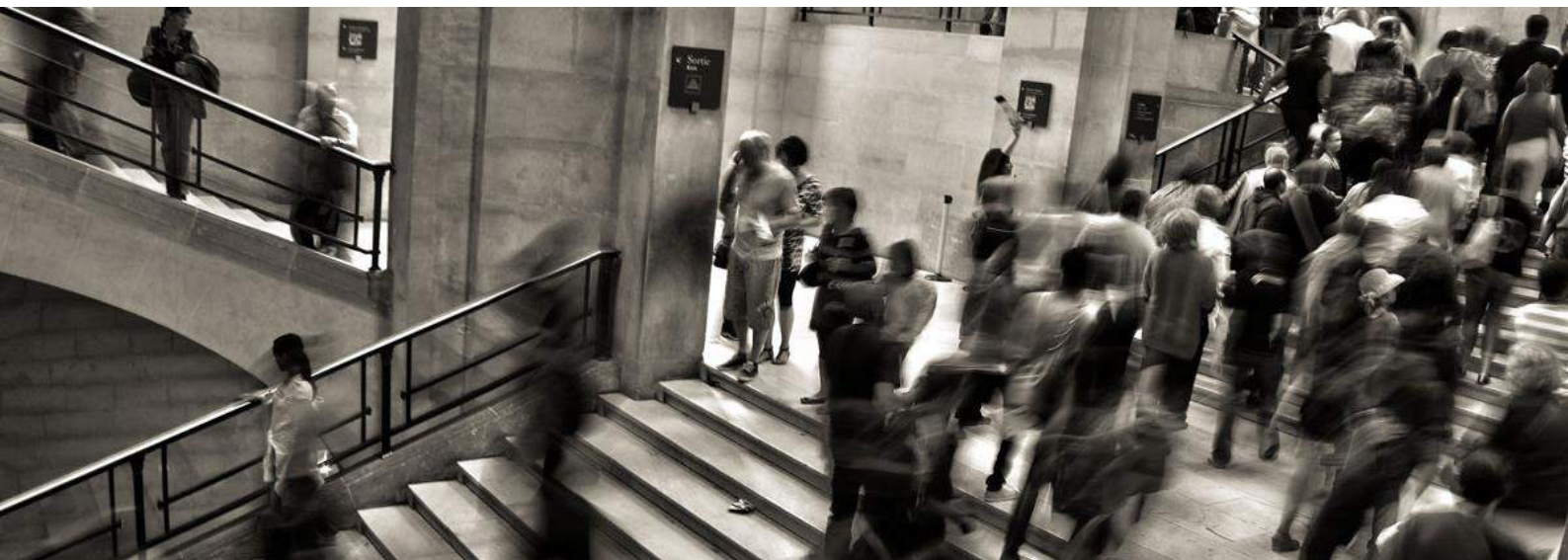
Finland has traditionally been a small, open economy with a large export sector in relation to GDP. Finland, together with the other Nordic countries, is generally associated with high taxes, especially on the personal level. However the general corporate tax rate is today at a moderate 20%.

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.



## We can also provide the following business support services:

- ✓ Registered office address facilities
- ✓ Professional directors and nominee shareholders
- ✓ Company secretarial services
- ✓ Company administration services
- ✓ Assistance in the day to day management of the company
- ✓ A turnkey administrative service for client companies
- ✓ Assistance in opening and operating bank accounts
- ✓ Trading and letter of credit services
- ✓ Accounting, financial reporting and consolidation
- ✓ Payroll and VAT matters
- ✓ Virtual office services
- ✓ The preparation of management and statutory accounts
- ✓ Liaison with external auditors
- ✓ Arranging for the provision of legal and taxation advice and opinions
- ✓ Intellectual property, trade mark, patent and royalty work
- ✓ Issues relating to work permits and immigration
- ✓ Property





## Aspects to consider for a limited company

### 1. Registration formalities

A limited company may be established by one or more natural or legal persons (founders). At least one of the founders must be a resident in the European Economic Area, unless an exemption has been sought. The nationality is irrelevant.

A limited company must be registered at the Trade Register of the National Board of Patents and Registration within 6 months of signing the memorandum of association. The formal incorporation of a company occurs through registration. The share capital must be paid in full before filing the registration. The memorandum of association, articles of association and the minutes of the founding meeting and Board meeting must be attached to the registration forms. Registration usually takes between two and six weeks from submitting the application. The company may start trading before formal registration but with unlimited liability.

### 2. Shared capital

The required minimum paid-up share capital is €2,500 for private limited liability companies, and €80,000 for public limited liability companies. There is no limitation on maximum share capital. Shares can be issued for non-cash considerations. A statement from an independent auditor is required for the valuation of such considerations in kind.

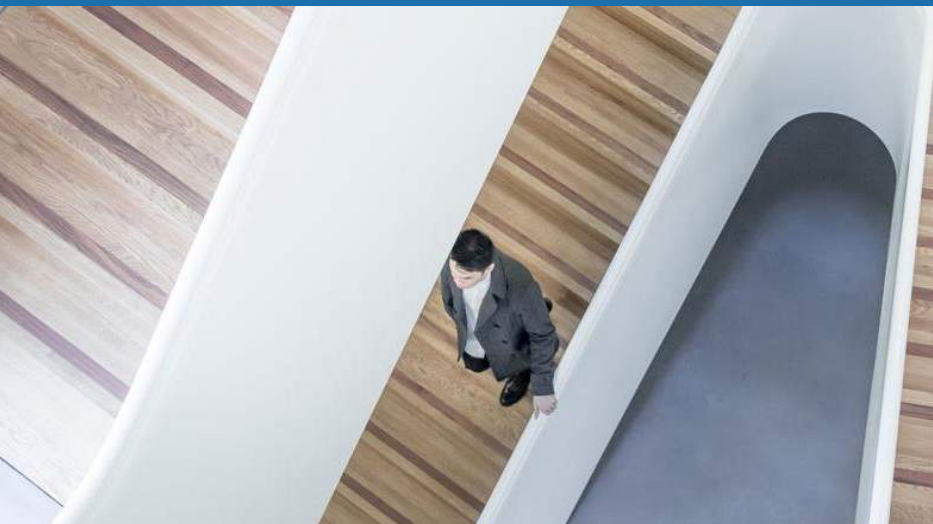


### 3. Restrictions of rights attached to shares

All shares carry equal rights in the company, unless otherwise provided in the company's articles of association. Different classes of shares are possible but the voting power of one class of shares may not exceed that of another by more than 20:1. "Preference shares" with reduced voting power but better right to dividends, are also possible. There are no restrictions on foreign shareholders.

### 4. Management structure and foreign directors

The management of a limited liability company vests by law in the company's Board of Directors (the Board), which is also entitled to represent and sign for the company. A board must consist of at least three members, unless a company's share capital is less than €80,000 in which case the Board may consist of one or two ordinary members and at least one deputy member. A limited company with a share capital of €80,000 or more must appoint a managing director. At least half of the Board members and the managing director must be resident in the EEA, unless the Ministry of Trade and Industry grants an exemption.



*The Board is responsible for the management and proper arrangement of a company's operations while the managing director is in charge of the day-to-day management in accordance with instructions and orders given by the Board.*

The Board is responsible that a statement of the annual accounts and auditors' report is presented to the shareholders in their annual general meeting.



## 5. Directors' liability

The managing director and members of the Board must act in the best interest of the company, and in accordance with both the articles of association and the Companies Act. They are liable to compensate;-

- a) the company for damages caused deliberately or through negligence by them in their respective positions;
- b) the shareholders or third parties for damage caused by breaches of the articles of association or the Companies Act. Directors can incur criminal liability for the breach of the Companies Act or Securities Markets Act and other legislation.

## 6. Shareholders and parent company liability

Shareholders or a parent company are not generally liable for the debt of the company/subsidiary unless guarantees have been given for such liabilities. Shareholders liability is limited by paid capital.

## 7. Reporting requirements

All limited liability companies must submit a copy of their annual accounts to the trade register and tax office. Employers and/or VAT registered companies must file monthly or quarterly returns to the tax office.





## 8. Selecting a business name

Before the establishment documents have been completed and the company has applied for entry in the trade register, a business name must be selected for the enterprise. The business name must identify the business and be distinct from the business names already in the register.

The company may use auxiliary business names to carry on a part of its activities.

### *Parallel business names*

The business name may have parallel business names in different languages, which are translations of the business name in Finnish or Swedish. The expressions in different languages must be similar in content. Both the actual business name and the auxiliary business names may have parallel business names.

### *Trade mark registration*

The business name must not be such that it can be confused with a protected business name, a secondary symbol or trademark. Anything that may be interpreted as another person's last name or professional name, or the name of a protected literary or artistic work, may not be used as part of the business name without the appropriate consent.

Protected national or international appellations or abbreviations of names may not be used as part of the business name without consent; and the business name may not be contrary to good practice or public order, or misleading to the public.

Business names are registered in Finnish or Swedish in the trade register maintained by the National Board of Patents and Registration. Although the validity of a business name cannot be examined in advance, it is possible to verify that an identical business name has not already been registered or that its registration is not pending. The name will only be investigated and its validity approved after the notification has been filed with the trade register. The exclusive right to use the business name is effective as of the date the notification is filed with the public authority stipulated in section 10 of the Business Information Act, provided the business name is registered in its presented form.

Although the company name is registered either in Finnish or in Swedish, it can contain an indication of corporate form also in other languages besides Finnish or Swedish.

## 9. Electing an auditor

Larger companies need to appoint an external auditor, while smaller companies that do not meet the set criteria, may voluntarily appoint an external auditor.

The Audit act regulates the audit principles, the obligation to have an authorized auditor and the authorization requirements. The Central Chamber of Commerce supervises the auditing profession. The Authorized Public Auditors are authorized by the Central Chamber of Commerce.

An authorized public auditor must be appointed by companies which exceed two out of the three following criteria in both the past completed financial year and the financial year immediately preceding it:

- ✓ Balance sheet total exceeds €100,000
- ✓ Net sales or comparable revenue exceeds €200,000
- ✓ Average number of employees exceeds three

## 10. Licensed trades

Licensed trades are governed by acts and decrees which stipulate the licensing authorities. In some cases a licence is not required, but the individual/corporation must deliver a written notification to the appropriate authorities. Licences are usually granted by the State Provincial Office of the area in which the business is established.

A copy of the licence granted is attached to the trade register notification. If a licence has not yet been granted, the applicant may file the basic declaration with the trade register and deliver a copy of the licence to the trade register once the licence has been granted.



*Licensed trades include (the licensing authority is given in brackets);-*

- ✓ Inspection of motor vehicles (Finnish Vehicle Administration AKE).
- ✓ Production, import, export, wholesale, special sale and usage subjected to the licensing of alcoholic beverages and spirits, as well as production, import, wholesale and usage subjected to license (Product Control Centre for Social Welfare and Health).
- ✓ Production, import, distribution and selling, as well as other types of release to consumption, of medicines, and pharmaceutical companies, pharmaceutical wholesalers and pharmacies engaged in the aforementioned activities. Hospital pharmacies and medicine centres in health centres and hospitals engaged in the production and distribution of medicines. Selling of pharmaceutical, veterinary and drug preparations. (National Agency for Medicines).
- ✓ production and import of precious metal products (with the exception of gold or platinum products weighing less than 1g and silver products weighing less than 10g); a written application for a stamped signature, or registered stamped signatures, will be entered in the registry of stamped signatures (Safety Technology Authority TUKES).
- ✓ Mining operations and prospecting: applications for mining claims and patents (Ministry of Trade and Industry), reservation notifications (the local register office in which the reservation area is located).



- ✓ Production of synthetic fertilizers and manufactured feeds and trade in seeds (Plant Production Inspection Centre).
- ✓ Commercial airline operations (scheduled and charter airline traffic): air operator certificates and operating licenses (Civil Aviation Administration, Flight Safety Authority): In addition to the above, airline companies in EU Member States: a company commencing scheduled and charter airline traffic to and from Finland or within Finland must file a notification to the Flight Safety Authority at the Civil Aviation Administration. Airline companies in non-EU Member States: regular scheduled traffic to and from Finland is based on bilateral flight operations agreements between Finland the respective countries. Once the country in question has appointed an airline company or airline companies to operate on the route specified in the agreement, the Flight Safety Authority will grant the company permission to start the agreed traffic. Charter airline traffic operated by companies in non-EU Member States is subject to a charter operator certificate granted by the Flight Safety Authority (Civil Aviation Administration).
- ✓ Credit institutions, pawn broking institutions, investment service companies, mutual fund companies and custodians (Financial Supervision Authority).
- ✓ Collection of debts on behalf of others (all licenses granted by the State Provincial Office of Southern Finland).
- ✓ Postal services (postal matters with an address, weighing less than 2kg). Courier services as well as distribution and delivery operations concerning minor postal matters do not require a license (Postal Services Act 313/2001) (Government).
- ✓ Stock exchanges, central securities depositories, option institutions, clearing houses (Ministry of Finance).

- ✓ Electrical contracting (electrician activities, repair of electrical appliances): the person responsible for the service must be a director of electricians' work with appropriate qualifications. The qualification is indicated by a qualification certificate issued by the relevant qualification institution (Henkilö- ja Yritysarviointi SETI Oy). Notification of operations before starting the operations (Safety Technology Authority). The aforementioned also applies to the installation and maintenance of lifts.
- ✓ Design, construction, manufacture, repairing, servicing and using of electrical appliances, production and transport of electricity for other than personal use (Safety Technology Authority TUKES and Henkilö- ja Yritysarviointi SETI Oy).
- ✓ Telecommunications activities (Ministry of Transport and Communications).
- ✓ Handling and storage of chemicals hazardous to health and the environment (Safety Technology Authority TUKES).
- ✓ Large-scale handling (Safety Technology Authority TUKES).
- ✓ Small-scale handling (local chief fire officer or chemicals control authority).
- ✓ Insurance brokering (Insurance Supervisory Authority).
- ✓ Insurance agencies (Ministry for Social Affairs and Health).
- ✓ Package tour agencies (Consumer Agency).
- ✓ Security companies (Ministry of the Interior, Police Department, Security Sector Supervision Unit).



## 11. Start-up notification to the tax administration

A new company must submit a start-up notification to the tax administration registers and the trade register using the same form. If the company already has a business ID, it should use the amendment notification form. The tax administration registers referred to here include the prepayment register, employer register and VAT register.

## 12. Opening of a corporate bank account

A bank account must be opened for a new business during the establishment process since the share capital has to be paid before the company is entered in the trade register. The share capital of the company must be paid to the company's account in a Finnish deposit bank before filing the trade register notification and its entry in the register. It is only possible to make payments from the account after a certificate of arrival concerning the delivery of the start-up notice is issued to the trade register and showing the business ID of the company has been delivered to the bank.



*The person opening an account for a limited liability company or cooperative must present a decision (either minutes of the meeting or an extract of the minutes) by the decision-making body (usually the Board of Directors) on opening of the account and the persons authorised to use the account, as well as the required services (electronic funds transfer, internet service, debit card, etc.).*

*The right of the person in question to open the account on behalf of the corporation, or the authorisation granted him/her, must also be shown on the statement. It is now customary for banks to request the physical presence of the person(s) opening and operating corporate bank accounts.*



With regard to the establishment of customer relationships and the opening of accounts, banks have a statutory obligation to carefully identify both the person opening the account and the holder of the account, if the account is opened by a person other than the holder.

Banks are also generally required by law to identify the actual beneficiaries of unlisted companies and verify their identities when necessary. An actual beneficiary is an individual on behalf of whom business is conducted or an individual who governs the company. An individual is considered to govern a company if he/she owns company stocks or shares that grant him/her over 25% of the voting rights provided by these stocks or shares. The company must provide the bank with information on actual beneficiaries and, if necessary, documents with which their identities can be verified.

Banks are obligated by law to request a statement on the type of the customer's operations, the purpose of the account and the type and extent of the intended payment transfers, etc. If necessary, the bank may request a statement on the origin of the money deposited in the account from the customer.

SCANDICORP is happy to introduce clients to major Finnish banks and assist in the account opening procedures.





### 13. Regulatory environment in employment issues

Labour laws are highly regulated and fairly complicated in Finland. To some extent the legislation is still guided by the policy aiming at protecting the employees. There are rules and regulations on working hours, minimum holiday entitlement, employment contracts, terms of employment, compensation packages and employee incentives, dismissal of employees, redundancy compensations, pregnancy, etc.

In employment contracts and employment relationships, employers must comply with the minimum requirements on employment terms and conditions stated in nationwide collective labour agreements considered to be representative in the sector. An employee posted to Finland is entitled to the salary determined by a universally valid Finnish collective labour agreement for the sector.

According to the Employment Contracts Act, the employer must provide the employee with a description of the most essential terms and conditions of employment if they are not indicated on a written employment contract. An employment contract can be made for a specified period or until further notice. In an employment contract the employee personally commits to working for the employer under its management and supervision against wages or other compensation. An employment contract can be made for a specified period or until further notice. An employment contract for a specified period requires a justified reason. An employment contract can be made in writing, orally or electronically. There are no requirements regarding the form of an employment contract. However, it is recommended that contracts be made in writing, indicating all the terms and conditions.

## 14. Costs of employment

Employers must pay social security, unemployment insurance, pension insurance contributions, collective life insurance premiums and occupational accident insurance contributions. The aggregate of these social cost payments amounts, on average, to about 21–24 % of gross salary, depending on the size and type of business.

*A typical break down of an employer's payments for an employee with a salary of €3,100 per month (based on 2015):*

- *Salary €3,100.00*
- *Earnings-related pension insurance contribution (19% on average for employer) €589.00*
- *Employers' social insurance contribution (2.08%) €64.48*
- *Unemployment insurance (average 0.8% for employer) € 24.80*
- *Total employer costs € 3,778.28*

Working hours are usually 8 daily hours and 40 weekly hours. An employee has a right to receive pay also for the time he/she is on annual holiday. Normally holiday leave accumulates 2 days (when employment has lasted less than 1 year) or 2 1/2 days for each holiday credit month. Normal wages are paid for the time an employee is on holiday.

According to the law, an employee who is unable to work due to an illness or an accident is entitled to paid sick leave. Wages are paid for the day when the illness started and for the working days. If the employment relationship at the start of the disability has lasted for at least one month, the employee will be paid full wages for the said period. If the employment relationship has lasted for a period shorter than one month, half of the wages will be paid for the same period. Parental leave lasts 158 working days taken during pregnancy or in the period following birth. It is extended by 60 working days per child in the case of multiple births. During the parental leave, Kela (The Social Insurance Institution of Finland) pays parental allowance. Both parents can take parental leave up to two separate periods of at least 12 working days each.



## 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 (December 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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