

Doing Business in Finland 2017 – Construction and Installation

Introduction

This brochure concerns Finnish tax and legal requirements for foreign businesses and their employees doing construction or installation work in Finland in 2017.

Tax requirements for foreign businesses

All foreign enterprises involved in construction or installation business need to apply for a [Finnish tax at source card](#) or [enter to the Finnish prepayment register](#) in order to avoid withholding tax on the payments, which would be 13% on payments to limited liabilities and partnerships and 35% on payments to sole traders.

In case a project or a number of successive projects last long enough, normally [12 months](#), a [Permanent Establishment \(PE\)](#) will be constituted, which in turn triggers [income tax liability](#). In some cases, like concerning companies from Estonia, even 6 months are a sufficient time to constitute a PE.

If a Permanent Establishment will be constituted, a foreign enterprise needs also get registration in the employers' register and withhold taxes on salaries paid to employees.

If a project or a number of successive projects last at least [9 months](#), a [fixed establishment](#) will be constituted and a Finnish VAT registration is required. [VAT registration](#) may be needed even earlier, e.g. if a foreign enterprise makes intra-Community acquisitions in Finland.

The corporate income tax rate is 20%. The general VAT rate is 24% and the reduced rates 14%, 10% and 0%. In the construction industry, reverse charge will be applied to the sales between construction companies even in domestic Finnish cases.

Legal notice: This brochure contains general information only and it is not intended to be used instead of professional advice.

Other legal requirements for foreign businesses

Foreign enterprises posting foreign employees to Finland need to appoint a [Finnish legal representative](#) that will be responsible to store documentation concerning the employees, including work schedules.

Foreign enterprises need to arrange to their employees [occupational health care](#) from a Finnish clinic.



Tax requirements for foreign employees

Foreign employees need Finnish id and tax number in order they could work on construction or installation site. Id and tax number will be granted by Finnish tax office. Employees need to visit tax office personally and have with them their:

- [passports](#),
- [employment contracts](#) and
- [A1-forms](#) and
- They have to fill and file the [tax offices' forms 6150 and 5057](#).

Employees from non-EU states may need a [work permit](#). Employees from other EU states need to [register their stay](#) at police station if they stay here longer than three months.

Foreign employees will not be liable on tax in Finland, if:

- their employer does [not have a Permanent Establishment \(PE\)](#) in Finland,
- Employees stay [less than 183 days](#) in Finland (per calendar year or 12 months' period, depending on the tax treaty); and
- The business is [not labour leasing](#)



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Hence, in all other cases, i.e. if there is a PE, the employees will be liable on tax from the first day on. Respectively, if an employee stays in Finland over 183 days, he is liable on tax from the first day on, as well as (normally) if he is a leased employee. In these cases employees need to file [personal income tax return](#), get also [prepayment tax card](#) from the tax office and make tax payments themselves. In case their employer has a PE, the employer has an obligation to [withhold tax](#) on salaries paid to employees.

Labour leasing

Concerning labour leasing (hiring out of manpower) there are special rules for employees from a state with which Finland does not have a double tax treaty, or from Belarus, Bermuda, Cayman Islands, Cyprus, Denmark, Estonia, Georgia, Guernsey, Iceland, Isle of Man, Jersey, Kazakhstan, Latvia, Lithuania, Moldova, Norway, Poland, Sweden, Tajikistan and Turkey.

The tax treaties between Finland and these states allow Finland to tax levy tax on the income earned in Finland even if the employees stay less than 183 days in Finland or even if there is no PE for the employer. This rule applies also in situations where the leased employee's country of residence is one without a tax treaty with Finland.

In case labour leasing lasts less than 6 months, there are following obligations for employees, employers and service recipients:

- Foreign employees need to get Finnish id, tax number and prepayment tax card by a personal visit at the tax office, file tax returns and take care of their tax payments.
- Foreign employers need to appoint [a Finnish legal representative](#), file [form 6147e](#) *Employee Leasing Notice* and [form 7809e](#), *Annual notification For payments to persons with limited tax liability in Finland*
- Finnish customers need to file [form 6146a](#) *Service Recipient's notice* to the tax office.

If the stay lasts more than 6 months, the requirements differ a bit from the above mentioned.

Documentation requirements; in a nutshell

Based on *Act on the Contractor's Obligations and Liability when Work is Contracted Out* (*Tilaajavastuulaki* in Finnish), foreign enterprises have an obligation to provide the following documents to their Finnish customers:

- 1) Information on whether the enterprise is entered in the [Prepayment Register](#) and [Employers' Register](#), and registered as VAT liable in the [Value Added Tax Register](#) (Finnish VAT registration is needed only [if there is a fixed establishment](#) and registration at [Employers Register](#) is needed only [if there is a PE](#). [Prepayment register and tax at source card](#) are [alternatives](#).);
- 2) [Trade register extract](#) or equivalent information from the home state;
- 3) Report on the [tax payment status](#) in the home state;
- 4) Certificates of [pension insurance](#) taken out and of pension insurance premiums paid, or an account that a payment agreement on outstanding pension insurance premiums has been made ([A1-certificate is sufficient](#));
- 5) Account of the [collective agreement](#) or principal terms of employment applicable to the work ([terms must correspond at least with Finnish minimum levels](#));
- 6) Account of the organization of [occupational health care](#) services ([must be from a Finnish clinic](#)); and
- 7) Certificates of statutory employment [accident insurance](#) taken out ([A1-certificate is sufficient](#)).

Additionally, employees need to have Finnish id, tax number and to wear a photo ID badge showing their tax number.

Does this sound complicated?

Do you think all these requirements are overwhelming for you? Don't worry, we would be pleased to provide you all tax and legal services you need. Please contact [Tax lawyer Mr. Heikki Muikku at Veromies Oy Tax Advisers](#). He has over 20 years' experience in taxation, whereof 17 years in international tax consultation. He has served hundreds of foreign companies doing business in Finland and is currently advising companies from some 20 countries.

If you need any tax or legal assistance, please send an email to heikki.muikku@veromies.fi or call +358 40 828 08 14.