

Finland

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Finland 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		27630	41445	69075	27630
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		1691	2536	4227	1691
Work-related expenses		620	620	620	620
Other					
	Total	2311	3156	4847	2311
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		25319	38289	64228	25319
5. Central government income tax liability (exclusive of tax credits)		873	3162	8739	873
6. Tax credits					
Basic credit		740	646	315	740
Married or head of family					
Children					
Other					
	Total	740	646	315	740
7. Central government income tax finally paid (5-6)		133	2516	8424	133
8. State and local taxes		4282	6887	12098	4282
9. Employees' compulsory social security contributions					
Gross earnings		1691	2536	4227	1691
Taxable income		266	428	751	266
	Total	1957	2964	4978	1957
10. Total payments to general government (7 + 8 + 9)		6371	12367	25501	6371
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	3659
	Total	0	0	0	3659
12. Take-home pay (1-10+11)		21259	29078	43574	24918
13. Employer's compulsory social security contributions		6217	9325	15542	6217
14. Average rates					
Income tax		16.0%	22.7%	29.7%	16.0%
Employees' social security contributions		7.1%	7.2%	7.2%	7.1%
Total payments less cash transfers		23.1%	29.8%	36.9%	9.8%
Total tax wedge including employer's social security contributions		37.2%	42.7%	48.5%	26.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		42.6%	47.5%	47.5%	42.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		53.1%	57.2%	57.2%	53.1%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Finland 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		41445	55260	69075	55260
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2536	3382	4227	3382
Work-related expenses		620	1240	1240	1240
Other					
	Total	3156	4622	5467	4622
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		38289	50638	63608	50638
5. Central government income tax liability (exclusive of tax credits)		3162	3162	4035	3162
6. Tax credits					
Basic credit		646	1314	1386	1314
Married or head of family					
Children					
Other					
	Total	646	1314	1386	1314
7. Central government income tax finally paid (5-6)		2516	2516	2649	2516
8. State and local taxes		6887	7760	11168	7760
9. Employees' compulsory social security contributions					
Gross earnings		2536	3382	4227	3382
Taxable income		428	482	693	482
	Total	2964	3864	4921	3864
10. Total payments to general government (7 + 8 + 9)		12367	14140	18738	14140
11. Cash transfers from general government					
For head of family					
For two children		2536	2536	2536	0
	Total	2536	2536	2536	0
12. Take-home pay (1-10+11)		31614	43656	52873	41120
13. Employer's compulsory social security contributions		9325	12433	15542	12433
14. Average rates					
Income tax		22.7%	18.6%	20.0%	18.6%
Employees' social security contributions		7.2%	7.0%	7.1%	7.0%
Total payments less cash transfers		23.7%	21.0%	23.5%	25.6%
Total tax wedge including employer's social security contributions		37.7%	35.5%	37.5%	39.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		47.5%	47.5%	47.5%	47.5%
Total payments less cash transfers: Spouse		12.8%	23.2%	42.6%	23.2%
Total tax wedge: Principal earner		57.2%	57.2%	57.2%	57.2%
Total tax wedge: Spouse		28.8%	37.3%	53.1%	37.3%

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker earned EUR 41 445 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately for earned income.

1.1.2. Standard tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Work-related expenses*: a standard deduction for work-related expenses equal to the amount of wage or salary, with a maximum amount of EUR 620 is granted.
- *Tax credit*: an earned income tax credit is granted against the central government income tax. If the credit exceeds the amount of central government income tax, the excess credit is deductible from the municipal income tax and the health insurance contribution for medical care. The credit is calculated on the basis of taxpayers' income from work. The credit amounts to 5.9 per cent of income exceeding EUR 2 500, until it reaches its maximum of EUR 740. The amount of the credit is reduced by 1.2 per cent of the earned income minus work related expenses exceeding EUR 33 000. The credit is fully phased out when taxpayers' income is about EUR 95 000.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Interest*: interest on loans associated with the earning of taxable income, loans for the purchase of an owner-occupied dwelling, and student loans guaranteed by the state can be deducted against capital income. Of the excess of interest over capital income, 28 per cent can be credited against income tax up to a maximum of EUR 1 400.
- *Membership fees*: membership fees paid to employees' organisations or trade unions.
- *Travelling expenses*: travelling expenses from the place of residence to the place of employment using the cheapest means in excess of EUR 600 up to a maximum deduction of EUR 7 000.
- *Double housing expenses*: if the place of employment is located too far from home in order to commute (distance > 100 km), the taxpayer can deduct the costs of hiring a second dwelling located near the job up to EUR 250 per month. This deduction can be claimed only by one person per household.
- *Other work-related outlays*: outlays for tools, professional literature, research equipment and scientific literature, and expenses incurred in scientific or artistic work (unless compensated by scholarships).

Travelling expenses and other work-related outlays are deductible only to the extent that their total amount exceeds the amount of the standard deduction for work-related expenses.

1.1.3. Rate schedule

Central government income tax:

Taxable income (EUR)	Tax on lower limit (EUR)	Tax on excess income in bracket (%)
15 600-23 200	8	6.5
23 200-37 800	502	17.5
37 800-68 200	3 057	21.5
68 200 and more	9 593	30.0

1.2. Local income tax

1.2.1. Tax base and tax rates

The tax base of the local income tax is taxable income as established for the income tax levied by central government.

Municipal tax is levied at flat rates. In 2011, the tax rate varies between 16.25 and 21.50 per cent, the average rate being approximately 19.17 per cent.

Municipal tax is not deductible against central government taxes. Work-related expenses and other non-standard deductions are deductible, as for purposes of the central government income tax.

1.2.2. Tax allowances in municipal income taxation

- An earned income tax allowance is calculated on the basis of taxpayer's income from work. The allowance amounts to 51 per cent of income between EUR 2 500 and EUR 7 230, and 28 per cent of the income exceeding EUR 7 230, until it reaches its maximum of EUR 3 570. The amount of the allowance is reduced by 4.5 per cent of the earned income minus work related expenses exceeding EUR 14 000.
- A basic tax allowance is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 2 250, is reduced by 20 per cent of the income exceeding EUR 2 250.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employee contributions

2.1.1. Rate and ceiling

In 2011, the rate of the health insurance contribution for medical care paid by an employee is 1.19 per cent. The tax base for this contribution is net taxable income for municipal income tax purposes.

In addition there is an employees' pension insurance contribution which amounts to 4.7 per cent of gross salary, an employees' unemployment insurance contribution equal to 0.6 per cent of gross salary and a health insurance contribution for daily allowance equal to 0.82 per cent of gross salary. For employees aged 53 or older, the pension insurance contribution amounts to 6.0 per cent of gross salary. These contributions are deductible for income tax purposes.

2.1.2. Distinction by marital status or sex

The rates do not differ.

2.2. Employers' contributions

The average rate of the employers' social security contribution in 2011 is 22.5 per cent of gross wage.

3. Universal cash transfers**3.1. Amount for marriage**

None.

3.2. Amount for children

The central government pays in 2011 the following allowances (EUR):

For the first child	1 204.8
For the second child	1 331.3
For the third child	1 698.7
For the fourth child	1 945.8
Fifth and subsequent child	2 192.8

The child subsidy for a single parent is increased by an annual amount of EUR 561.5 for each child.

4. Main changes in the tax/benefit system since 2010

In January 2011, all central government tax brackets were adjusted by about 3%.

The maximum amount of the earned income tax credit in state taxation was raised from EUR 650 to EUR 740.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 2 200 to EUR 2 250.

The rate of the employees' health insurance contribution for medical care was lowered from 1.47 per cent to 1.19 per cent and the rate of the employees' health insurance contribution for daily allowance was lowered from 0.93 per cent to 0.82 per cent. The rate of the employees' unemployment insurance contribution was raised from 0.4 per cent to 0.6 per cent and the rate of the employees' pension insurance contribution was raised from 4.5 per cent to 4.7 per cent.

5. Memorandum items**5.1. Calculation of average gross annual wage**

The Finnish figures are generally calculated as follows:

- Gross annual earnings are calculated at an individual level on the basis of the hour's usually worked, average hourly pay for the fourth quarter, and the share of annual periodic bonuses.
- The earnings exclude sickness and unemployment compensations, but include all normal overtime compensations, bonuses, holiday remunerations and remunerations for public holidays.

5.2. Employer contributions to private pension and health schemes

No information is available.

2011 Parameter values

	Ave_earn	41 445	Secretariat estimate
Expenses	Work_exp_max	620	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0583	
State tax	Tax_min	8	
Tax schedule	Tax_sch	0	15 200
		0.065	22 600
		0.175	36 800
		0.215	66 400
		0.30	
Earned income tax credit	eitc_thrsh	2 500	
	eitc_rate	0.052	
	eitc_redn_thrsh	33 000	
	eitc_redn_rate	0.012	
	eitc_max	650	
Earned income tax allowance	al_thrsh	2 500	
	al_thrsh2	7 230	
	al_rate	0.51	
	al_rate2	0.28	
	al_redn_thrsh	14 000	
	al_redn_rate	0.045	
	al_max	3 570	
low income	SL_max	2 200	
	SL_rate	0.2	
Local intax	Local_rate	0.1898	
	Church_rate	0	
	Local_tot	0.1898	
Soc sec taxpayer	SSC_rate	0.0147	
soc.sec empr	SSC_empr	0.223	
Cash transfer	ch_1	1 204.8	
	ch_2	1 331.3	
	ch_3	1 698.7	
	ch_4	1 945.8	
	ch_5	2 192.8	
	ch_small	0	
	ch_lone	561.5	

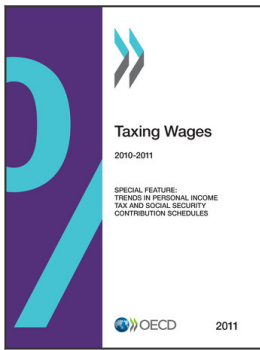
2011 Tax equations

The equations for the Finnish system are mostly on an individual basis except for the child benefit which is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
Work related expenses	work_rel	B	$\text{MIN}(\text{Work_exp_max}, \text{Work_exp_rate} * \text{earn})$
SSC deduction	SSC_al	B	$\text{earn} * \text{al_SSC_rate}$
2. Allowances:	tax_al	B	$\text{work_rel} + \text{SSC_al}$
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	$\text{Positive}(\text{earn} - \text{tax_al})$
5. CG tax before credits	CG_tax_excl	B	$= \text{Tax}(\text{tax_inc}, \text{Tax_sch}) + \text{Tax_min} * (\text{tax_inc} > \text{Tax_thrsh})$
6. Tax credits:	tax_cr	B	$\text{MINA}(\text{eitc_max}, \text{eitc_rate} * \text{Positive}(\text{earn} - \text{eitc_thrsh})) - \text{MINA}(\text{eitc_max}, \text{eitc_redn_rate} * \text{Positive}(\text{earn} - \text{work_rel} - \text{eitc_redn_thrsh}))$
7. CG tax	CG_tax	B	$\text{Positive}(\text{CG_tax_excl} - \text{tax_cr})$
Earned income allowance	earninc_al	B	$\text{MIN}(\text{al_max}, \text{IF}(\text{earn} > \text{al_thrsh2}, \text{al_rate} * (\text{al_thrsh2} - \text{al_thrsh1}) + \text{al_rate2} * (\text{earn} - \text{al_thrsh2}), \text{Positive}(\text{earn} - \text{al_thrsh}))) - \text{MIN}(\text{al_max}, \text{al_redn_rate} * \text{Positive}(\text{earn} - \text{work_rel} - \text{al_redn_thrsh}))$
Low income	low_inc	B	$\text{Positive}(\text{MIN}(\text{earn} - \text{work_rel} - \text{low_al} - \text{SSC_al}, \text{SL_max}) - \text{SL_rate} * \text{Positive}(\text{earn} - \text{work_rel} - \text{low_al} - \text{SSC_al} - \text{SL_max}))$
Taxable income (local)	tax_inc_l	B	$\text{tax_inc} - \text{earninc_al} - \text{low_inc}$
8. State and local taxes	local_tax	B	$\text{Positive}(\text{tax_inc_l} * \text{Local_tot} - (\text{local_tot} / (\text{local_tot} + \text{SSC_rate}))) * \text{Positive}(\text{Tax_cr} - \text{CG_tax_excl}))$
9. Employees' soc security	SSC	B	$\text{Positive}(\text{SSC_rate} * \text{tax_inc_l} - (\text{SSC_rate} / (\text{local_tot} + \text{SSC_rate}))) * \text{Positive}(\text{Tax_cr} - \text{CG_tax_excl})) + \text{SSC_al}$
11. Cash transfers	cash_trans	J	$(\text{Children} > 0) * \text{ch_1} + (\text{Children} > 1) * \text{ch_2} + (\text{Children} > 2) * \text{ch_3} + (\text{Children} > 3) * \text{ch_4} + \text{Positive}(\text{Children} - 4) * \text{ch_4} + (\text{Married} = 0) * \text{Children} * \text{ch_lone}$
13. Employer's soc security	SSC_empr	B	$\text{earn} * \text{SSC_empr}$

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.



From:
Taxing Wages 2011

Access the complete publication at:
https://doi.org/10.1787/tax_wages-2011-en

Please cite this chapter as:

OECD (2012), "Finland", in *Taxing Wages 2011*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/tax_wages-2011-16-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.