



DOING BUSINESS IN THE PRINCIPALITY OF FINLAND:

DEFINITION OF A PERMANENT ESTABLISHMENT

In Finland, there can be two statuses of **permanent establishment**:

1. a Finnish Branch/Suomen sivuliike registered in the Trade Register
2. a permanent establishment in taxation, only in the Tax Authorities register (usually only for short period business activities)

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

1. A **branch** is a part of foreign legal entity registered in the Finnish Trade Register. A branch of a foreign trader is a part of a foreign organization that runs a continuous business or trade in Finland, from a permanent place of business, in the name and for the benefit of the foreign organization.
2. A **subsidiary** is an independent legal entity registered in the Finnish Trade Register. Minimum share capital is 2.500 / 80.000 euros (private/public). There must be at least one member of the board of directors. If less than 3 members, then there must be one deputy member. At least one member of the board of directors must have permanent residence in the EU. A Managing Director is not required according to the Limited Liability Companies Act, but can be elected.

TAX AND ACCOUNTING OBLIGATIONS

All entities are obligated to keep accounting according to the Finnish Accounting Act. The general accounting principles are: going concern, consistency, prudence, concept of continuity, accrual basis and separate value. The annual accounts give a true and fair view of the company's financial position.

The business's accounting period is normally 12 months and it does not have to be a calendar year. The financial statement must be completed within 4 months from the end of accounting period. The annual financial statement must be filed to the Trade Register within 2 months from the confirmation of financial statements by the General Meeting. Auditing will be completed according to the Finnish Audit Act.

Taxation is based on the annual accounts. Tax rate is 20%. A tax return must be submitted within 4 months from the end of accounting period. All companies must apply pre-payment of registration before starting their business and pay corporate tax in advance. The assessment of the period is completed in 10 months from the end of the accounting period.

REGISTRATION FORMALITIES

1. Branch

The foreign trader must submit a Start-up Notification concerning its branch to the Trade Register before the branch starts its operations. If the trader is from a country outside the European Economic Area (EEA), it will also need a permit from the Finnish Patent and Registration Office (PRH) for the establishment of the branch.

The notification is signed by either the representative of the branch or the person authorised to sign the company name of the branch.



The personal details of a representative are referred to in section 6(3) of the Act on the Right to Carry on a Trade. The representative is a person who is entitled to receive summons and other notifications on behalf of the trader.

The following details must be given in Start-up Notification: the name of the branch, must include the foreign trader`s company name, showing that a branch is concerned, the postal address in Finland, the line of business carried out in the branch, the foreign trader`s name and the register in which the trader has entered the opening of the branch in his home state, personal data on each person authorized to sign the company name of the branch etc. according to the Finnish Trade Register`s regulations.

To set up a branch takes approximately 1 - 2 weeks.

2. Subsidiary

The foreign trader must submit a Start-up Notification concerning its subsidiary to the Trade Register before the subsidiary starts its operations. There are no restrictions regarding the founder.

The following details are given in the Start-up Notification: the original memorandum of association, articles of association in which, name of the company, domicile, share capital, nominal value or not of the share, members of the board of directors, managing director (if elected), auditor, etc according to the Finnish Trade Register`s regulation.

To set up a subsidiary takes approximately 1 - 2 weeks.