



# COMPANY FORMATION IN FINLAND

## MAIN FORMS OF COMPANY/BUSINESS IN FINLAND

Two fundamental types of legal form are available. Businesses can be run either by a natural person (ordinary partnership or individual enterprise) or by a legal person (public limited company, limited liability company or establishment).

The main forms of business in Finland are limited liability companies such as Oy/Oyj (private/public). You can set up general partnership companies like Ay/Ky if partners have a permanent residence inside the EU. A Finnish Branch of the foreign company is one option to carry out business in Finland.

## SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

All companies registered or controlled and which carry out business in Finland are subject to Finnish General Tax Liability for their income from the Finnish operations. Branches and permanent establishments have the same liabilities.

Finland applies the OECD Tax Treaty and is included in the EU regarding VAT and Parent/Subsidiary directives etc.

Companies must belong to the pre-payment register before starting their business activities. VAT, employer, etc. registers are relevant depending on the business activities.

The corporate tax rate is 20%. Branches and PEs are subject to the same tax rate. The taxable income of a general partnership company is taxed to partners instead of the company. Taxable income is split into earning income and capital income. Assessment is completed according to mutual tax treaties.

Dividends: Under Directive 90/435/EEC – the Parent-Subsidiary Directive – you do not have to withhold any tax on dividends if the beneficiary company owns at least 10 percent of your company and the beneficiary company is subject to corporate tax in its home country.

Dividends paid out of the EU are withheld according to mutual tax treaties.

## LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

All companies must be registered in the Finnish Trade Register. Public information recorded to Trade Register files are:

- Business ID
- Domicile
- Articles of Association
- Share Capital
- Names and Addresses of the Board of Directors
- Managing Director
- Auditor(s)
- Financial Year
- Annual Financial Statement



The minimum share capital of a public limited company (Oyj) is 80.000 euros and private limited company (Oy) is 2.500 euros. The minimum share capital must be paid before the registration to a bank account in Finland or the EU. The share capital can be executed in kind as well. The auditor must confirm the payment. General partnership companies do not need any registered capital.

If a limited company loses its equity, the board of directors must send and register a notification to the Trade Register immediately.

The branches registered in the Trade Register, as well as permanent establishments (PE) in taxation, are taxed like limited companies for their income from Finnish sources.

Taxation is based on annual accounts. Losses can be carried forward over a maximum of ten years and carrying back is not allowed.

### **CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY**

All citizens and legal entities can set up a limited company. Foreigners outside the EU are required to have a permission from the Trade Register to set up a general partnership company.

All EU and EEA citizens are accepted to be members of the board and a managing director.

### **OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY**

According to the Finnish Audit Act, auditing is mandatory if more than one of the following is fulfilled:

- the total sum of balance sheet exceeds 100.000 euros
- net sales exceeds 200.000 euros, or
- on average, there are more than 3 employees