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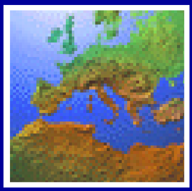
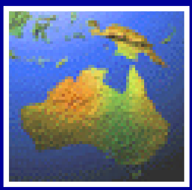


Doing Business in...

MGI International Tax and Business Guide

FINLAND



MGI

Prepared by Aureco Oy

A Finland member of MGI

An association of independent accounting and consulting firms

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1 PREFACE

This booklet has been prepared by Aureco Oy, a Finland member of MGI for the information of clients and fellow member firms in MGI.

Whilst every care has been taken in the preparation of this booklet, no responsibility can be accepted for inaccuracies. Clients are also advised that the law and practise may change from time to time.

2 DISCLAIMER

MGI is an association of independent accounting and consulting firms. Each member firm undertakes no responsibility for the activities, work, opinions or service of other member firms.

3 INTRODUCTION

This booklet is intended as a brief summary of information about Finland for persons or companies wishing to do business with or invest in Finland. It also gives a summary of the general matters to be considered by new residents in Finland.

This booklet can serve only to draw attention to what are considered to be important matters and it is important that the businessman or potential investor in Finland obtain professional advice before proceeding.

Member firms of MGI publish a number of other booklets on matters of Finland and international finance and commercial interest. For details of how to obtain these publications please see Appendix 1.

4 THE COUNTRY

4.1 Geography/statistics

Finland, one of the five Nordic countries, is the fifth largest country in Europe, excluding the Russian federation. Finland shares a common border with Sweden, Norway and Russia. The surrounding seas are Gulf of Finland in the south and Gulf of Bothnia in the west. 65% of Finland is forest, dotted with nearly 200.000 lakes. The total area is 338.000 square kilometres.

Finland has three main physical regions: the coastal lowlands, the inland lake system, and the northern uplands. Finland has about 30.000 coastal islands, of which especially the southwestern archipelago is known for its beauty.

Finland's climate shows both maritime and continental influences. The climate is temperate. Summers are warm and winters cold with snow cover. The annual rainfall averages about 500 millimetres.

Finland's total population is over 5 million people, 60% of whom live in urban areas.

Finland's official languages are Finnish and Swedish. About 6% of the population speaks Swedish as their native language. English is the most widely spoken in business circles, but many people also speak German and French.

4.2 Economy

Finland's economic structure is based on private ownership and free enterprise. Finland has a highly industrialized market economy, with per capita output two-thirds of the US figure.

The forests are the basis for a well-developed pulp and paper industry. A wide selection of manufacturing industries are based on wood as a prime material. The metal and engineering industry and IT industry including mobile phones are the other main industrial sectors.

The general business climate for investment in Finland is favourable. Markets are expected to grow in the future. As a member of the EU, Finland may trade in the European common market. In addition, areas in Russia, such as the St. Petersburg region, form a vast potential market for Finland.

Like many other Western European countries, Finland is enjoying an economic upswing. The improving employment situation should bolster the Finnish economy.

Finland became a full member of the European Union (EU) on 1 January 1995. The process of conforming Finnish law with EU requirements has progressed rapidly. Finland's joining of the EU has contributed to a low rate of inflation.

4.3 Currency and banking

Finland belongs to the euro group. From 1.1.2002 the national currencies of the euro counrtries are finally closed. Euro is the Finland's currency. Finlands banking and credit institutions consists of the following: depository banks, including commercial banks, co-operative banks and saving banks; other credit institutions, such as mortgage banks and special credit institutions; finance companies; and credit card companies.

The financial sector also includes investment trusts, mutual funds, development companies, the Helsinki Stock Exchange, derivative markets, securities companies, insurance institutions, and state and social security funds.

4.4 Government/politics

Finland is a democracy, an independent republic since 1917.

Finland has adopted a parliamentary system of government. The president of the Republic is elected for a period of six years. The government must maintain the confidence of the parliament.

The parliament consists of 200 members elected in general elections for a four-year period.

Finland's multiparty system has proved exceptionally stable with majority coalition governments based on partnership of two or more of the large parties. The pattern of coalition governments has paved the way to a broadly-based consensus extending from foreign policy to central economic issues.

4.5 Legal system

The Finnish legal system belongs to the civil law system. The Finnish legal system resembles the law in force in any western industrialized country with up-to-date corporate and tax rules.

The Supreme Administrative Court is the highest court of appeal on tax and administrative matters. The Supreme Court is the highest authority in matters of civil law. District courts, presided over by a judge and a number of lay assessors, hear civil cases at the first level. Courts of appeal are based in the principal towns of Finland. The Chancellor of Justice supervises the administration of the courts and is also the highest prosecuting authority in the country.

Specialized courts include a land partition court, a labour court and an insurance court.

5 FORMS OF BUSINESS ENTERPRISE

5.1 Sole proprietorship

Sole proprietorships are widely used by individuals, primarily for entrepreneurial businesses, and must be registered in the Trade Registry. A sole proprietor is responsible for paying all debts to the extent of business and personal assets. Sole proprietorships are subject to the same accounting requirements as partnerships. A statutory audit is not required.

5.2 Partnership and limited partnership

A partnership is a common form of business organisation for small entities. Partnerships are classified as general (ay) or limited (ky). The partners in a general partnership are jointly and severally liable for the partnership's oblications. In a limited partnership, at least one partner's liability is unlimited. A partnership may easily be established in Finland. The parties enter into a partnership agreement, after which the new partnership need only register with the Trade Registry and the tax authorities.

No minimum capital requirements are imposed on partnerships. The partners may be individuals or companies. Under the Accounting Act, partnerships and other unincorporated trading entities follow the same accounting principles and practices followed by limited companies.

5.3 Branches of foreign companies

Companies located in EEA countries are not required to obtain permission to establish branches in Finland. However, branches of foreign companies from non-EEA countries may be established in Finland only if permission is obtained from the Ministry of Trade and Industry. The application must provide the following information: the name of the foreign organisation and the place of its registered office; and the name of the branch, its purpose and the municipality in which its registered office will be located. Before beginning its business operations, the branch must be registered in the Trade Registry. Branches are generally subject to the same bookkeeping requirements as domestic corporations.

5.4 Limited companies

The forms of business organisation most commonly used in Finland are the public limited company (julkinen osakeyhtiö or oyj) and the private limited company (osakeyhtiö or oy), which are the only corporate forms in which capital is divided into shares and liability is imposed on the company itself. Shareholders may normally sell their shares without restriction unless the company's bylaws provide otherwise. The company's registered office or legal seat must be in Finland.

The limited company form is the equivalent of the joint stock company or corporation and the private limited liability company forms found in many other countries.
The following are the primary differences between public limited companies and private limited companies:

Only shares of a public limited company may be issued to the public and traded publicly;

and

The minimum share capital is euros 8.000 for a private limited company and euros 80.000 for a public limited company.

A limited company may be formed, according to the Companies Act by one or several founders, which may be an individual or company. Founders may be foreigners, but at least half of the founders must be residents of EEA countries unless special permission is obtained from the Ministry of Trade and Industry. In general, the meeting to found the company should be held in Finland, but foreign founders may approve the articles by proxy.

The formation of a company requires:

- selection of a name
- drafting a signed deed of formation and Articles of Association which mention the objects for which the company is formed, its capital and regulations for its internal management, preparation of documents for submission to the National Board of Patents and Registration.

The registrar's office verifies the documents submitted and that all the formalities necessary for company formation have been complied with. He then certifies under his hand that the company is formed. The company then emerges as a legal entity with limited liability. The Articles of Association must include the following, and certain other information as required by the Companies Act.

- Name and purpose of the company
- Domicile of the company
- Share capital (or the minimum and maximum amount within the limits of which it may be increased or decreased without changing the Articles of Association).
- Par value of the shares
- Number of members of the board of directors and auditors
- Financial year end of the company

The annual general meeting of shareholders must be held within six months from the end of the financial period.

A company acts through a board of directors elected by the shareholders at a general meeting. The directors of the company appoint the company officers. A director may be appointed to any office of the company.

Companies are required to make up their accounts for the financial period and such accounts must be audited.

Under the amended law, a limited company is considered a private limited company unless the shareholders vote to change it into a public limited company.

5.5 Joint ventures

No special rules apply to joint ventures. They are frequently organised as ”silent partnerships”; that is, a partnership in which one participant in the venture manages the partnership affairs on behalf of all the others. They also take the form of limited companies whose shares are owned by the participants.

There are also co-operatives, but these are outside the scope of this booklet. They are rare for foreign investors. Further details can of course be provided on request together with a note of the legislation which governs their activities.

6 DIRECT TAXATION

6.1 Income tax – individuals

Individuals resident in Finland are subject to tax on their worlwide income. Non resident individuals are subject to tax only on their income derived from Finland. Individuals are considered to be resident in Finland if their permanent abode is in Finland or they are physically present in Finland for more than six continuous months in a tax year.
An individual is taxed separately on earned income and on investment income. Earned income is subject to national income tax, municipal income tax and church tax. Taxable earned income is generally computed in the same manner for these taxes, but the deductions and credits allowed for the different taxes differ slightly. Investment income is subject only to a flat tax of 29%.

Earned income includes salaries, wages, and benefits in kind. Investment income, or income from capital, is aggregated and taxed separately from earned income. Investment income includes dividend income together with the imputation credit, capital gains, certain interest income and income from rental activities. A portion of an individual partner's share of partnership income is taxed as investment income. A portion of dividend income received from a limited company may be taxed as earned income. This portion depends on the net assets of the company.

In general, interest income is taxed as investment income, but certain exceptions apply. Interest income on bank deposits and bonds is subject to a final withholding tax at a rate of 29%.

Taxable business income is divided into an investment income portion and an earned income portion. The amount of investment income is determined using an 18% rate of return on the net assets of the business. The remaining business income is taxed as earned income.

The imputation credit system applies to the taxation of dividends. Although dividend income is included in taxable investment income, the recipient benefits from an imputation credit, which is the credit for the tax paid by the company distributing the dividend.

In general, a taxpayer may deduct all expenses directly incurred in generating or maintaining taxable income. However, certain special deductions apply to earned income and investment income.

6.2 Income tax – companies

Companies are subject to national income tax at a rate of 29%. They are not subject to municipal income tax or church tax. Taxable income is determined based on financial income adjusted for non-taxable and non-deductible items. In practice, the determination of taxable income is closely connected to the determination of net income for financial statement purposes.

The imputation system is applied to the taxation of dividens. It grants shareholders a tax credit for the full amount of company tax paid on distributed dividends to another Finnish company or to a resident individual, it must compute a tax (minimum income tax) equal to a specified percentage of the amount of dividends declared for an accounting period. The shareholder includes the dividend and an imputation credit (equal to the amount of the computed tax) in taxable income. The imputation credit is subtracted from the shareholder's tax payable. Companies (but not individuals) must carry forward excess imputation credits to offset future taxes. Companies may not obtain refunds of excess imputation credits.

If the minimum income tax computed by the payer of dividens exceeds the company's calculated income tax liability for the year (comparable tax), the company must pay the excess as a supplementary tax. To ensure that the payer's income is not taxed twice, comparable tax in excess of the minimum tax may be carried forward and added to comparable tax in the following 10 years to eliminate the difference between minimum tax and comparable tax in those years. Foreign withholding tax paid on dividends that are tax-free in Finland may be included in calculating comparable fax.

Losses may be carried forward or offset against future profits for 10 years.

6.3 Tax on capital gains

For individuals capital gains are computed by deducting from sales proceeds the selling expenses and the greater of the following: the acquisition cost; or 20% of the proceeds (50% of the proceeds for an asset acquired at least ten years ago.

Capital gains are included in investment income. Losses are deductible only from gains derived in the year of the loss and in the three following years.

A capital gain derived from the sale of a flat or a house used by a seller as a primary residence for at least two years before the sale is tax-exempt.

For companies capital gains are taxed as ordinary income under the Business Income Tax Act (EVL) capital losses are fully deductible from taxable income. Capital gains and losses are not indexed for inflation.

Because machinery and equipment are depreciated as if they were a single asset, proceeds from the sale of such assets are not reported as taxable income, but are used to reduce the remaining book value of that class of assets for tax purposes.

Companies may hold real estate and shares that are not classified as business assets. The sale of such property is taxed based on the Individual Tax Act (TVL). The deductibility of capital losses in this income category is limited to similar gains under the TVL. Although individuals may deduct the original purchase price or alternative 20% (or 50%) of the sales price in determining their gain, companies do not have that option. They must use the purchase price.

6.4 Withholding taxes

Withholding tax is not imposed on dividends paid to resident companies and individuals. Dividends paid to non-resident companies and individuals are generally subject to a final withholding tax of 29%, which may be reduced or eliminated under tax treaties.

Non-resident shareholders are not entitled to an imputation credit, unless a tax treaty provides otherwise.

Interest paid to resident companies is not subject to withholding tax. Taxable interest payments to resident individuals are subject to a 29% final withholding tax. Certain interest is exempt from tax.

In general, withholding tax is not imposed on intrest paid to non-residents.

A 60% % withholding tax is deducted from royalties paid to resident induviduals. The withholding tax may be lower if the resident individual presents a tax card received from the tax authorities to the payer. The tax withheld represents a payment on account of the recipients income tax liability. Royalties derived by individuals may be taxed as either earned income or investment income.

Withholding tax is not imposed on royalties paid to resident companies.

6.5 Inheritance and gift taxes

Under Finland's inheritance and gift tax system, beneficiaries must pay tax on gifts and their shares of estates. Inheritance tax must be paid in Finland if the deceased or the inheritors lived in Finland at the time of the deceased death. Inheritance tax applies to the worldwide property of the deceased. Gift tax is levied if the donor or the beneficiary lived in Finland at the time of donation. An individual is deemed to be living in Finland when he or she has a permanent home in Finland.

In principle, the tax authorities value items subject to inheritance and gift taxes at market value. However, in practice, the values are 60% to 70% of market values. Gifts given within a period of three years preceding the deceased's death are includable in the estate.

The value of an advance is also added to the net value of the inheritance.

The tax rates are the same for inheritance and gift taxes and increase in multiples based on the beneficiary's relationship to the deceased or donor.

6.6 Taxation of foreign enterprises and operations

The tax levied on branches of foreign companies in Finland is the same as that imposed on resident companies, except that branches of foreign companies are taxed on net worth invested in Finland at a rate of 1% a year. However, most of Finland's tax treaties exempt foreign branches from this tax. Remittances of branch profits are not subject to withholding tax.

Finnish resident subsidiaries of non-resident companies are taxed like other Finnish resident companies and are subject to corporate income tax at a rate of 29%.

Service fees and lease payments are not subject to withholding tax at source.

Finland does not have special tax rules for foreign companies with headquarters in Finland. Because a company's residence is determined based on registration in the Trade Registry, the location of a foreign company's management in Finland is not a basis for regarding the company as resident. However, it may constitute a basis for determining that the company has a permanent establishment in Finland.

The sale of goods or merchandise by a foreign individual or company to a Finnish resident or domiciled buyer does not in itself result in the imposition of tax liability on the seller. Taxes related to imports, such as customs duties and VAT are the responsibility of the importer, who is generally the customer or the customer's representative. For trade between Finland and other EU countries, VAT is not imposed and the normal customs procedures do not apply.

7 EXCHANGE CONTROLS

Finland does not impose any exchange controls. However, the Bank of Finland, in compiling the balance of payments statistics, collects information on payments, liabilities and transfers of assets between residents and non-residents.

If a resident makes a payment to a non-resident, receives a payment from a non-resident or buys or sells foreign exchange in the form of cash, and the amount exceeds FIM 50.000, information concerning the amount and type of currency and the purpose of the payment, accompanied by some additional information, must be provided to the bank.

8 OTHER FORMS OF TAXATION

8.1 Value added tax

VAT is imposed on goods and services sold by businesses in Finland. It is also imposed on imports from countries outside the EU as well as intra-EU sales.

Non taxable transactions include transactions within the same legal entity, such as transfers of supplies between a branch and its head office if they are both established in Finland, and transfers of all or a portion of a business if the transferee continues the business.

The standard rate of VAT is 22%. Lower rate apply to certain items including the following: food 17%, medicines, books, transportation of individuals, theaters, circuses, music shows, sports events, zoos, museums, and other cultural events 8%.

In general, credits are granted for input VAT, which is VAT paid on taxable goods and taxable services used in taxable goods and taxable services used in taxable business activities.

Under the VAT Act, business selling goods and services in Finland, other than foreign businesses without permanent place of business in Finland, must register for VAT if they have annual turnover exceeding FIM 50.000.

Companies registered for VAT in Finland may deduct input VAT on their monthly VAT declarations and obtain refunds of any excess VAT paid.

Monthly returns must be filed and tax paid by the fifteenth day of the second month following the relevant month.

Because Finland is a member of the EU, transactions between Finland and other EU countries receive special VAT treatment under the basic rules for transactions between EU member countries.

8.2 Stamp duties

Stamp duties are imposed at a rate of 1,6% on transfers of shares and at a rate of 4% on transfers of real estate. Transactions carried out on the stock exchange or over-the-counter (OTC) are exempt from stamp duties.

Excise duties are levied on sales of alcohol, gasoline, tobacco, motor vehicles, and certain other products.

8.3 Property taxes

Property tax is imposed on individuals' taxable net worth at the end of each tax year. Taxable property consists of property with monetary value. Certain specified property is exempt, including certain rights to recurrent payments, such as pensions, household property intended for the taxpayer’s personal use, and bank accounts and specified bonds, the interest on which is exempt or subject to a final 29% withholding tax. However, certain high-value personal property, such as cars, boats, and jewels is taxable. Business property is generally taxable, but, in certain cases, only 30% of the value is taxable. Certain farm property, such as livestock and farm products, is generally exempt. Taxable assets are reduced by liabilities to calculate taxable net worth. Assets are normally valued considerably below their market values.

The property tax is FIM for taxable net worth of FIM 1,1 million. The tax on the excess is 0,9 %.

Property tax is not imposed on companies.

9 LABOUR RELATIONS AND SOCIAL SECURITY

9.1 Labour market

Finland's labour force exceeds 2,5 million. A plentiful supply of young highly educated, multilingual and motivated labourers is available in Finland.

The relative unit labour costs in the manufacturing industry as compared to competitor countries decreased significantly during the 1990s. Factors that contributed to the drop included the devaluation of the narkka, increased efficiency and relative modest wage increases.

The Finns are northern people, self reliant and sturdily independent. They are Lutheran people, valuing conscientious work, initiative and enterprise. They strongly respect private property, law and contracts. Finland is an egalitarian society. A very high proportion of Finnsh women go to work. Well-educated, the Finns have been quick to adapt to changes. They are exceptionally well-informed about international affairs.

9.2 The right to work – nationals

The Employment Contract Law and the Work Safety Law are the most important of the numerous laws dealing with employment matters in Finland. Because the labour movement in Finland is strong, legislation is supplemented to a considerable extent by collective bargaining agreements, which generally cover wage rates and raises, working hours, vacations and other working conditions. Managerial and professional staff are usually coverad by individual employment contracts rather than by collective bargaining agreements.

The act regulating employment contracts restricts employers' rights to terminate employment contracts. Employees may be dismissed only for exceptional causes, which do not include the following, illness or pregnancy, the employee's religion, political or other beliefs; and participation in trade union activity or a strike. If a temporary reduction in the volume of a company's work occurs, the employer must try to arrange other work for the employee.

The periods for notice of dismissal are usually defined in collective bargaining agreements or in specific employment contracts and may not exceed six months.

The penalty for unlawful dismissal may range from 3 to 20 months' wages.

9.3 The right to work – non nationals

To work in Finland, a foreigner generally must obtain a work permit before arriving in Finland from a Finnish diplomatic or consular mission in the country in which the applicant habitually resides. A certificate, filled out by the employer, verifying that the person in question will be employed must accompany the application for a work permit. A permit may limit its holder to a specific profession or specific employer, or it may carry no limitations.

Changes to the Aliens Act exempt nationals of other EEA countries from the work permit requirement, but an EEA national intending to work in Finland for a period of more than three months must obtain a residence permit.

Students may work part-time during the school year and full-time during vacations without work permits.

9.4 The employer-employee relationship

Labour relations are generally good, and strikes are uncommon. The Act on Co-operation within Enterprises, as well as many collective bargaining agreements, requires consultation between employers and employees in many cases. The percentage of workers and salaried employees organised in labour unions varies, depending on the business sector, and rages from 60% in the service sector to 95% in the metal and paper industries. Union membership for employees is not compulsory in any industry.

9.5 Labour regulations.

Under the act regulating working hours , a regular working week consists of five days of almost eight hours, for an average 37-hour week. Employees usually receive 10 paid public holidays per year. Every employee has the right to an annual paid vacation of two to two and one-half working days for each full month worked, depending on when the employee started working.

Minimum wages are usually fixed by industry labour agreements. The wages of industrial workers are comparable to those of labourers in the most developed Organisation of Economic Co-operation and Development (OECD) countries.

Overtime is regulated by law. The legal maximum overtime that may be worked each year is 200 hours on weekdays and 120 hour on weekends. The Labour Council may permit up to a 50% increase in overtime. The law provides detailed rules pertaining to the calculation of overtime pay. Overtime rates consist of a minimum premium of 50% for the first two hours on weekdays and for Saturdays. The premium is at least 100% for overtime in excess of two hours a day on weekdays and for work on Sundays.

Bonuses are not common, except for executive personnel.

9.6 The social partnership – worker participation

Under the Act on Co-operation within Enterprises, employees have a voice in many decisions affecting them, such as the use of funds reserved by the board of directors for employee welfare and the allocation of employer-owned accommodation.

Indirect labour costs, including paid vacations and social security contributions, which are based on provisions in the law and in voluntary agreements, constitute about 45% to 55% of annual wages.

Employers withhold employee contributions from wages and salaries paid. In addition, they must make employer contributions based on gross salaries.

10 GRANTS AND INCENTIVES

Major incentives are available on equal terms to Finnish and foreign enterprises for investment in areas that need development. Greater incentives are granted for areas with high unemployment, sparsely populated areas and areas with low income levels. Several incentives also apply to enterprises throughout the country and to certain types of businesses.

11 FINANCIAL REPORTING AND AUDITING

The following three laws govern accounting in Finland. The Accounting Act, the Business Income Tax Act and the Act on Limited Liability Companies. Special laws apply to financial institutions, co-operatives and other entities.

The preparation of financial statements is influenced by statements published by the Accounting Board. In addition, the Institute of Authorised Public Accountants and the Helsinki Stock Exchange (for listed companies) make recommendations.

The Accounting Act includes the true-and-fair-view principle to conform with International Accounting Standards and the EU accounting directives. The Accounting Act prescribes a standard format for the annual financial statements and related disclosures. The format prescribed in the act complies with EU directives.

Required financial statements consist of a balance sheet, an income statement, notes to the financial statements and a management report. Financial statements must include comparative amounts for the preceding financial period.

In accordance with the requirements of generally accepted auditing standards, the auditor must examine the financial statements, accounting records, and certain administrative aspects of the company. The auditor must also examine a parent company's consolidated financial statements and the relationships between companies in a group.

The auditors report on the statutory financial statements must give an opinion as to whether the financial statements have been prepared in conformity with current regulations.

Finland has two tiers of authorised auditors. Authorized Public Accountants (KHT), which are accountants authorised by the Central Chamber of Commerce, are individuals with a university-level degree in accounting who have passed an examination given by the by Central Chamber of Commerce after having completed at least five years of professional experience. Approved accountants (HTM), who are accountants authorised by a local Chamber of Commerce, are individuals with a lower-level accounting degree who have passed an examination after having completed at least five years of professional experience.

12 QUALITY OF LIFE

12.1 Housing

Most people in Finland own their apartments. Only 25% of the population lives in rented housing, the cost of which varies depending on the size, age, condition and location of the apartment.

Under a new method of acquiring housing, right of residence apartments are now available. An individual pays 10% to 15% of the acquisition price plus monthly rent. The individual is considered to be a tenant, but the landlord may not terminate the lease. The fee is returned when the individual vacates the apartment.

12.2 Education

Children attend comprehensive school for nine years, beginning at age seven. Municipalities pay for teachers' salaries, books, teaching materials, health care, and school meals. After completing comprehensive school, students may attend high school for three years or receive an occupational education. High school prepares students to enter universities, which are located in all major cities in Finland. Students may finance their university studies with scholarships or guaranteed student loans from the government. There are also schools in Finland, which use a foreign language as a teaching language.

12.3 Transportation and communication

Finland has an efficient transportation network that contains trains, roads and air links. Public transportation is abundant and effective. The railways, which are government-owned, offer integrated rail and road services with a network exceeding 10.000 kilometres. The main lines are electrified. More than 20 domestic airports make travel to destinations within Finland convenient, while frequent flights are scheduled from the Helsinki-Vantaa airport to all major cities abroad. With over 1000 kilometres of coastline, Finland has extensive shipping facilities.

Telephone, fax and data service links Finland to almost 200 countries. Finland can be called directly from all Western European countries and from most parts of the world. Leased satellite lines are available to international companies for corporate data communications. Finland has the worlds highest per capita use of mobile phones.

12.4 Social security benefits

There is a comprehensive social security system in Finland together with a National Health Insurance. The principal benefits claimable are:

- Maternity grant
- Child care allowance
- Family allowance
- Compensation for medical expenses

- Sickness daily allowance
- Rehabilitation allowance
- Disability allowance
- Financial aid for students
- General housing allowance
- Unemployment allowance
- Labour market support
- National pension insurance

APPENDIX 1
MGI PUBLICATIONS

Business guides to doing business in many other countries are available.

An International Directory of all firms within MGI is published each year.

The members also publish newsletters, booklets and fact sheets on a number of topics.

If you would like to receive copies of any publications, please either ask your local MGI member firm or write, fax or email the International Secretariat.

APPENDIX 2
INDIVIDUAL TAX RATES

The national income tax rates in 2001 for the earned income of resident individuals are set forth in the table below. Resident individuals are also subject to municipal income tax and church tax on such income

Taxable income		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
FIM	FIM	FIM	%
0	66.000	0	0
66.000 -	85.000	50	14
85.000 -	117.000	2710	18
117.000 -	184.000	8470	24
184.000 -	325.000	24550	30
325.000 -		66850	37

Municipal income tax is imposed on the earned income of individuals. It is not imposed on companies or on the investment income of individuals. The municipal income tax rate varies from 15% to 20%, depending on the municipality. Municipalities set the municipal tax rate annually.

A church tax is imposed on the earned income of members of the national churches-the Evangelical-Lutheran and Greek Orthodox churches. The tax does not apply to companies or to the capital income of individuals. The rate ranges from 1% to 2%, depending on the municipality.

APPENDIX 3
DIVIDEND IMPUTATION CREDIT

The following table illustrates the computation of the of the dividend imputation credit for an individual in 2001. The table illustrates the taxation of a shareholder with a deduction from investment income (such as interest expense) and the taxation of a shareholder with no deductions.

		FIM
Taxation at the Company Level		
Taxable income		100
Company income tax at 29%		(29)
Net income after tax		71
Computation of Shareholders' Taxable Dividend Income		
Cash dividends received		71
Imputed tax credit		29
Taxable dividend income		100
Taxation of Two Different Shareholders with 29% Tax Rate		
Taxable dividend income	100	100
Deductions (interst expense, etc.)	(100)	-
Taxable investment income	0	100
Tax on taxable income	0	29
Less imputation credit	(29)	(29)
Tax refund	29	
Additional tax liability		0

APPENDIX 4
SOCIAL SECURITY CONTRIBUTION RATES

Social Security Coverage	Contribution Employer %	 Employee %
Old age and survivors benefits Average employment pension premium	17,35	4,5
Group life insurance premium	0,	-
National pension premium	2,00	-
Sickness and disability benefits Health insurance premium	1,60	1,5
Occupational accident benefits Average accident insurance premium	1,20	-
Unemployment benefits Unemployment insurance premium	4,00	0,7

APPENDIX 5
MAIN ALLOWANCES

Unemployment allowance

Eligibility:
Unemployed persons who: Are between 17 and 64 and live in Finland, are fit and available for work, have been registered with an employment office for certain time, are looking for full-time employment, satisfy the condition regarding insured employment.
Duration: 500 days.
Amount: Payable either as a basic allowance or earnings-related

General housing allowance

Eligibility:
Low income households living in rental, owner-occupied or right-of-tenure dwellings located in Finland.

Amount:
80% of reasonable housing costs that exceed a copayment linked to household size, income and location of the dwelling.

Sickness daily allowance

Eligibility:
Residents of Finland between ages 16 and 64 who are employed or self-employed; incapable of work due to illness.
Duration: Up to 300 weekdays
Amount: Depends on claimant’s earnings

Maternity, paternity and paternal allowance

Private day care allowance

Family allowance

Special care allowance for parents, etc.

MGI

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