

# Finland Fact Book

A guide to doing  
cost-effective business  
in Finland



INVEST IN FINLAND

# Welcome to Finland

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## DEAR READER

Finland is an economically and politically stable society and has been a member of the European Union since 1995. The Finnish economy is knowledge-based and strong on innovation. The longstanding national investments in innovation and a forward-looking technology policy have produced world class expertise in many sectors of the Finnish economy. For many years Finland has also been among the top countries globally in terms of R&D spending per capita.

Finland has several high-tech clusters with many technology companies that have cutting-edge expertise. Finland's particular strengths include Information & Communication Technology (ICT), Cleantech, Renewable Energy, Health Care and the Pharmaceutical, Bio and Medical Industries, as well as the Mining, Forest and Chemical Industries. Thanks to the close cooperation between business and the institutes of higher learning, companies can benefit directly from the academic excellence of the Finnish universities.

Finland welcomes international companies and entrepreneurs to explore the various business opportunities and excellent infrastructure that our country can offer. All companies registered in Finland enjoy the same benefits, grants and access to the national technology programs, irrespective of the nationality of the company's ownership.

My Ministry and our national investment promotion agency Invest in Finland are pleased to give you further information and assistance for the successful establishment of your business in Finland.

Jyri Häkämies  
Minister of Economic Affairs  
the Ministry of Employment and the Economy

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## DEAR READER

Invest in Finland is the national investment promotion organisation committed to encouraging FDI and making business grow. We assist foreign companies in their direct investments and build international co-operation on a win-win basis in order to create added value to the national economy and to the industrial, service and logistical structure of the country.

We offer our clients an in-depth analysis and consulting on all the different investment alternatives; greenfield investments, an acquisition of an existing Finnish company, joint ventures or R&D Co-operation.

The services are tailored to the specific needs of the client and cover every stage of setting up business in Finland, from initial data collection and opportunity analysis to the actual business launch. The client company is also shown how it can access the investment incentives offered by the Finnish government and regional bodies, and how to benefit from the world-leading research collaboration between Finnish universities and the private sector.

With this investment guide Invest in Finland invites you to explore Finland's excellent business opportunities.

Tuomo Airaksinen  
Executive Vice President  
Invest in Finland



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# Why Finland?



Bangkok	9 h 45 min
Beijing	7 h 40 min
Berlin	2 h
Brussels	2 h 40 min
Copenhagen	1 h 40 min
Frankfurt	2 h 40 min
Hong Kong	9 h 50 min
London	3 h 10 min
Moscow	1 h 45 min
Mumbai	7 h 25 min
New York	8 h 40 min
Paris	3 h 05 min
Seoul	8 h 30 min
Shanghai	8 h 55 min
St. Petersburg	1 h 05 min
Stockholm	55 min
Tokyo	9 h 25 min
Singapore	11 h 30 min

How can a nation of five million consistently top numerous international surveys? In Finland, you have a dynamic business environment where everything works. Thanks to its early adoption of information technology, unique co-operation between educational and research institutions and industry, as well as a skilled workforce receptive to new technologies, Finland is an ideal test bed for new solutions and technologies. Couple this with a sophisticated infrastructure, highly competitive operating costs and strategic location in Northern Europe, and you have a market that offers great opportunities for success and solid growth.

Non-existent corruption and minimal red tape are additional reasons for establishing a business in Finland. It is our experience that foreign companies locate in Finland for the long-term and enjoy high return on investment. Today, foreign-owned companies account for more than 20 % of corporate turnover in Finland, and their number is constantly growing.

## AN INCENTIVE DESTINATION FOR BUSINESS TRAVEL

You will, of course, find the best hotels, fine dining, international events and venues, and modern meeting and convention facilities across the scale. That is to be expected of an area that especially welcomes business visitors.

What you will not find elsewhere is the unique combination of adventure and soothing silence, in one of the purest natural settings in the world. Winter or summer, there are plenty of new and stimulating experiences to be gained. We like to think of them as making business a pleasure.

- The fourth most competitive economy in the world, WEF Global Competitiveness Report 2011-2012
- Ranked best in Health and primary education index and Higher education and training index, WEF 2011-2012
- The second least corrupted country in the world, Transparency International 2011
- Number two in knowledge transfer between universities and companies, IMD World Competitiveness Yearbook 2011
- Top in the OECD's PISA study of learning skills among 15-year-olds, PISA 2009
- Number three globally in R&D spending per capita, IMD World Competitiveness Yearbook 2011
- The only Eurozone country in Northern Europe
- Strategic geographic position in the expanding markets of Northern Europe

# The Finland Experience

Finland is a stable society with an advanced industrial economy and a world leading business environment that is highly conducive to foreign investment. Since joining the European Union in 1995, Finland has enjoyed a period of sustained growth and political stability that has made the country one of the most open, competitive and successful economies in Europe. In 2011, Finland scored well the Global Competitiveness Report 2011 by the World Economic Forum as one of the fastest growing countries in the EU and with the highest government surplus. In 2009 Economist Intelligence Unit ranked Finland's business environment as the best in the world for the period 2009–2013.

Facts about Finland	
Total area	338,430 km <sup>2</sup> of which 89.8 % land and 11.2 % internal waters on the 1st of Jan 2011. Of the land area 77 % was forests and other woodland and 9 % agricultural land
Neighboring countries	Estonia, Sweden, Norway, Russia (1,269 km, Finland's land border with Russia is the eastern border of the European Union)
Natural resources	Forests, copper, iron ore, fresh water
Distances	1,160 km from north to south, 540 km from west to east
Time	+2 hours GMT
Population	5.4 million; two thirds live in towns or urban areas, one third in rural areas
Population density	17.8 inhabitants per square kilometre on the 1st of Jan 2012
Life expectancy at birth	Females 83.5 years, males 77.2.8 years in 2011
Main towns	Helsinki 595 384, Espoo 252 439, Tampere 215 168, Vantaa 203 001, Turku: 178 630, Oulu 143 909 people at the end of 2011
Languages	Finnish 90.0 %, Swedish 5.4 %, Lappish 0.03 %, Russian 1.1 %, Estonian 0.6 %. Finnish and Swedish are the official languages.
People in religious communities	Lutheran 78.3 %, Orthodox 1.1%, Catholic 0.2 %, Islamic congregations 0.2 % (19.2 % have no religious affiliation)

As the home of Nokia, Finland has established a reputation for innovative high-tech industries. The country's infra-structure is well developed and workforce highly educated and skilled. According to the World Economic Forum 2011, Finland has the best availability of scientists and engineers in the world, and the best educational system in the world. Finland also welcomes foreign workers because there are several sectors where the country is facing labour shortages due to its ageing population.

## THE FINNISH ECONOMY

### Main economic indicators, Finland

	2006	2007	2008	2009	2010
GDP (change, %)	4.9	4.5	2.1	-0.5	0.7
Industrial production (change, %)	9.1	5.2	3.9	3.1	-
Imports of goods and services (change, %)	7.8	6.6	0.4	-2.1	2.6
Exports of goods and services (change, %)	11.8	8.2	3.9	-3.3	1.0
Private consumption (change, %)	4.1	3.2	3.1	0.7	1.9
General government consumption (change, %)	0.6	1.3	1.68	0.97	0.98
Current account (% of GDP)	4.6	4.1	2.0	1.5	3.1
Consumer prices, average (change, %), EU harmonized	1.6	1.3	3.9	1.6	1.7
Unemployment rate (%)	7.7	6.9	6.4	8.2	8.4

Sources: Statistics Finland, Ministry of Finance, Bank of Finland 12/2010

\* Forecast

Finland has become the base for a number of international companies taking advantage of a highly educated workforce steeped in the traditional Finnish work ethic. Although the high-tech sector is the best known globally, Finland has also managed to thrive with traditional industries such as forestry or metals. It is also investing heavily in new industries such as bio-fuels.

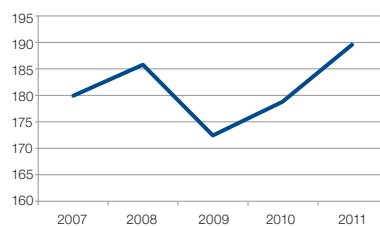
### Gross domestic product at basic prices

Industry	Proportion of the GDP, %
Primary production	2.9
Secondary production	27.8
Services	69.4

Source: Statistics Finland

### Gross Domestic product, Finland

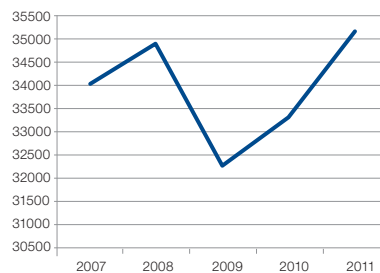
GDP (at current prices, € billion)



Sources: Statistics Finland

### GDP per capita Finland

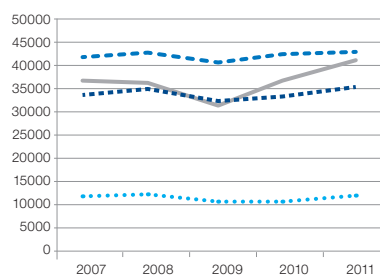
GDP per capita (at current prices, €)



Sources: Statistics Finland

### GDP per capita in Finland, Sweden, Denmark, Estonia

GDP per capita (at current prices, €)



Sources: Statistics Finland

--- Denmark  
 --- Sweden  
 --- Finland  
 --- Estonia

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Despite high birth rates, women are actively in work life. Thanks to public child-care services and a legal right to work shorter days, women can have a career without compromising family life.

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## **POPULATION AND WORKFORCE**

The population of Finland is 5.4 million and growing. In 2011, 59 961 babies were born alive in Finland. The total workforce in Finland was 2.68 million of which 52 % were men and 48 % women.

English is the common business language among Finland's highly international business community and also the most popular foreign language in the country. About 90 % of Finns under thirty speak English. There is instruction available in the major European languages in the main cities for expatriate families who wish to continue their children's education in their own language.

## **THE BUSINESS HUB OF NORTHERN EUROPE**

Finland shares borders with Russia, Sweden and Norway, as well as Estonia across the Gulf of Finland. The long border with Russia is also the eastern border of the European Union. Finland has long-established connections and experience of doing business with Russia, the Nordic and the Baltic countries.

## **A STABLE POLITICAL SYSTEM BOOSTS THE ECONOMY**

Finland is a republic and became independent in 1917. The current head of state is President Mr Sauli Niinistö who was elected in early 2012. The single chamber parliament has 200 members and is elected for a four-year term by direct popular vote under a system of proportional representation. Finland's multi-party democracy is characterized by consensus and pragmatic policies implemented by coalition governments.

Finland is known for its active role in the international community and has played a major role as a bridge between the East and the West. Former president Mr Martti Ahtisaari was awarded the Nobel Peace Prize in 2008, and Finnish soldiers participate in peacekeeping missions around the world.



## GEOGRAPHY, NATURAL RESOURCES AND CLIMATE

Finland is a country of forests, lakes and islands. Areas of exceptional natural beauty include Lapland in the north, the Lakeland region in eastern Finland and the archipelago along the south-western coast. It is Europe's largest archipelago, and also includes the semi-autonomous province of Åland (Ahvenanmaa). Inland, there are 187,888 lakes dotted with islands. Space and a rare tranquility are some of Finland's greatest assets.

Finns like to call their forests Green Gold because they are its most important natural resource. Other resources include peat, fresh water resources and minerals, for example iron ore, copper, lead, zinc, chromite, nickel, cobalt, gold, silver, phosphate, limestone, talc, quartz and uranium.

Finland's climate has four distinct seasons. The summers are usually fairly warm with temperatures rising above +20 degrees Celsius. In Lapland, the sun does not set during the summer months. Finnish winters can be cold and temperatures below -20 degrees are not uncommon. The mean temperature in Helsinki in July is +17 degrees and -5.7 degrees in February.

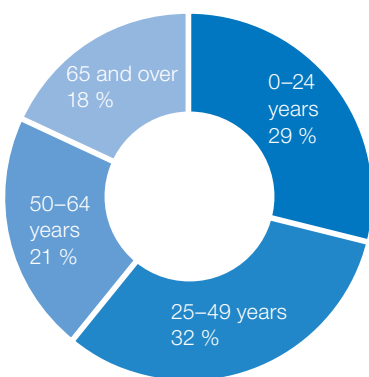
More information in English at Statistics Finland: [www.stat.fi](http://www.stat.fi) • Virtual Finland: [www.virtual.finland.fi](http://www.virtual.finland.fi) • Research Institute of the Finnish Economy: [www.etla.fi](http://www.etla.fi)

Finland is strategically located to serve a market area of 80 million consumers in Northern Europe.

Finland has consistently been ranked as one of the least corrupt countries in the world.

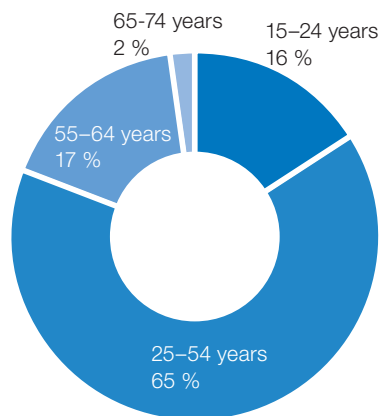
Finland has been ranked at the top of the WEF's Environmental Sustainability Index since 2000.

Age distribution of the population



Sources: Statistics Finland

Age distribution of the workforce



Sources: Statistics Finland

# Business Outlook

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Fitch Ratings, the international rating agency, affirmed 21 June 2012 the long-term credit ratings of 'AAA' for the Republic of Finland. The rating agencies Moody's and Standard & Poor's have both also affirmed 'AAA' ratings for Finland.

## STATISTICS FOR 2011/2012

According to Statistics Finland, the volume of Finland's GDP grew by 2.7 % to 189.4 billion EUR in 2011. Investments increased 6.8 %, exports 2.6 %, private consumption 2.5 % and public consumption 0.4 % in 2011. Households' adjusted real income describing their economic well-being grew by only 0.2 %, however.

According to Statistics Finland, Finland's exports amounted to € 77.08 billion (goods € 56.66 billion and services € 20.42 billion) in 2011. Exports made up 40.7 % of Finland's GDP. The major export products were metal, machinery and transport equipment industry products, forest industry products, chemical industry products and electric and electronics industry products. The value of Finland's imports was € 78.34 billion (goods € 57.86 billion and services € 20.49 billion). In 2011, the volume of imports increased by 5.7 per cent. In June 2012, Finland's annual inflation rate was 2.8 per cent and the unemployment rate was 7.9 per cent.

## GOVERNMENT POLICY IN A KNOWLEDGE-BASED ECONOMY

The government of Finland views entrepreneurial activity as the bedrock of Finland's competitiveness and is committed to providing companies with the world's best operating environment. Finland's economic policy aims at improving productivity through the utilization of new ideas, the creation and rapid adoption of new technology, a highly skilled workforce and the intelligent organization of work. A knowledge-based competitive edge is seen as the result of a more diversified array of skills – in science, technology, business, service solutions, design, branding or ways of organizing work and production.

One of the key long-term factors contributing to the success of the Finnish economy has been the constructive partnership between the government, employers and trade unions. The Finnish system has produced a level of political stability and economic continuity undreamt of in most countries.

## FOREIGN DIRECT INVESTMENT (FDI) IN FINLAND

As one of the most competitive and open economies in the world, Finland has a great deal to offer foreign investors and also much to gain from foreign direct investment (FDI). Statistics show that most foreign-owned companies actually grow faster and perform better than the local companies after establishing themselves in the Finnish market.

On average, about 200 foreign companies locate in Finland every year. Their main reasons for coming Finland are access to the Finnish and surrounding markets of 80 million people, as well as the country's world-class expertise and technology. Other important reasons include safety, the clean environment, and the small scale

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of bureaucracy and corruption. Finland's modern infrastructure, logistics and communications networks are also attractive to many companies.

Many companies that invest in Finland use it as a base to also manage their business in the Nordic countries, the Baltic region and Russia. Finland is the ideal business gateway to Russia and most of the transit trade from the EU to Russia already passes through Finland. Finland's historical trade and cultural ties to the neighboring countries provide valuable insights for foreign companies. Finland offers the fastest and least congested air route from Northern Europe to Asia. Foreign direct investment (FDI) in Finland is often related to knowledge-driven investments.

Finland has several high-tech clusters with many small technology companies that have cutting-edge expertise but lack capital and have limited access to the global markets. These include companies specializing in wireless and mobile solutions, health care and life sciences, and new materials and processes. Connecting these companies with the right foreign investors results in a win-win situation for everyone. Finnish companies also have extensive know-how in the Cleantech sector, including biomass-powered energy technologies, combined heat and power production, and power plant automation. Finland is one of the industrialized world's leading users of bioenergy and a developer of combustion technologies and effective fuel chains. Wind energy is another national and global growth sector with good potential for a high return on investment. Finland has introduced a new feed-in tariff system and funding which are intended to attract major investments into the wind energy sector.

One of the sectors which is expected grow markedly in the future is Business Services. In 2006 Business Services made up 7.7 % of the GDP but in 2010 the figure was already 14.5 %. This trend is expected to continue as outsourcing is gaining ground and economic activities are diversified. In the public sector many municipalities are merging and also looking for new outsourcing possibilities.

OECD statistics show that Finland's unit labor costs have fallen during the period 1990–2009, improving the country's competitiveness in relation to the OECD average. Wages are lower in Finland than in the other Nordic countries.

### **FDI IN 2011**

In 2011, 173 new foreign companies established themselves in the Finnish market. About 51 % of the FDI in Finland was made through business acquisitions. Majority of the companies located in the Helsinki metropolitan area. The most popular sectors were ICT, business services, healthcare and wellbeing, retail trade and cleantech. The biggest number of companies came from Sweden, followed by the UK, USA, Denmark and Norway.

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José Manuel Barroso, President of the European Commission, recently stated that “Finland has created wealth not through easy money, not with casino money, but with work, discipline and ideas.”

# Research, Development & Innovation

34 294 research personnel worked in Helsinki and 79 979 in Finland in total in 2010. They are divided between companies, public sector, non-profit organizations and the university sector.

(Statistics Finland 2012)

VTT Technical Research Centre of Finland is a non-profit-making research organization established in 1942. VTT is the largest multi-technological applied organization in Northern Europe. It provides high-end technology solutions and innovation services. Striving to improve its clients' competitiveness and competence, VTT combines different technologies, creates new innovations and a substantial range of world-class technologies and applied research services.

VTT uses its extensive international scientific and technology network to produce information, upgrade technology knowledge and create business intelligence and value added to its stakeholders.

VTT's over 1500 customers are both domestic and foreign companies as well as public organizations in Finland and abroad. In 2012, VTT employs over 2,800 people.

VTT has published c. 50,000 books, articles, reports and presentations since 1943.

In 2012, VTT has over 1,200 patents and patent applications in its patent portfolio.

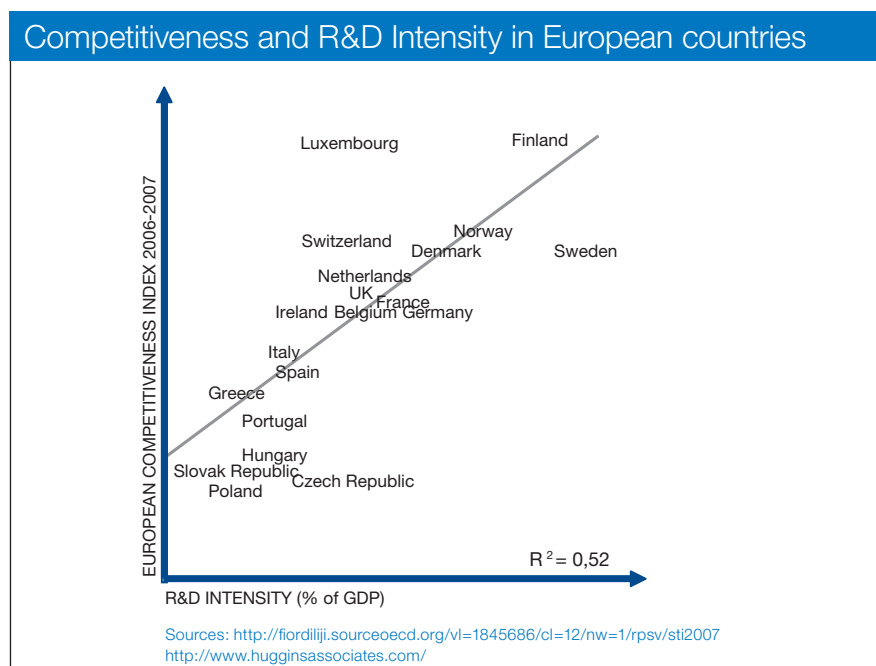
More information in English: [www.vtt.fi](http://www.vtt.fi)

Expertise and innovations play an increasingly important role in Finland's future strategy, Innovation refers to competence-based competitive advantage that can emerge from scientific research, technology, business models, service solutions, design, brands or methods of organizing work and production. Capitalized as innovations, competence based competitive advantages promote the advancement of businesses, society and wellbeing. This is why innovation is an integral part of the R&D process.

Finland ranks in the top three globally in R&D spending per capita (WEF 2011). Finland is at the top of the list when comparing the influence R&D has on the country's competitiveness. Businesses in the Helsinki region invest over 40% of all investment in research and product development by Finnish companies. Businesses and the institutions of higher education work closely together in R&D: 70% of companies with R&D activities cooperate with universities and universities of applied sciences. The central government will spend 1.91 billion EUR in R&D in 2012. This sum will be an estimated 1 % of gross domestic product which is a high level internationally.

## R&D INTENSITY AND COMPETITIVENESS

Finland has a long history of investing in research and education. These investments give Finland a competitive advantage. The relationship between R&D intensity and competitiveness factors is very strong: Finland is the most competitive country in Europe and its R&D intensity is second highest.



## PATENTS

Finland has a high number of patent applications in relation to the country's population 5.4 million. It has more resident patent filings per million people than some of the other Nordic countries such as Sweden, Denmark, and Estonia.

### Patent applications and granted in Finland, Sweden, Denmark and Estonia

	Finland	Sweden	Denmark	Estonia
Patent applications (2011)	2,080	3,466	1,313	35
Patents granted (2010)	923	1,380	155	120

Source: WIPO

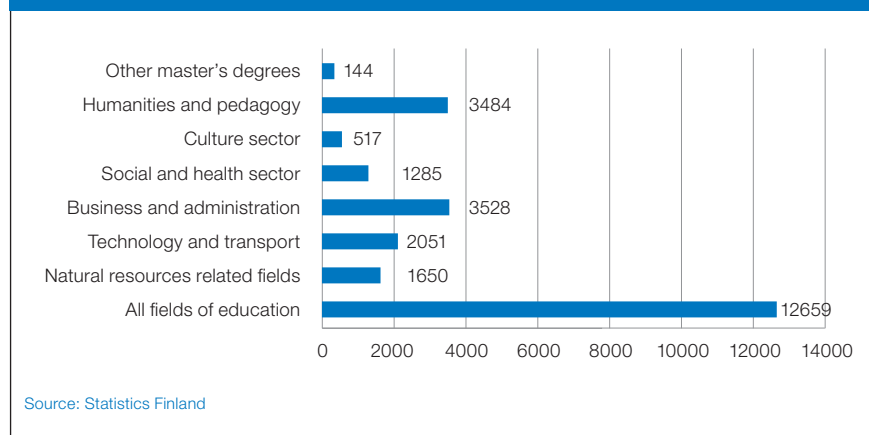
### Patent filings in Finland, Sweden, Denmark and Estonia

Resident* patent filings per million population (2010)	
Finland	322.73
Sweden	234.14
Denmark	293.28
Estonia	62.71

Source: WIPO / World Patent Report a statistical review, 2010.

\* Resident: The "resident" filing refers to an application filed with the Office of or acting for the State in which the first named applicant in the application concerned has residence.

### Graduates from universities in 2011



Source: Statistics Finland

Tekes (the Finnish Funding Agency for Technology and Innovation) is the main government financing and expert organization for research and technological development in Finland, founded in 1983. Tekes finances industrial R&D projects as well as projects in universities, polytechnics and research institutes. It focuses especially on challenging, innovative and risk-intensive projects.

Tekes employs 400 people. Along its Helsinki-based headquarters Tekes has 15 so-called regional Centres for Economic Development, Transport and the Environment (ELY Centres) throughout Finland and six offices abroad in Beijing, Brussels, Tokyo, Shanghai, Silicon Valley and Washington D.C.

Tekes funds its target projects through low-interest loans or grants, depending on the stage of the innovation and the nature of the proposed project.

Tekes also awards financing to foreign owned companies registered in Finland. Foreign companies with R&D activity in Finland are not required to have a Finnish partner to be eligible for funding. The financed project should, however, contribute to the Finnish economy.

In 2011, Tekes funding for companies and research organizations amounted to € 610 million. 1327 company projects and 601 research projects were funded.

More information in English:  
[www.tekes.fi](http://www.tekes.fi)

# Principal Industrial and Business Sectors

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Finland has developed world-class expertise in sectors like cleantech, forestry, metal and machinery manufacturing, ICT industry and services, and health and wellbeing. International investors and companies can benefit from the clusters and centres of expertise in these business sectors that aim to maximize the benefits of research, networking and international cooperation.

In the 1950s the Finnish economy was still largely based on primary production and an agrarian workforce. Today Finland is leading or near the top of most international comparisons in terms of growth and development in the economic, technological and social spheres. According to The Research Institute of the Finnish Economy, the system has combined economic efficiency and growth with a peaceful labour market, an egalitarian distribution of income and social cohesion, backed up by a generous social security system.

The largest sector of the Finnish economy is Services at 54.7 per cent (share of total output at basic prices in 2011), followed by secondary production at 42.9 per cent. Primary production is at 2.5 %. Finland's main industrial products are paper and board, metal products and electrical products. The engineering and high technology industries, led by Nokia, have long been the leading branches of manufacturing.

Foreign trade plays an important part in Finland's economy, which is firmly integrated into the global economy. In 2011, other EU member countries accounted for 55.6 % of Finnish exports of goods and 52.4 % of imports of goods. Finland's major trading partners were Russia (14.2 %), Germany (11.2 %), Sweden (10.9 %), China (6.0 %) and the Netherlands (6.0 %).

## TRADITIONAL INDUSTRY

Finland's largest industrial sector is technology-based and growth in recent years has been rapid. Many companies operating in this sector are Finland's leading exporters and internationally recognized as innovation pioneers.

Finnish companies engaged in electronics and electro-technical activities generate innovative solutions which are employed in production processes all over the world, from underground trains to wind power plants, from space technology to sports and medicine.

The metals sector includes metals production, the further refining of steel and copper products, zinc and nickel for use in the machine, vehicle, construction, electronics and electro-technical industries, and mechanical engineering. Finnish metal processing is well known for its efficient utilization of energy and raw materials, and holds world-leading positions in a number of processes. More than half the world's copper and a third of all nickel is manufactured using the flame melting technology developed by Finns. State-of-the-art cruise ships are built in Finland's shipyards.

The chemical industry is Finland's third-largest industrial sector. The range of products manufactured is huge, with most of them being used in other industries, especially forestry and agriculture. Products include plastics, paints, oil products, pharmaceuticals, environmental products and petrochemicals.

More information in English at the Federation of Finnish Technology Industries: [www.teknologiateollisuus.fi](http://www.teknologiateollisuus.fi)

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## PAPER AND PULP

Finland has a uniquely strong and diverse businesses based on forest resources. This concentration of expertise is referred to as the forest cluster. Wood products, pulp, paper and paperboard, and other processed products form the core of the forest cluster, which also includes forestry entrepreneurs, logistics companies, machinery and equipment manufacturers, energy producers, chemicals manufacturers, related research institutions, universities and consultancies, packaging industry, and the wood-based construction industry.

The forest cluster accounts for c. 10 % of Finland's GDP, about 30 % of aggregate industrial output and about 30 % of net export income. The cluster directly or indirectly employs around 200,000 people in Finland. The aggregate R&D expenditure of the forest cluster is estimated to total € 400–500 million annually. The Finnish forest cluster is also a strong player in the global trade arena. Finland's share of the exports of forest-cluster products in the industrialized countries is almost 8 %.

In addition to the traditional products like newspapers, books, packaging and furniture, wood and its constituents are also used to manufacture sweeteners for chewing gum and a cholesterol-lowering additive for margarine spreads, for example. Other possibilities include the addition of 'smart' components or nanotechnology to wood-fibre-based products, creating entirely new kinds of product opportunities for the forest industry.

## HI-TECH INDUSTRY

From eco-friendly batteries to remote diagnostic services for the health sector, and the production of metals with the help of microbes, there is a wealth of exciting work being carried out by Finnish companies and researchers at the cutting edge of technological development in different sectors of the economy.

Investment decisions are increasingly shaped by issues of sustainability and responsibility. Finnish companies are delivering technologies for improved environmental and economic performance by making better use of raw material inputs, using less energy, consuming less water and other utilities, reducing emissions, and creating a safer operational and working environment.

To spark the imagination of international investors and companies, HighTech Finland is profiling a broad cross-section of work by Finnish companies and researchers in areas ranging from mobile communications and sustainable energy to environmental technologies, new types of health care, advanced industrial processes and materials, and more.

More information in English at HighTech Finland: [www.hightechfinland.fi](http://www.hightechfinland.fi)

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In the musical instruments industry, exotic tonewoods such as ebony, widely used in everything from acoustic guitars to clarinets, are increasingly difficult to source.

Finnish guitar maker Flaxwood uses patented technology to produce musical instruments or instrument components by mould-injecting organic fiber-composite materials using spruce or other sustainably harvested woods. The results rival instruments produced using the very finest exotic hardwoods. Flaxwood's own line of guitars has proven the viability of the technology, having garnered recognition at the highest level among musicians, and in the music industry press. Flaxwood's guitars were recently awarded the prestigious "Premier Guitar Gear Award".

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## ICT

As one of the most advanced information societies in the world, Finland is known as a leader in ICT innovation and high quality ICT products.

Finland has much to offer international investors and companies in the ICT sector, including first-rate availability of talented and qualified ICT engineers, and easy access to public R&D funding and development networks. Finland has strong domestic demand for ICT products and services, and there are also profitable opportunities in Russia and the Baltic countries. Predictably, Finland has a very strong mobile cluster driven by Nokia. Other ICT clusters in Finland include Digibusiness, Ubiquitous Computing and the Nanotechnology Cluster.

Nokia has driven the development for a uniquely strong mobile technology cluster in Finland. The Finns love new gadgets and many services and technologies have been introduced in Finland much earlier than in other countries. International companies like Siemens and Hewlett Packard use Finland as a test laboratory for experimental launches of new products and services. Google has constructed its most eco-efficient data center on the Finnish coast.

Applications are also being developed for ubiquitous computing, health care and the elderly, bio- and nanotechnology, security and environmental purposes.

**More information in English at TIEKE Finnish Information Society Development Centre:**  
[www.tieke.fi](http://www.tieke.fi)

## CLEANTECH

Finnish cleantech companies offer advanced environmental technologies that can succeed in global markets and provide a significant return on investment.

The cleantech business is forecasted to grow fast almost worldwide in the next years and Finland is considered as one of the most progressive countries in the world in terms of its cleantech expertise and associated technologies. This know-how provides international companies with excellent opportunities to benefit from innovative environmental technology companies, solutions, products and services. These include, for example, technologies that combine waste management and energy production, distributed energy production, and products and industry-specific technologies that can be seamlessly integrated into large-scale environmental projects.

The global demand for cleaner technology, energy and processes is constantly increasing. Finland's innovative and fast-growing cleantech sector now includes about 2,000 enterprises and the national objective is to develop the sector into a new cornerstone industry. The Finnish cleantech cluster comprises four Centres of Expertise, more than 400 companies as well as universities and research centres. Various public and private actors invest significant sums of money in research and development in the Cleantech sector.



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Each Centre of Expertise specializes in different aspects of cleantech and strives to promote the growth and internationalization of the associated businesses. They collaborate with each other, with Centres of Expertise of the Energy Technology Cluster and network with local businesses and academia. For international companies the Cleantech cluster also represents a useful gateway for finding partners in Finland.

In 2010, the Finnish Cleantech cluster was ranked among the world's top three Green Tech Clusters by the Cleantech Group. It was also highly ranked in environmental sustainability in the 2010 Environmental Performance Index (EPI), which provides benchmarks for national pollution control and natural resource management results.

More information in English at: [www.cleantechfinland.fi](http://www.cleantechfinland.fi)

## BIOTECHNOLOGY

Finland is ranked among the top 10 countries worldwide for biomedical science and clinical medicine, and biotechnology is one of the most promising high-tech industries in the country. The Finland's pharmaceutical market was worth € 2 billion (wholesale value) in 2011 and is closely integrated into the global industry through ownership arrangements. Finland's domestic market offers an excellent platform from which to launch and develop innovative healthcare products.

Finland is also a global leader in the development of new niche applications based on biotech innovations, such as biomedical, gene technology and molecular biology, human genetics, implants, biomaterials, drug discovery, diagnostics and drug delivery devices. Finnish pharmaceutical and biotech companies are continuously looking to develop international partnerships. This includes overseas companies or corporate venturing units for strategic investment or research cooperation. For example, new biopharmaceutical companies such as Biotie Therapies Corp and Hormos Medical Corp. are aiming to launch spearhead products globally through partnerships with international pharmaceutical companies.

Finland offers a range of possible biotechnology cooperation partners with different profiles. These include innovative start-ups with skillful, devoted employees and potential patents for further development. There are also established drug discovery companies and biotechnology companies interested in forming strategic partnerships to develop and launch new therapeutic methods and products. Finally, there are interesting merger and acquisition candidates specializing in a particular diagnostic/therapeutic field.

There is a healthy level of funding and resources available to overseas pharma/biotech investors and companies interested in establishing a presence in Finland or developing ties to Finnish R&D networks. The major funding organizations are Tekes – the National Technology Agency, the Academy of Finland, Sitra, Finnvera, and the network of regional Technology Centres and The Centres for Economic Development, Transport and the Environment.

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Many Finnish bio-products – such as drugs, enzymes and diagnostic tests – have already been successful in the global marketplace. For example, Orion Pharma, the largest pharmaceutical company in Finland, is behind Precedex, a popular pain-relieving tranquillizer used in intensive care. Leiras (today owned by Schering) has also developed the polymer-based Delvivo drug delivery technology for the hormonal contraceptive Mirena.

## **MINING INDUSTRY**

### **FINLAND – A MINING FRIENDLY COUNTRY**

Finland has excellent geological databases, good infrastructure and readily available exploration services. These factors make operations in Finland attractive and cost-effective.

In October 2008, Resource Stocks magazine ranked 'Finland as the safest place to spend exploration dollars. The mining and minerals industry is very important to the country, and plays an increasing role in our economy, both domestically and outside Finland.'

Finland offers the exploration industry a favourable investment and operating environment, with significant potential for new discoveries as many commodities are still highly under-explored. Present activity is concentrated on gold, platinum group metals, base metals, diamonds and industrial minerals. Finland has an excellent geological database, good infrastructure and readily-available exploration services.

### **MINING AND MINERAL PRODUCTION**

Finland has a long history of mining activity, and Finnish metallurgical technology and manufacturers of mining equipment are well known throughout the international mining community. The exploitation of copper, nickel, cobalt, zinc and lead ores as well as chromium, vanadium and iron deposits has provided the raw material base for the country's metal industry. The major industrial minerals mined in Finland are carbonates, apatite and talc.

- Mining history dates back to 1540 when iron ore mining commenced
- There were 47 mines and 22 mining companies in Finland in 2009
- There were 8 metal ore mines owned by 7 companies in 2009
- Main commodities have been: Cu, Ni, Zn, Co, Cr, Fe, V
- Industrial mineral operations include limestone, apatite, talc, quartz, feldspar and wollastonite
- Well established mineral processing and refining plants exist for Cu, Ni, Zn, Co, Cr & Fe ores as well as for phosphorus fertilizers, titanium pigments & coating carbonates
- Sales of mining industry were c. € 800 million in 2010 and are forecasted to grow to € 2.5 billion by 2015.

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## TRADE AND SERVICES

There are many opportunities for international investors and companies in Finland's Trade and Services sectors which have grown strongly in the last few years. Finland is also a cost-effective business location to serve surrounding markets, including the vast potential of Russia and the Baltic countries.

Retail trade and services have grown strongly as Finnish consumers enjoy spending time in the city centres and shopping centres, which are being developed across the whole country.

The Finnish property market continues to deliver a stable return on investment. There is also a growing demand for service producers due to increasing outsourcing in both the public and private sectors. Facility services like catering and security services are growing fast, creating opportunities for international companies. The large neighbouring market area, especially Russia, offers additional business opportunities.

Finland's central location in Northern Europe, combined with its modern infrastructure and logistical connections, present excellent opportunities for international logistics companies. Finland also offers a working border crossing with Russia and the fastest and least congested transport channel from Europe to Russia, China, Korea and Japan.

Finland's Travel and Tourism sector offers a dynamic business climate, a clean and unique environment with four distinct seasons, and a society that is both safe and internationalized. The number of foreign visitors in Finland has increased significantly during recent years. According to forecasts by the World Travel Tourism Council (WTTC), the total demand for travel in Finland will grow by 33.7 % between 2006 and 2016.

More information in English at Tekes: [www.tekes.fi](http://www.tekes.fi) • The Academy of Finland: [www.aka.fi](http://www.aka.fi)  
• Sitra: [www.sitra.fi](http://www.sitra.fi) • Finnvera: [www.finnvera.fi](http://www.finnvera.fi) • Finpro: [www.finpro.fi](http://www.finpro.fi) • VTT: [www.vtt.fi](http://www.vtt.fi) •  
Visit Finland: [www.visitfinland.com](http://www.visitfinland.com)

# Business Environment

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WEF's The Enabling Trade Index 2010 ranked Finland's business environment as the best in the world.

Finland's business environment is characterized by a well-functioning partnership between the public and private sectors, and has proved itself with a record of sustained growth during the past decade and more.

The public institutions that underpin Finland's economic development are highly ranked in international comparisons. The country's institutions and regulatory administration perform effectively and transparently, and support the private sector to drive the economy forward.

Finland's corruption level is among the lowest in the world and there is a strong respect for the law in both the business world and the society at large. Finland's security environment is often at the top of the global rankings.

The cost of doing business in Finland is competitive and the corporate tax rate is one of the lowest in Europe. Foreign-owned companies have full access to investment incentives and dynamic innovation environment available in Finland. The country's workforce is highly educated and computer literate, so skills and know-how are readily available. Foreign investors can also draw on the Finns' expertise in doing business with the neighbouring countries in terms of logistics, cultural knowledge, language skills, and experience in venture capital operations.

Science, technology and innovation are nurtured at the highest level of the Finnish government and through the effective framework that brings together companies, universities, research institutes and public funding bodies. Key issues concerning technology are regularly discussed at the Research and Innovation Council, chaired by the Prime Minister.

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Finland is among the top countries globally in terms of R&D spending per capita. Finnish companies and consumers are early adopters of emerging technologies, which makes Finland an ideal test bed for new solutions and technologies.

## INNOVATION ENVIRONMENT

Finland is internationally known for its high level of innovation and technological expertise. Finnish innovations include the text message (SMS), lactose free dairy products, Xylitol tooth friendly sweetener and the Linux computer operating system, to name but a few.

A strong commitment to innovation and R&D by both the private and public sectors has played a crucial role in Finland's development into one of the leading knowledge-based economies in the world. Finland's R&D expenditure has consistently been above 3 % of GDP since the turn of the millennium.

During the past decade, the number of R&D personnel in Finland has grown from 40,000 to nearly 80,000 which is 2 % of the overall labour force and the highest figure among the OECD countries. The number of doctorates has also nearly doubled in the last ten years.

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The Ministry of Employment and the Economy oversees Finland's technology policy. The key expert and funding organizations in the Finnish innovation environment are Tekes, the Academy of Finland and Sitra (the Finnish Innovation Fund). They run technology and research programmes which connect industry and the academia, as well as provide funding for the best scientist and R&D companies in Finland. At the regional level, the technology policy is implemented by the ELY Centres (Centres for Economic Development, Transport and the Environment).

Universities and polytechnics form the higher education sector which is exceptionally dense and regionally comprehensive by international comparison. Finland also has 19 governmental research institutes and several science parks, business incubators and technology centres. The knowledge transfer between business and universities is one of the key features of Finland's economy and innovation policy.

## TRANSPARENCY AND ANTI-CORRUPTION

Corruption is a global problem which exists in all countries and regions. In Nordic countries corruption is less of a problem than in many other countries and one significant reason is the solid tradition of transparency in the administration.

A report by Transparency International shows that in 2011, Finland was the second least corrupted country in the world, after New Zealand and on a par with Denmark. The index draws on a number of expert opinion surveys that poll perceptions of public sector corruption in 182 countries. While many countries are perceived to be facing serious domestic corruption, Finland's high levels of civil service integrity continue to facilitate business and public sector efficiency.

The fact that the police force is regarded as the most trusted and reliable organization in the country tells a lot about the low level of corruption in Finnish society. The low level corruption makes doing business in Finland more straightforward than in most places and is one of the attractive features of the country as an investment location.

According to the study Combating Corruption – the Finnish experience by the Ministry for Foreign Affairs, there is a combination of reasons that help to prevent corruption in Finland. The first is a popular value base that promotes moderation, personal restraint and the common good. Secondly, Finland has developed well-functioning legislative, judicial and administrative structures that closely monitor and guard against the abuse of power. Thanks to efficient law enforcement, professional crime investigation methods, and modern budgetary, accounting and auditing practices, the likelihood of finding and apprehending the perpetrators of corruption is high.

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The Finnish government's innovation policy is an important part of its economic policy. It aims to foster the preconditions for innovation, provide incentives for it, and ensure the viability of the innovation environment. The active dialogue between companies, universities, research institutes and R&D financiers is one of the cornerstones of Finnish innovativeness.

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The obligation to provide public argumentation for decisions and public access to official documents also increases transparency and public trust in governance. Finland's independent media is quick to expose even minor abuses of official functions. Another important factor contributing to the culture of accountability and preventing the abuse of power is the prominence of women in parliament and high public offices in Finland. Finally, the low income disparities and adequate wages in Finland serve to reduce the propensity to accept bribes. Good wages, in turn, require a strong public economy and a strong corporate sector.

## INFRASTRUCTURE

Advanced transport infrastructure and logistics are key strengths of Finland's domestic economy and its lively trade with the Nordic and Baltic countries, the EU, Russia and Asia. Business is served by excellent roads and railways, and a vast network of waterways, canals and sea lanes. As the eastern border of the EU, Finland is the ideal business gateway to Russia. The countries share the same rail gauge, so rail cars do not require modification or reloading when they cross the border.

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Finland's highly developed transport and communications infrastructure enables strategic access to the expanding markets of Northern Europe, Russia and Asia.

Government-owned Finavia Corporation maintains a network of 25 airports in Finland and the air navigation system covering the entire country. The Helsinki-Vantaa Airport is recognized among the world's best international airports in IATA and ASQ surveys. Helsinki-Vantaa Airport offers direct connections to 130 destinations across the world and is an increasingly popular gateway to Asia as the fastest route between Northern Europe and Asia.

Finland's fully automated, state-of-the-art ports are highly specialized and rank among the safest and fastest in the world. Car ferries and container ships serve the region with regular daily departures. The newly opened Vuosaari Harbour has been built in a key location for efficient transport connections in a total market area of 80 million consumers.

The world's leading providers of logistical services are represented in Finland. They offer the full range of specialist aircraft, ships and vehicles, and the latest technology for automated warehousing and real-time monitoring of shipments.

Finland has been an early adopter of emerging digital and wireless technologies, and Nokia remains the global leader in the mobile phone market. As a result, Finland's scientific, technological and telecom infrastructure is highly developed. Internet, broadband and mobile phone penetration is among the highest in the world.

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## ENERGY

Foreign investors in Finland can depend on a highly reliable and cost-effective power supply to run their business with maximum efficiency. Finland's power generation, transmission and distribution systems are highly efficient and the price of electricity is among the lowest in Europe. EU Eurostat figures show that in terms of purchasing power, the price of domestic electricity in Finland is the cheapest in the EU countries and about one third lower than the average price in the EU.

Finland's energy policies are focused on energy security, economic development and environmental sustainability. Power generation in Finland is decentralized across more than 400 power stations which use several different production technologies and raw materials. This diversified approach ensures a very stable energy supply and has kept the price of electricity, natural gas, wood and peat at a competitive level.

In the overall use of renewable energy sources, Finland is one of the leaders in Europe: renewable consumption as a share of gross final energy consumption was 32.2 %, when the EU-average was 12.4 % in 2010. Still, Finland is committed to further increasing the share of renewables, up to 38 % by 2020.

To reach the target, investments in bioenergy, wind power and other renewable energy have to be increased. Energy production from solid biomass, biogas and wind power has increased in the last years but the Finnish government has assumed that the share of renewable energy sources in final energy consumption might be "only" 34 % in 2020.

## FINLAND – LEADER IN BIO ENERGY

Finland is one of the industrialized world's leading users of bio-energy and a developer of combustion technologies and effective fuel chains. The Finnish energy cluster has special expertise in biomass-powered energy technologies, cogeneration (combined heat and power production) and power plant automation. Cogeneration is exceptionally high in Finland, resulting in fewer emissions to the environment.

Research and development is constantly carried out into the use of renewable energy resources such as barley ethanol, turnip rape and logging waste. Over 30 % of all the energy consumed in Finland today is produced from renewable raw materials and it is possible to purchase exclusively green electricity generated from environmentally friendly sources.

In line with the EU's energy policy, the Long Term Climate and Energy Strategy adopted by the Finnish Government aims at decreasing energy consumption as well as intense growth in the share of renewable energy sources.

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Finland's energy sector produces a reliable and affordable power supply and is a world leader in the use of bio-energy.

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# Competence Clusters

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## **DIGIBUSINESS**

Finland's digibusiness cluster has 8000 companies which are developing digital products and services to improve and to enrich everyday life and to increase efficiency in both business and the public sector. Finnish digibusiness companies have expertise in eLearning, multilingual communications and content management, games and entertainment, as well as social media. The Finnish games industry consisting of about 75 companies has been growing dramatically during the past ten years to become be an integral part of the Finnish content export industry.

The digibusiness cluster has five Centres of Expertise, located in Helsinki, Hämeenlinna, Kouvola, Tampere and Turku. Its network also brings together Finland's biggest universities, research institutes, development organizations and companies.

## **CLEANTECH**

Finnish Cleantech companies are known for their expertise across the whole wood energy value chain and also in water use and treatment, air protection, combined heat and power generation, bioenergy, wind technology, waste management, and urban energy efficiency. With world class expertise and leading companies specializing in environmental technology and renewable energy, Finland is a great source of advanced technologies and best practices, as well as an ideal test laboratory with its demanding Arctic conditions.

The Cleantech Cluster has four regional Centres of Expertise and more than 400 enterprises as well as Finland's leading universities and research centres. Cooperation between the cluster participants has already yielded numerous innovative solutions relating to energy, water, and air quality, for example. A common theme throughout the cluster is environmental monitoring which combines ICT and environmental know-how, and is one of the fastest growing cleantech sectors worldwide.

## **ENERGY TECHNOLOGY**

Finland is among the leading countries in renewable energy, bioenergy, energy conservation and efficiency, and electricity production through combined heat and power plants (CHP). The Finnish energy technology industry is growing by about 20 % annually. There are seven regional Centres of Expertise which bring together companies and universities with the aim of strengthening competitiveness, creating new business operations, enhancing innovation and facilitating export growth.



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Finnish companies are involved in the production and refining of biofuels, bioenergy and combustion technologies, heat entrepreneurship, and biogas technology. Finland also has expertise in wind and solar energy and other distributed energy production, and hydrogen technologies. In the field of energy solutions for industry, Finnish companies specialize in energy solutions for the forest industry, material technologies, CHP technologies, future primary energies, and energy markets. Finnish companies also have expertise in distribution and ICT in electrical engineering, intelligent electrical network management, electricity uses and magnetic technology.

### **HEALTH AND WELL-BEING**

In the field of health technology, Finnish companies have expertise in developing accessories, instruments, equipment and systems, as well as diagnostics and supporting data systems used in health care and medicine. In the area of health and wellbeing services, Finnish companies are working on health, doctor, nursing, social, household management, supplementary and alternative services.

Finnish companies are also involved in developing technologies and services for ambient assisted living, improving the capacity of the elderly and others to cope with the challenges of everyday daily life. In the field of sport and fitness businesses, Finnish companies are developing new technologies, concepts and solutions for promoting health and preventing diseases. The health and well-being cluster has four regional Centres of Expertise which are located in Kuopio, Oulu, Tampere and Helsinki.

### **TOURISM AND EXPERIENCE MANAGEMENT**

Offering unspoiled nature, four distinct seasons and a unique culture, Finland's tourism and experience management cluster is dedicated to building sustainable destinations and providing meaningful experiences for both business and pleasure. Finland aims to become a top tourism destination in Europe by 2020, providing easy access and premium-quality year-round services.

The cluster has five Centres of Expertise based in Rovaniemi, Jyväskylä, Savonlinna, Turku and Helsinki, which support innovation-driven growth and cooperation between research institutes, businesses and the public sector. Key research and development activities include innovations which interlink experience management, electronic business and service design. Innovations are co-created with real users in real life environments through the Experience Lab model. The cluster is committed to an integrated and long-term development and follow-up of the development processes in the Experience Labs for the benefit of the tourism business.

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## UBIQUITOUS COMPUTING

Finland – and the Oulu region in particular – is known as a world-class innovation environment offering development, testing and piloting services to companies and research institutions for the construction, commercialization and utilization of wireless data communications, applications and services. Finnish companies have expertise in seamless end use and network convergence, horizontal/vertical integration, wearable technology, RFID and sensor technologies, wireless applications and services, nanotechnology sensors, electrical building services, Ubimedia, multi-channel services and applications, and many other areas.

The cluster has seven Centres of Expertise located in Jyväskylä, Oulu, Porvoo, Satakunta region, Tampere, Uusimaa region and Varsinais-Suomi region. It creates a strong research foundation and network between research institutions, the public sector and companies in the global frontline of the industry. The Cluster Programme also welcomes transnational cross-cluster collaboration and establishes Living Labs to support the development of user-driven applications and speed up business innovation and product-to-market processes.

# Investment Incentives

Foreign investors in Finland are eligible for a wide range of government and EU incentives on an equal footing with Finnish-owned companies.

Business aid to companies is coordinated by the Centres for Economic Development, Transport and the Environment (ELY Centres). The 15 regional ELY Centres also provide consulting, training and advice on registration issues and location choices. Foreign investors can benefit from several different types of aid:

**Investment aid** can be granted to companies in the regional development areas, especially small and medium-sized enterprises (SMEs). Large companies may also qualify if they have a major employment impact in the region.

**Aid to business development** can be granted to improve or facilitate the company's establishment and operation, know-how, internationalization, product development or process enhancement.

**Subsidies for start-up companies** are available for establishing and expanding business operations during the first 24 months.

**Transport aid** may be granted for deliveries of goods produced to sparsely populated areas like Lapland, Northern Ostrobothnia, Kainuu, Northern Karelia, and Savo.

**Energy subsidies** can be granted to companies for investments in energy efficiency and conservation.

**Training subsidies** can be granted to companies for new employees' training from the employment offices.

**Tax relief** is available for companies setting up in Development area 1 (Northern and Eastern Finland) in the form of a higher depreciation rate on fixed assets.

The state-owned financing company Finnvera offers services to businesses of all sizes and in all sectors, except basic agriculture. Its services range from loans and guarantees, to start-ups and micro-enterprises, to export credit guarantees to large exporters and their financiers. Finnvera is also Finland's official Export Credit Agency (ECA).

Tekes, the Finnish Funding Agency for Technology and Innovation, provides low-interest loans and grants to challenging and innovative projects potentially leading to global success stories. Foreign-owned companies with R&D activities in Finland are not required to have a Finnish partner to be eligible for funding. In 2011, Tekes invested € 610 million in 1928 innovative projects.

## VENTURE CAPITAL

Venture capital is available from various private and public sources. The three sources of public venture capital in Finland are:

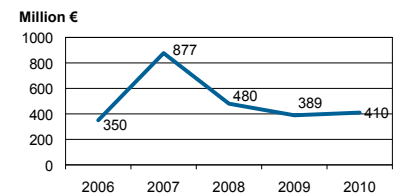
**Finnvera:** [www.finnvera.fi](http://www.finnvera.fi)

**Sitra:** [www.sitra.fi](http://www.sitra.fi)

**Tekes** – Finnish Funding Agency for Technology: [www.tekes.fi](http://www.tekes.fi)

EU funding is largely channeled through the ELY Centres. It is directed to projects developing the competitiveness, know-how and operating environment of the SME sector, with a special emphasis on start-up businesses and service sector companies.

## Total amount of VC investments\* in Finland



Source: The Finnish Venture Capital Association

\* Includes both venture capital investments and buyout investments made by the actual members of the Finnish Venture Capital Association.

More information in English on Finnvera: [www.finnvera.fi](http://www.finnvera.fi) • Ministry of Employment and the Economy: [www.tem.fi](http://www.tem.fi)

More information in English on ELY Centres: [www.ely-keskus.fi](http://www.ely-keskus.fi) • Ministry of Employment and the Economy: [www.tem.fi](http://www.tem.fi) • Enterprise Finland: [www.enterprisefinland.fi](http://www.enterprisefinland.fi)

More information on private VC sources at the Finnish Venture Capital Association: [www.fvca.fi](http://www.fvca.fi)

# Setting up a Business in Finland

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Foreign companies are welcome in Finland and the process of establishing a business is quick and easy. The incorporation process usually takes about 2–3 weeks.

**Types of business.** In Finland foreign companies most commonly conduct business through private or public limited liability companies or a Finnish branch office. Business can also be conducted through general or limited partnerships or cooperatives. A foreign organization or foundation can also establish a branch in Finland for business.

**More information in English on public authorities, trade regulations, and employment issues at Enterprise Finland: [www.enterprisefinland.fi](http://www.enterprisefinland.fi)**

## SETTING UP A LIMITED COMPANY

**Foreigner as founder of a limited company.** A limited company may be established by one or more natural or legal persons (founders). At least one of the founders shall be permanently resident or, if the founder is a legal person, have its domicile in the European Economic Area - unless the National Board of Patents and Registration grants an exemption from this rule. The nationality of the founder is thus irrelevant. A legal person shall have its domicile in the European Economic Area when it has been established in accordance with the laws of a State which belongs to the European Economic Area and when its registered office, central administration or head office is in a State belonging to the European Economic Area. A person who is legally incompetent or declared bankrupt may not act as founder.

**Permission of the National Board of Patents and Registration to act as founder.** If a permit is required, the application, free in form, is to be submitted to the National Board of Patents and Registrations either in Finnish or in Swedish. An application fee (€ 110) is paid for each decided permit. If permits are applied for three founders of a limited-liability company, three fees are charged (total of € 330). The fee is charged after the decision to grant or to deny the permit has been made.

**Selecting a business name.** A name must be chosen for the company before the formation documents have been completed and the company applies for entry in the Trade Register maintained by the National Board of Patent and Registration. The name must identify the business and be distinct from the business names already in the register.

**More information in English on registered business names, names pending registration and auxiliary business names at Business Information System: [www.ytj.fi](http://www.ytj.fi) • National Board of Patent and Registration: [www.prh.fi](http://www.prh.fi)**

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The European Economic Area (EEA) was established on 1 January 1994 following an agreement between member states of the European Free Trade Association (EFTA), the European Community (EC), and all member states of the European Union (EU). It allows these EFTA countries to participate in the European single market without joining the EU.

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**Trade name of a limited company.** The trade name of a private limited company must include the words “osakeyhtiö” (limited company) or the corresponding abbreviation “oy” and the trade name of a public limited company shall include the words “julkinen osakeyhtiö” (public limited company) or the corresponding abbreviation “oyj”. The notification fee of a limited company is € 350. The registration of an auxiliary trade name is € 75 per name.

**Share capital.** A private limited company shall have a minimum share capital of €2,500 and a public limited company, € 80,000. The share capital must be paid to the company’s account in full before the company can be entered in the Trade Register maintained by the National Board of Patents and Registration. The mandatory Trade Register’s fee is € 350 and the auditor’s fee to certify the deposit share capital is around € 200-300. The cost of incorporation by a law firm is around €1000–3000.

**Registration formalities.** New businesses submit the basic declaration to the Trade Register using the start-up notification form. This form can also be used for registration in the Trade Register, Tax Administration, register of VAT liable businesses, register of employers, and the tax prepayment register. For legal purposes, limited liability companies and cooperatives are only established, when they have been entered in the Trade Register maintained by the National Board of Patents and Registration. The registration fee for a private trader is € 75, partnership € 180, and for a limited company € 350. A company must register the following documents with the Trade Register within three months of signing the memorandum of association: its articles of association and memorandum, minutes of the board of directors’ meeting (to register the board’s chairman), a directors’ certificate, and an auditor’s certificate.

**Statutory obligations.** In a limited liability company an Ordinary General Meeting must be held in each accounting period, unless otherwise stipulated in the Articles of Association. All registered companies must appoint a professional auditor to audit their annual accounts, except for the smallest companies, which are exempt from this requirement. Companies must submit their annual accounts to the Trade Register. Public companies must prepare and publish interim reports at least four times a year. There are no costs for complying with the reporting requirements.

## SETTING UP A BRANCH OF A FOREIGN ORGANIZATION

A branch refers to a part of a foreign organization or foundation that conducts continuous business or professional activities in Finland from a permanent place of business in Finland in the name and on behalf of the foreign organization or foundation. The trade name of a branch of a foreign entrepreneur established in Finland shall contain the trade name of the foreign entrepreneur with a supplement, which indicates that it is a branch – e.g. CDE Cargo Ltd., branch of Finland. A trade name

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Limited companies are divided into private and public companies. Public companies are listed on the stock exchange.

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## THE STAGES OF SETTING UP A COMPANY IN FINLAND

1. **DECISION ON APPROPRIATE COMPANY FORM** (public limited company, private limited company, open partnership, commandite, branch office).
2. **REGISTRATION TO TRADE REGISTER AND TAX ADMINISTRATION.**  
This takes approximately a week.  
Registration costs vary from €75 to 350 depending on the form of the company. Company ID is given after two days from registration.
3. **PENSION INSURANCE** is mandatory for the entrepreneur and should be taken within six months after the beginning of the entrepreneurship. Pension insurance premium is 22.5% of the annual income of the entrepreneur below 53 years in 2012.
4. **REGISTRATION TO EMPLOYER REGISTER** is needed in most cases if there are employees in the company.
5. **EMPLOYEE INSURANCE.**  
All employees should be insured after having been employed one month.
6. **SOCIAL SECURITY PAYMENT.**  
Employers in Finland must also pay social security payment for all employees.

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may be registered in two or several languages if the expressions in the different languages correspond to each other in their contents. The notification fee of a branch of a foreign organization is € 350.

**Trade permit to the National Board of Patents and Registration.** A foreign organization or foundation having its registered office outside the EEA, seeking to establish a branch in Finland, must apply for a permission to establish the branch from the National Board of Patents and Registration. The performance fee for the trade permit for a branch of a foreign organization is € 110. The decision is sent to the applicant or his representative C.O.D (cash on delivery).

## ACQUISITION OF A BUSINESS

You do not need to found a business yourself; you can also acquire an enterprise or its business operations, or become a partner in an existing enterprise. The object of acquisition may be, for example, a private undertaking, shares in a general or limited partnership, the entire stock of a limited liability company or a majority of the shares. You can become a member of an existing cooperative by paying the participation share.

Finnish law does not impose any restrictions on foreign ownership; foreigners may also acquire Finnish enterprises. More information on the right of non-EEA residents to found an enterprise or be involved in the administration of a Finnish enterprise can be found on the section "Permits from the National Board of Patents and Registration for non-EEA residents".

A large number of transfers of businesses to younger generations are expected in Finland in the next few years. According to different estimates, between 60,000 and 80,000 enterprises are going to change hands in the next few years. If no new owner can be found within the family, an alternative is to sell the business to a third party.

# Employment and the Labour Market

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## **TRADE UNIONS IN FINLAND**

An important function of trade unions in Finland is to run unemployment funds which provide earnings-related unemployment benefits. These are typically much higher than the basic unemployment allowance provided by KELA (the Social Insurance Institution of Finland).

## **EMPLOYMENT CONTRACTS**

In employment contracts and employment relationships, employers must comply with the minimum requirements on employment terms and conditions stated in a nationwide collective labour agreement considered to be representative in the sector. An employee posted to Finland is entitled to the salary determined by a universally valid Finnish collective labour agreement for the sector.

According to the Employment Contracts Act, the employer must provide the employee with a description of the most essential terms and conditions of employment if they are not indicated on a written employment contract. An employment contract can be made for a specified period or until further notice. In an employment contract the employee personally commits to working for the employer under its management and supervision against wages or other compensation. An employment contract can be made for a specified period or until further notice. An employment contract for a specified period requires a justified reason. An employment contract can be made in writing, orally or electronically. There are no requirements regarding the form of an employment contract. However, it is recommended that contracts be made in writing, indicating all the terms and conditions.

## **ACCIDENT AND PENSION INSURANCE**

The employer has a statutory obligation to take out accident and pension insurance for the employees; the employees are also provided with group life assurance and unemployment insurance in connection with the statutory accident insurance. The employer must arrange for statutory occupational health care.

## **TAX AND SOCIAL SECURITY**

The employer is responsible for paying any withheld taxes and social security contributions to the tax authorities, and for submitting annual notifications to the tax authorities, and the pension and accident insurance companies, with information on the wages and salaries paid to employees.

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## TERMS AND CONDITIONS OF EMPLOYMENT

**Working hours.** Regular working hours are usually at most 8 daily hours and 40 weekly hours. In a two week period the working hours are not more than 80 hours and in a three week period 120 hours. The weekly hours may also be arranged in longer periods during which the average weekly hours do not exceed 40 hours. Working hours may be arranged by law or collective agreements alternatively, for example in two or three week periods.

**Holidays.** An employee has a right to receive pay also for the time he/she is on annual holiday. Normally holiday leave accumulates 2 days (when employment has lasted less than 1 year) or 2 1/2 days for each holiday credit month. Normal wages are paid for the time an employee is on holiday.

**Sick pay.** According to the law, an employee who is unable to work due to an illness or an accident is entitled to paid sick leave. Wages are paid for the day when the illness started (if it had been a working day for the employee) and for the working days. If the employment relationship at the start of the disability has lasted for at least one month, the employee will be paid full wages for the said period. If the employment relationship has lasted for a period shorter than one month, half of the wages will be paid for the same period.

**Parental leave.** Parental leave lasts 158 working days taken during pregnancy or in the period following birth. It is extended by 60 working days per child in the case of multiple births. During the parental leave, Kela (The Social Insurance Institution of Finland) pays parental allowance. Both parents can take the parental leave in up to two separate periods of at least 12 working days each.

In case of premature birth, Kela pays maternity allowance starting from the day following the birth. The parental allowance period of the parent taking the parental leave is extended by as many days as the maternity allowance was brought forward.

### Employer costs to business

Statutory contributions by employers amount to about 23.5 % of the gross salary payable in 2012. They include:

- Employers' health insurance contribution
- Unemployment insurance
- Earnings-related pension (TyEL) insurance contribution
- Group like assurance payment
- Occupational accident insurance



A typical breakdown of the monthly payments made by the employer for an employee with a salary of € 3000 in 2012.	
Salary	3000
Employers' health insurance contribution (2.12 %)	63.6
Unemployment insurance (0.8-3.2 %, 2.27 % on average)	68.1
Earnings-related pension insurance contribution (17.35 % on av. for employer)	520.5
Group life assurance payment (0.072 % on average)	21.6
Occupational accident insurance (0.3-8.0, average 1.0 %)	30.0
<b>Total employer costs</b>	<b>€ 3703.8</b>

Average salaries in Finland in 2011, € (Statistics Finland 2012)	
Production directors in industry	5223
Sales and marketing directors	6177
Research and development directors	5865
Purchasing and distribution directors	5280
ICT special experts (not just experts)	4387

Total labour costs per employee in private sector in 2008, € (Statistics Finland 2012)	
Secondary production	50,200
Services	43,000
<b>Private sector total</b>	<b>46,000</b>

Compared to many OECD countries, Finland is a very cost-efficient location for running a business. For example, the capital city Helsinki has a wide array of high quality office premises available at competitive costs. The total costs of employing highly educated professionals in Helsinki are lower than in most other European locations. Helsinki's compact size and reliable transport system help companies to save money in transportation costs. Finland's electricity prices are among the lowest in Europe.

Sources: Statistics Finland, Helsinki Business Hub, Eurostat

# Visas, Work and Residence Permits

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People from countries outside the EU may stay in Finland as tourists for three months without a permit. If they wish to work in Finland, they need to apply for a residence permit, even if the period of stay is shorter than three months. EEA and Swiss citizens, their spouses and children under 21 years of age or dependent on their parents' care do not need a work permit.

[Permits for entrepreneurs and employees.](#) The permits required depend on whether the person is from or residing in another Nordic country, an EU country or outside the EU. The notifications and permits required can include registering the right to reside in Finland, the residence permits of the entrepreneur or employees, and registration in the Population Register. Persons residing outside the European Economic Area (EEA) may also need a permit from the National Board of Patents and Registration to serve in managerial and other duties of responsibility in businesses.

## VISA APPLICATIONS

[Applying for a visa to the Schengen area and application form.](#) Foreign nationals who need an entry visa are requested to apply at the nearest Finnish mission. In countries where Finland does not have a mission, another Schengen country can represent Finland in visa matters. The Schengen member states are Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland. These states have jointly agreed about the rules concerning the movement of third-country nationals in their territories and decided which countries' citizens are required to present a visa.

## RESIDENCE PERMITS

[Residence permits for citizens of EU and EEA countries.](#) Citizens of the Nordic countries (Sweden, Norway, Denmark and Iceland) may freely enter Finland and reside in the country without a residence permit. They can also take up paid employment without a residence permit for an employed person. EU citizens and citizens of Iceland, Liechtenstein, Norway and Switzerland have the right to enter, reside, study, seek work, or practice a profession in Finland for three months without a residence permit. If the stay lasts longer than that, they must register their right to reside in Finland at a police department.

[Residence permits for citizens of non-EU/EEA countries.](#) Citizens from non-EU/EEA countries should apply for a residence permit first. Everyone applying for a residence permit must fill in a separate form. This applies to all children too. The application is subject to a fee, which will be charged for children too, even if they are entered in the passport or other travel document of a parent or guardian.

[Application forms.](#) The residence permit application forms for employment (OLE\_TY1), for person employed as a special expert (OLE\_TY2) and for self-employment

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(OLE\_EHA) and a list of required attachments are available on the Finnish Immigration web site [www.migri.fi](http://www.migri.fi) and at Finnish embassies. The form may be submitted at a Finnish embassy or to the local police in Finland. In order for a residence permit to be granted, the applicant must have a valid passport or other approved travel document. In Finland, the residence permit with photo is in Finnish or Swedish, depending on which language the applicant chooses on the application form. There is no provision for residence permits in English, since EU legislation requires that national languages be used in each EU Member State.

The cost of a worker's residence permit is € 440.

**More information in English on acquiring residence permits at the Finnish Immigration Service:** [www.migri.fi](http://www.migri.fi)

## WORK PERMITS

Employment of a foreign national in Finland requires a residence permit, which is applied for before arriving in Finland from a Finnish mission abroad. Private entrepreneurship or the exercise of a profession in Finland requires a separate residence permit intended for entrepreneurs. Residence permits for employees or entrepreneurs are not required for citizens of EU-member states or citizens of Iceland, Liechtenstein, Norway and Switzerland.

**For EU and EEA citizens.** EU citizens and citizens of Iceland, Liechtenstein, Norway and Switzerland can freely work in Finland if the work lasts for a maximum of three months. After that, they must register their right to reside in Finland, but they do not need a special residence permit.

**For non-EU citizens.** Foreign employees who are non-EU citizens and equivalent persons need a residence permit for an employed person if they intend to work in Finland. An alien who has entered the country either with a visa or visa-free is not allowed to engage in remunerated employment in Finland but, rather, has to apply for a residence permit. A residence permit can be granted on the basis of either temporary work or work of a continuous nature.

In granting the permit, the needs of the labour market are taken into consideration. The aim of the residence permit certification is to support those who are on the employment market to gain employment. Thus, the availability of work force is also supported.

Granting a residence permit for an employed person requires that the foreigner's means of support be guaranteed. The employment office will estimate both the labour political requirements and the sufficiency of the means of support.

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**More information in English at Enterprise Finland:** [www.enterpriseinland.fi](http://www.enterpriseinland.fi)  
• National Board of Patents and Registration: [www.prh.fi](http://www.prh.fi) • Finnish Immigration Service: [www.migri.fi](http://www.migri.fi)  
Ministry of Foreign Affairs [www.formin.fi](http://www.formin.fi)

## Legal Framework – Corporate Law

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Finland has a civil law system where EC law is directly applicable and takes precedence over national legislation. There are several important legal considerations to take into account when establishing a business in Finland.

**Foreign investment.** There are no general restrictions on foreign investment, although authorization is required in certain regulated sectors such as banking. There are no exchange controls or currency regulations. Government subsidies are available in certain areas and usually take the form of start-up grants, subsidized loans, state-guaranteed financing and freight subsidies.

**Directors' liability.** The managing director and members of the board and supervisory board are liable to compensate the company or the shareholders for damages caused deliberately or through negligence; and third parties for any breaches of the articles or the Companies Act.

**Parent company liability.** A parent company is not generally liable for its subsidiaries' debts, unless it has provided a guarantee for those liabilities.

**Reporting requirements.** Companies must submit their annual accounts to the Trade Register. Public companies must prepare and publish interim reports at least four times a year. There must be statutory audit in Finland of a Finnish branch office, if the company's annual accounts are not being compiled, audited or made public in the manner corresponding to the current EU rules.

**Tax residency.** Finnish or foreign individuals are treated as a Finnish resident if they either have their main abode and home in Finland or stay in Finland for more than six consecutive months.

**Patents** are protected by registration with the National Board of Patents and Registration. Protection generally lasts for 20 years.

**Employer obligations.** If a foreign company has a permanent establishment for the purposes of income taxation, its role as an employer in Finland is no different from that of a domestic employer. Therefore, the company should become registered as an employer, withhold money from the wages paid out, file monthly tax returns and annual employer payroll reports.

**Employment regulations.** The most relevant statutes regulating employment relationships in Finland are the Employment Contracts Act 2001 (ECA 2001) and Co-determination within Enterprises Act 1978 (CEA 1978). Other generally relevant statutes applicable to most employment relationships are the Working Hours Act 1996, Annual Leave Act 2005 and Safety at Work Act 2002. In general, all employers are subject to labour laws, irrespective of their size and line of business. Finnish labour laws are generally applicable to all employment relationships in Finland, including foreign employees working in Finland and Finnish employees seconded to work abroad.

More information in English at the  
Finnish Tax Administration: [www.tax.fi](http://www.tax.fi)  
• National Board of Patents and  
Registration: [www.prh.fi](http://www.prh.fi)

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Text: Peter Jaspers, Attorney at Law,  
BJL Bergmann Attorneys at Law

# Taxation

For businesses, taxes comprise a corporation tax (profit tax) and a real estate tax. 24.5 % corporation tax is paid on annual taxable income minus tax-deductible expenses and losses. Other taxes consist of an assets transfer tax (formerly stamp duty) and a withholding tax. The employers are also required to make a social security contribution.

Individuals have to pay a progressive income tax from their salaries. Foreign personnel working in Finland for longer than a six-month period are also required to pay Finnish income tax. This guarantees that all residents continue to receive top-level public health care, free schooling for children, and other valuable public services. Private individuals' income tax has come closer to the European average level in recent years in Finland.

## CORPORATE INCOME TAX

Corporation tax is an income tax collected from limited companies and other corporations. The tax is levied of the taxable income of a corporation. The taxable income of a corporation is calculated by subtracting the deductible expenses of the corporation from its taxable income.

### Examples of tax rates in Finland in 2012

Tax	Sub classes	Tax rate
Corporate income tax		24.5%
Value added tax (VAT)	<ul style="list-style-type: none"><li>• Standard</li></ul>	23%
	<ul style="list-style-type: none"><li>• Foodstuffs, restaurant and catering services and animal feed</li></ul>	13%
	<ul style="list-style-type: none"><li>• Books, medicines, admissions to commercial sporting facilities, sporting events, cultural and entertainment events</li></ul>	9%
Transfer tax, securities		1.6%
Transfer tax, single family houses and other real estate		4%
Excise tax		Varies, usually not a percentage

## VALUE ADDED TAX (VAT)

VAT is an indirect tax assessed as a percentage of the value of all goods and services, unless specifically exempted. It is a consumption tax paid by the end consumer. VAT-registered businesses can deduct VAT paid on purchases for business activities from their VAT liability. The Finnish acronym for VAT is ALV.

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## **TRANSFER TAX**

Transfer tax is payable on the transfer of the ownership of securities, and it is paid on the purchase price. There are two separate transfers when exchanging securities and both transferees should pay the tax relating to the received acquisition.

## **EXCISE TAX**

Excise duty is levied to provide for general government finances. The collection of excise duty can also contribute to health and social affairs, the environment, energy, transportation, or economic policy. Excise duty is levied on all products that are subject to it, whether domestically produced, imported from a member state of the European Community, or imported from a country outside the Community's tax territory. Excise duty is levied on alcohol and alcoholic beverages, tobacco products, liquid fuels, electricity and certain fuels, and soft drinks. Waste tax and oil waste duty are also comparable to excise duty.

Excise taxation is implemented and controlled by the Finnish Customs.

## **TAX LIABILITY AND TAXES**

Taxes in Finland are levied by the central government, local municipalities and the church.

For business entities, normal taxes consist of a corporation tax (profit tax) and a real estate tax, and for individual persons, an earned income tax. Other taxes consist of Assets Transfer Tax (former Stamp Duty) and withholding tax, and for individuals, inheritance and net wealth tax.

The 23 % value-added tax (VAT) is levied on all transactions, with a few exceptions such as foodstuff, restaurant & catering services and animal feed (13 %), and books, medicines, accommodation, transport of persons, cultural events etc. (9%). Excise taxes are levied on tobacco and alcohol, among other things.

There is also a special motor vehicle tax and an environmental tax on energy consumption and certain waste materials.

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The Assets Transfer Tax of 1.6% is levied on privately traded securities. Securities which are sold through the stock exchange are exempted from the tax).

A preliminary tax on an employee's income is deducted and paid monthly by the employer who also pays social security and other compulsory premiums. This deduction covers the national income tax (progressive, marginal tax rates vary from 6.5 to 29.75 % in 2012), the municipal income tax (e.g. in Helsinki 18.5 % in 2012), and the church tax (a flat rate from 1.00–2.15 % in 2012, depending on the municipality). The church tax is waived in cases where the employee is not a member of the Evangelical-Lutheran or Orthodox churches.

### INCOME TAX FOR EXPATS

If a foreign person works in Finland for less than six months, withholding tax of 35% is paid. However, if the employer is a foreign company without a permanent office in Finland and the salary is paid through a bank, taxes are paid in the home country, not in Finland. Key foreign personnel, even if in Finland for longer than six months but not longer than 24 months, also pay the 35% income tax, when their monthly salary exceeds € 5800.

More information in English at: [www.vero.fi](http://www.vero.fi) • [www.enterprisefinland.fi](http://www.enterprisefinland.fi)

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### MEETING FINNS IN BUSINESS

To succeed as an entrepreneur in Finland, it is important to be familiar with the norms, attitudes and customs of Finnish business culture. There are many characteristics of western, individual-based culture in Finnish society. Finns endeavor to make sensible use of their time. They follow timetables and other plans faithfully and expect the same from others, expecting well-defined targets and processes, authority and responsibilities. Finns are careful and gather background information in advance, but they make decisions quickly and thoroughly. Changing a decision is difficult without well-founded reasons. Power and responsibility are flexibly distributed with a strong streak of independence. Finns dislike being too closely supervised. Personal dignity is highly valued.

The Finnish way of thinking and working is very consistent. As a result, they sometimes shun unfamiliar modes of operation. In Finnish society, all are treated equally and the use of first names universal – but modesty is appreciated. Finns like to solve conflicts by negotiation, looking for an outcome that is fair for all. In negotiations, don't always expect immediate feedback on your comments, and enjoy taking breaks from the conversation. Finns greatly value a genuine interest in Finnish culture and enjoy discovering cultural differences.

A healthy sense of humour is an asset, and if you have the opportunity to take a sauna, try it out, your Finnish hosts will be mightily impressed.



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Porkkalankatu 1

FI-00181 Helsinki, Finland

tel: +358 204 695 555

fax: +358 204 695 201

[www.investinfinland.fi](http://www.investinfinland.fi)