

Finland

Finland	2004				
	The tax/benefit position of single persons				
	Wage level (per cent of APW)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		19633	29449	49082	19633
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		952	1428	2380	952
Work-related expenses		620	620	620	620
Other					
	Total	1572	2048	3000	1572
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		18060	27401	46081	18060
5. Central government income tax liability (exclusive of tax credits)		850	2683	7481	850
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
7. Central government income tax finally paid (5-6)		850	2683	7481	850
8. State and local taxes		2667	4432	7961	2667
9. Employees' compulsory social security contributions					
Gross earnings		1173	1795	3039	1173
Taxable income					
	Total	1173	1795	3039	1173
10. Total payments to general government (7 + 8 + 9)		4690	8910	18481	4690
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	3404
	Total	0	0	0	3404
12. Take-home pay (1-10+11)		14943	20539	30601	18347
13. Employer's compulsory social security contributions		4712	7068	11780	4712
14. Average rates					
Income tax		17.9%	24.2%	31.5%	17.9%
Employees' social security contributions		6.0%	6.1%	6.2%	6.0%
Total payments less cash transfers		23.9%	30.3%	37.7%	6.5%
Total tax wedge including employer's social security contributions		38.6%	43.8%	49.7%	24.6%
15. Marginal rates					
Total payments less cash transfers: Principal earner		38.6%	44.3%	50.0%	38.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		50.5%	55.1%	59.7%	50.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Finland	2004				
	The tax/benefit position of married couples				
	Wage level (per cent of APW)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		29449	39265	49082	39265
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		1428	1904	2380	1904
Work-related expenses		620	1240	1240	1240
Other					
	Total	2048	3144	3620	3144
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		27401	36121	45461	36121
5. Central government income tax liability (exclusive of tax credits)		2683	2683	3533	2683
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
7. Central government income tax finally paid (5-6)		2683	2683	3533	2683
8. State and local taxes		4432	5394	7099	5394
9. Employees' compulsory social security contributions					
Gross earnings		1795	2351	2968	2351
Taxable income					
	Total	1795	2351	2968	2351
10. Total payments to general government (7 + 8 + 9)		8910	10428	13600	10428
11. Cash transfers from general government					
For head of family					
For two children		2526	2526	2526	0
	Total	2526	2526	2526	0
12. Take-home pay (1-10+11)		23065	31364	38008	28838
13. Employer's compulsory social security contributions		7068	9424	11780	9424
14. Average rates					
Income tax		24.2%	20.6%	21.7%	20.6%
Employees' social security contributions		6.1%	6.0%	6.0%	6.0%
Total payments less cash transfers		21.7%	20.1%	22.6%	26.6%
Total tax wedge including employer's social security contributions		36.8%	35.6%	37.5%	40.8%
15. Marginal rates					
Total payments less cash transfers: Principal earner		44.3%	44.3%	44.3%	44.3%
Total payments less cash transfers: Spouse		15.5%	21.8%	38.6%	21.8%
Total tax wedge: Principal earner		55.1%	55.1%	55.1%	55.1%
Total tax wedge: Spouse		31.8%	37.0%	50.5%	37.0%

The national currency is the euro (EUR). In 2004, EUR 0.8103 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the Average Production Worker earned EUR 29 449 (Secretariat estimate).

1. Personal income tax systems

1.1. Central government income taxes

1.11. Tax unit

Spouses are taxed separately for earned income.

1.12. Standard tax allowances

1.121. Standard tax allowances

- *Work-related expenses*: A standard deduction for work-related expenses equal to the amount of wage or salary, with a maximum amount of EUR 620 is granted.

1.122. Main non-standard tax reliefs applicable to an APW

- *Interest*: Interest on loans associated with the earning of taxable income, loans for the purchase of owner-occupied dwelling, and student loans guaranteed by the state can be deducted against capital income. Of the excess of interest over capital income 29 per cent can be credited against income tax up to a maximum of EUR 1 400.
- *Membership fees*: Membership fees paid to employees' organisations or trade unions.
- *Travelling expenses*: Travelling expenses from the place of residence to the place of employment using the cheapest means in excess of EUR 500 up to a maximum deduction of EUR 4 700.
- *Other work-related outlays*: Outlays for tools, professional literature, research equipment and scientific literature, and expenses incurred in scientific or artistic work (unless compensated by scholarships).

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

1.13. Rate schedule

Central government income tax.

Taxable income (EUR)	Tax on lower limit (EUR)	Tax on excess income in bracket (%)
11 700-14 500	8	11.0
14 500-20 200	316	15.0
20 200-31 500	1 171	21.0
31 500-55 800	3 544	27.0
55 800 and over	10 105	34.0

1.2. Local income tax

1.21. Tax base and tax rates

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

Municipal tax is levied at flat rates. In 2004 the tax rate varies between 16.00 and 20.00 per cent, the average rate being approximately 18.13 per cent.

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

1.22. Allowances in municipal income taxation

- An earned income allowance is calculated on the basis of taxpayer's income from work. The allowance amounts to 47 per cent of income between EUR 2 500 and EUR 7 230, and 23 per cent of the income exceeding EUR 7 230, until it reaches its maximum of EUR 3 550. The amount of the allowance is reduced by 4 per cent of the earned income minus work related expenses exceeding EUR 14 000.
- A basic allowance is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 1 480, is reduced by 20 per cent of the income exceeding EUR 1 480.

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

2.1. Employee contributions

2.11. Rate and ceiling

In 2004, the rate of the health insurance contribution paid by an employee is 1.50 per cent. The tax base for the health insurance contribution is net taxable income for municipal income tax purposes.

In addition there is an employees' pension insurance contribution which amounts to 4.60 per cent of gross salary and an employees' unemployment insurance contribution equal to 0.25 per cent of gross salary. These two contributions are deductible for income tax purposes.

2.12. Distinction by marital status or sex

The rates do not differ.

2.2. Employers' contributions

The average rate of the employers' social security contribution in 2004 is 24 per cent of gross wage.

3. Universal cash transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The central government pays in 2004 the following allowances (EUR):

For the first child	1 200
For the second child	1 326
For the third child	1 572
For the fourth child	1 818
Fifth and subsequent child	2 064

The child subsidy for a single parent is increased by an annual amount of EUR 439.2 for each child.

4. Main changes in the tax/benefit system since 2003

In January 2004 the central government tax brackets were adjusted by about one per cent, and the central government marginal tax rates were lowered by one percentage point. The maximum amount of the earned income allowance was raised to EUR 3 550 from EUR 2 550 in 2003, and the maximum amount of the standard deduction for work-related expenses was raised to EUR 620.

The rate of the employees' unemployment insurance contribution was raised from 0.20 to 0.25 per cent.

5. Memorandum items

5.1. Calculation of average gross annual wage

The Finnish figures are generally calculated as follows:

- Gross annual earnings are calculated at an individual level on the basis of the hours usually worked, average hourly pay for the fourth quarter, and the share of annual periodic bonuses.
- The earnings exclude sickness and unemployment compensations, but include all normal overtime compensations, bonuses, holiday remunerations and remunerations for public holidays.
- The sector covered is manufacturing as defined in division 2, 3 and 4 of the ISIC (members of employers' confederation only). Mining and quarrying are included but their impact is extremely minor.

5.2. Employer contributions to private pension and health schemes

No information is available.

2004 Parameter values

APW-wage	Ave_earn	29 449	Secretariat estimate
Expenses	Work_exp_max	620	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0485	
State tax	Tax_min	8	Tax_thrsh
Tax schedule	Tax_sch	0	11 700
		0.11	14 500
		0.15	20 200
		0.21	31 500
		0.27	55 800
	0.34		
Earned income ded.	al_thrsh	2 500	
	al_thrsh2	7 230	
	al_rate	0.47	
	al_rate2	0.23	
	al_redn_thrsh	14 000	
	al_redn_rate	0.04	
Low income	al_max	3 550	
	SL_max	1 480	
Local intax	SL_rate	0.2	
	Local_rate	0.1813	
	Church_rate	0	
	Local_tot	0.1813	
Soc sec taxpayer	SSC_rate	0.015	
Progressive	SSC_prog_rate	0	
Prog.lim	SSC_prog_thrsh	80 000	
Soc.sec empr	SSC_empr	0.24	
Cash transfer	ch_1	1 200	
	ch_2	1 326	
	ch_3	1 572	
	ch_4	1 818	
	ch_5	2 064	
	ch_small	0	
	ch_lone	439.2	

2004 Tax equations

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

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

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

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

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Part IV

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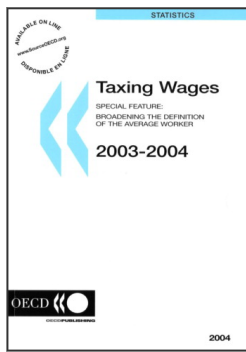
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