TAXATION OF A FOREIGN STUDENT IN FINLAND

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1. Types of tax liability

<table>
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<tr>
<th>Resident</th>
<th>Non resident</th>
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</thead>
<tbody>
<tr>
<td>A person who has a permanent home here</td>
<td>A person, who stays in Finland for max. 6 months</td>
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<tr>
<td>or</td>
<td>-&gt; Taxation at source (flat rate)</td>
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<tr>
<td>a person who stays here for more than 6 months</td>
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<tr>
<td>-&gt; Progressive taxation (&quot;the more you earn the more you pay tax&quot;)</td>
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</tbody>
</table>
2. Non resident

- A person, who has not lived in Finland
  - stays here for a period of \textit{no more than 6 months}

⇒ Liable to Finnish tax only on income from a Finnish source
  ⇒ Source tax on salary 35\% (30\% on capital income)

(Finnish source: Salary income from a Finnish employer based on work done in Finland etc.)
2. Non resident

- Tax on salary
  - Tax at source 35%
  - Deduction on tax at source, 510 e/month or 17 e/day
    - No other deductions except for possible exemption based on tax treaty
    - A deduction/exemption has to be marked on a tax card!
  - No tax return to Finland, tax at source is final
    - Income has to be reported in home country
      - Home country removes the possible double taxation
  - 75% rule (EU)
    - If more than 75% of an EU citizen’s global earned income is from Finland, it is possible to claim the income to be taxed progressively
2. Non resident

Main principles:

- **If the employer is Finnish:**
  (or a foreign employer has a fixed base in Finland)
  - employer withholds the source tax using the tax rate shown on tax card
  - 35% of the income after deducting 510e/17e

- **If the employer is foreign:**
  - No tax in Finland
  - Taxes will be paid to home country
2. Non resident

• **Health insurance payment**
  - If a person works in Finland for at least 4 months
  - 2012, 2,04 %
  
  • No payments, if a person shows an A1 certificate from home country or otherwise shows (certificate from KELA), that does not belong to the Finnish social security.
3. Resident

- A person is considered resident in Finland if
  - He/she has a permanent home here or
  - He/she continuously stays here for more than six months

⇒ Unlimited tax- and reporting liability to Finland on worldwide income
  ⇒ Finnish ID mandatory
  ⇒ Progressive taxation
  ⇒ Pre-completed tax return in Finland
3. Resident

Main principles:

- **If the employer is Finnish:**
  (or a fixed base of a foreign employer is in Finland)
  - the employer is liable to withhold tax on salary
    - based on the calculated tax rate shown in tax card
    - if no tax card, -> 60%

- **If the employer is foreign:**
  - Employer has no liability to withhold tax in Finland
  - Employee has to apply for an advance tax

- **Progressive taxation**
4. Tax treaties

Tax Treaty countries 1.1.2009
Non Tax Treaty countries
4. Tax treaties

- Finland has a tax treaty with more than 70 countries
- Tax treaties may limit the liability to pay tax to Finland
- Tax treaties do not cover the Finnish social security payments
4. Tax treaties

- **Exemptions for students**
  - No tax in Finland on student´s income from abroad
  - Income from a Finnish employer is usually taxed normally
  - Exceptions in some treaties:
    - No tax in Finland if the job is related to studies in home country
    - ”..earnings reasonably necessary for maintenance..” => 510 e/month tax free
    - Special time limit for exemption
  - Exemptions must be checked from the treaty!
4. Tax treaties

- Exemptions for students, some examples:
  - Germany:
    - Salary is tax free if the student stays in Finland for no more than 183 days / calendar year
    - Job has to be related to studies
  - Great Britain, Portugal:
    - Salary is tax free, if job is related to studies or student is a trainee of business, industry or agriculture
    - If the job is not related to studies, then 510 €/month tax free ("..earnings reasonably necessary for maintenance..")
5. Scholarships and grants

• A Scholarship/grant can be tax free if it is publically applicable and can not be considered as salary from work or duty

• Taxation in Finland:
  • A scholarship/grant is tax free if it is given for studies or scientific research from:
    • The public sector (Ministry of education, CIMO etc.)
    • Nordic Council
    • As of 2010, universities are not considered as public entities
  • Other scholarship is tax free if it does not exceed the amount of annual grant of Arts Council of Finland (2011: 18.805,44e)
6. Gifts and inheritances

- **Gifts worth 4 000,- or more.**
  - Gifts from same donor totalling 4 000,- or more within a 3 year period
  - Tax return within 3 months after receiving

- **Inheritance worth 20 000,- or more**
  - Family relations have an affect on tax level
  - 2 categories (family and others)
7. Applications and contact info

- **Application for a tax card (5042a)**
  - Application for tax card for foreigners and persons who have been living abroad

- **Application for a tax-at-source card (6201e)**
  - For persons coming to Finland for no more than 6 months

- **A clarification of studies (Name of school, field of study) and job is needed when applying for a tax card**
  - The basis for an exemption has to be claimed also in the possible tax return (if a person stays in Finland for more than 6 months and is eligible for an exemption in a tax treaty)
7. Applications and contact info

• **Bulletins:**
  • [Arriving in Finland](#)
  • [Academic studies in Finland (taxation)](#)
  • [Taxation of employees from other countries working in Finland](#)

• **Contact info:**
  • [www.tax.fi](#)
  • Tel. 020 697 024 (International taxation)
  • 020 697 050 (Tax service, individual taxpayers)

• **Feedback**