

TAXATION OF A FOREIGN STUDENT IN FINLAND

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1. Types of tax liability

• Resident

A person who has a permanent home here

or

a person who stays here for more than 6 months

-> Progressive taxation
("the more you earn the more you pay tax")

• Non resident

A person, who stays in Finland for max. 6 months

-> Taxation at source (flat rate)

2. Non resident

- **A person, who has not lived in Finland**
 - stays here for a period of ***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.

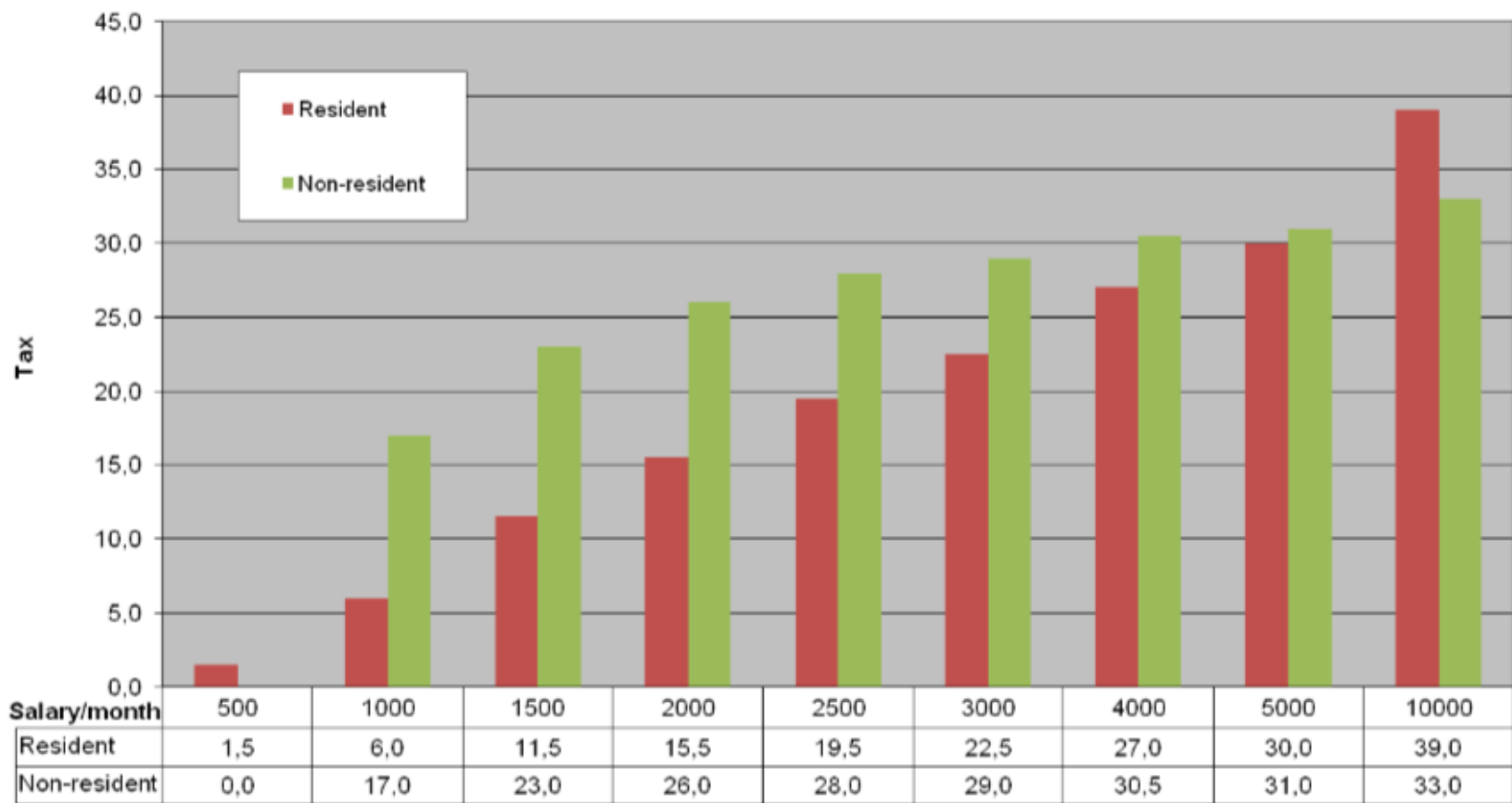
3. Resident

- **A person is considered resident in Finland if**
 - He/she has a permanent home hereor
 - 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

- **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
 - Exemptions 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 e/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](#)