Start-up process for foreign entrepreneurs

BUSINESS IDEA

Calculations

Business Plan

Start-up Grant

Financing

Business Licenses

COMPANY REGISTRATION

Bookkeeping/Accounting

Insurances

SUCCESS

PROFITABLE BUSINESS

Integration into the Finnish business networks
The business plan must present a viable business idea that a person hopes to implement in practice. The business plan should be written so that it is easy to read and technical descriptions brief. The business plan must take into consideration the needs of financers. There are many different business plan templates available and any can be used. The business plan template should be designed to fit your business.

The basic topics are listed below:

**Cover page**
- Name of the company
- Name of the owners
- Address, phone, e-mail

**Table of contents**
Support documents/attachments if applicable

**A)** Business idea
   - Innovation of idea
   - Business in the idea

**B)** Core competence/competitive edge
   - Personal profile / management / advisors

**C)** The market

**D)** Business model
   - Process of producing the service/product

**E)** Risk analysis

**F)** Profitability
   - Financial plan relevant to the business model

**G)** Conclusions

**H)** Visual appearance of business plan

Common sense should be used, avoid unnecessary repetition, and if some issues are not needed in your own business, simply leave them out. Make sure your objectives and your aspirations are sound, with a high impact. Remember that the business plan is also a marketing document so use your creativity.
The purpose of the start-up grant is to facilitate the start-up of new business and the independent employment of unemployed jobseekers by securing their livelihood during the time estimated for starting and establishing entrepreneurship.

The start-up subsidy can be granted to an unemployed jobseeker as well as an employee, student or homeworker becoming a full-time entrepreneur.

The employment office may ask external experts to assess the ability of the applicant to work as an entrepreneur and whether the business idea is profitable. The subsidy is granted on a case-by-case basis, and the applicant’s need for financial support is taken into account.
Taxation of various company forms

Taxation of an individual proprietorship
- The income is divided into earned and capital income
- The taxation consists mainly of the taxation of earned income
- Earned income is taxed in the state taxation according to a progressive scale, and in the municipal taxation according to the local tax rate
- Capital income is the part of business profit that equals to annual returns of 10% or 20% on the net assets reserved for the business
- Capital income is taxed at a flat rate of 28%, which includes both the state and the municipal taxes

Taxation of partnership companies (unlimited & limited partnership companies)
- The company itself does not pay any income tax, the profit is entirely distributed to the partners as a part of their personal income for taxation
- In the allotment of profits, regulations in accordance with the partnership agreement are applied as the basis of the partitioning
- If no mention on the allotment of profits exists, the profit is distributed evenly between the partners
- A partner’s income is divided into earned and capital income; the part of income equal to 20% of the net assets is considered capital income, the rest being the partner’s earned income. Capital income is taxed at a flat rate of 28%

Taxation of a limited company
- As to tax liability, a limited company is an independent entity of its own
- The company’s profit is seen as returns to the company and has no impact on a share-holder’s personal taxation
- The profit is taxed according to a flat rate of 26% and is not divided into earned and capital income
- Taxation of dividends; depending on the value of the shares, a dividend can be tax-free or it can be taxed either as capital income or as earned income
- The tax-free part of the income from dividends is the amount that equals to annual returns of 9% on the mathematical value of the shares

Taxation of a co-operative
- In the taxation of profits, a co-operative is treated in the same way as a limited company, the tax base is 26% of a co-operative’s profit
- The principles of sharing the profit must be included in the bylaws of the co-operative, and it is possible to share the profit as surplus return in proportion to the share of using the services provided by the co-operative
- The surplus return is taxed as a profit which the return concerns, i.e. as a member’s personal income in a work co-operative, and as normal business income in a co-operative which practices an ordinary business with goods
VAT,  
value added tax

Self-employed persons who sell commodities and services are obliged to pay VAT. It is calculated monthly. Minor business activities, with a turnover calculated over twelve months, not exceeding 8 500 € remain outside the taxation. In a case where the turnover is 8 500–22 500 €, the company is entitled to VAT relief.

Starting from July 1, 2010, a tax rate of 13% has been applied to restaurant and catering services. Value added taxes which are included in business activity purchases can be reduced from the payable value added tax.

The tax share must be specified in the invoices which are sent by the person who is obliged to pay VAT.

The periodic tax return and the relevant payment must be completed on a monthly basis after one calendar month, from the reporting month. This return must be filed to the Tax Administration, either on a printed paper form no later than the 7th day of the second calendar month following the reporting month or electronically, no later than the 12th day of the second calendar month following the reporting month. The VAT amount must be paid no later than the 12th day of the second calendar month following the reporting month in both of these cases. For example, the return and the payment for the month of February must be completed and paid in April, on the above-mentioned dates.

Small companies are allowed to file and pay self-initiated taxes less frequently than once per month. In so far as the turnover of a company does not exceed 50 000 € per calendar year, it is possible to file and pay the VAT, tax withholdings, employer’s social security contribution and taxes at source on a quarterly basis. In so far as the turnover does not exceed 25 000 €, the VAT can be filed and paid per calendar year and the other taxes quarterly. The company can, however, if preferred, select a shorter period of return and payment than its turnover should entitle it to.

Please note, however, that should the company prefer a longer period of return and payment, it is obliged to monitor the progress of the turnover of its calendar year and inform the Tax Administration immediately in so far as the estimated turnover of the present calendar year increases over 25 000 € or up to 50 000 €.

Regarding the procedure for the calendar year, the periodic tax return must be completed no later than the 28th of February.

Additional details are available at www.vero.fi
It is the duty of the entrepreneur to take a statutory pension insurance policy that provides security for retirement and protection for disability, death of a breadwinner and unemployment at an advanced age. A private entrepreneurs’ pension is arranged according to the Entrepreneurs’ Pension Act (YEL).

YEL – Entrepreneurs’ pension act

Pension insurance payment
- An entrepreneur pays an insurance payment that is confirmed every year on the basis of index-linked income.
- In 2010, the payment for entrepreneurs aged under 53 years is 21.2%, and for those turning 53 years the payment is 22.4% from the beginning of the following year.
- A new entrepreneur is entitled to a 25% discount for the pension insurance payment for the 48 first months in business.

Pension insurance in different company forms
- The private person carrying on a trade is insured under YEL. Also his/her spouse living in a same household is insured under YEL in case of he/she fills other requirements of entrepreneurship.
- In partnership companies a partner who is working in the company is insured under YEL.
- In limited partnership companies a responsible partner who is working in the company is insured under YEL.
- In limited companies a person with a leading position who owns himself/herself, or together with his or her family members, more than 50% of the company or the number of votes is insured under YEL.

For more information: Finnish Centre for Pensions (Eläketurvakeskus), www.etk.fi
Insurances and voluntary social security cover
for entrepreneurs

It is possible to safeguard against various risks involved in business by taking a corresponding insurance policy. Risks to be insured may include for example:

- Business interruption
- Liability for damages
- Legal matters
- Contractual risks
- Cargo transportation

- Liability insurance covers liability for damages which the company may have to assume as a result of a loss it has caused to a third party.

- Business interruption insurance covers costs incurred from protecting the company’s legal interests.

- Cargo liability insurance covers statutory or contractual liability concerning cargo transportation.

- Decennial liability insurance covers repair or replacement costs caused by a construction defect if the building owner is deemed insolvent.

- Guarantee insurance can be given as a guarantee for a loan or the fulfillment of an agreement or another obligation.

- Credit insurance covers losses resulting from failure of debtors to pay their obligations to the insured.

- Patient insurance is intended for:
  - Self-employed health care professionals who are included in the register of health care professionals kept by the National Authority for Medicolegal Affairs (TEO).
  - Companies providing health care services and employing care professionals included in the register
  - Individual self-employed persons and individual proprietorship companies are granted the insurance intended for self-employed professionals
  - The insurance meant for companies is granted when the service provider is a limited company, a limited partnership company or an unlimited partnership company, or if a corresponding self-employed person or an individual proprietorship company has employees
  - Patient insurance compensations are based on the Patient Injuries Act. According to the Act, the injured person is entitled to compensation for:
    - necessary health care costs
    - loss of income or maintenance
    - pain, ache and permanent functional and cosmetic disability
    - in case of death, reasonable burial costs and necessary maintenance for those entitled to it
Environmental damage insurance is available to such corporations under civil law that carry out operations involving a substantial risk of environmental damage or operations causing damage to the environment in general.

Taking out an insurance policy abroad is always case specific, due to the specific requirements set forth by the local law and other regulations.

Commuting to work involves another risk situation for the employee and the company. The commuter and the property carried by him/her require special insurance coverage.

In certain industries, there are packaged and combined insurance solutions available for more or less extensive insurance coverage.

In addition to these voluntary insurances, there are also other voluntary insurances and besides that statutory insurances that entrepreneurs are obliged to take out for themselves or for their employees.

**Statutory accident insurance**

In the employee’s accident insurance, an employee refers to a person who performs work for another on the basis of a contract, under the management and supervision of the employer, and gets compensation for the work. Unemployment insurance and group life insurance contributions are collected together with the accident insurance contributions.

The employer is obliged to take out insurance covering occupational accidents and occupational diseases for employees who work more than 12 days per calendar year in the company. An occupational accident refers to an accident that has happened to an employee at work or in circumstances arising from work – such as at the workplace or an associated area, during travel to or from work or while performing duties for the employer – and caused injury or illness.

Accident insurance covers all necessary medical costs due to an occupational accident or occupational disease, as well as loss of income by means of a daily allowance or accident pension. Permanent general disability caused by an injury or a disease is compensated by means of disability indemnity. The injured person will also receive compensation for occupational and medical rehabilitation. In a case of death, the survivors receive a funeral grant and family pension.

In addition to statutory accident insurance, the employer may take out a voluntary leisure accident insurance policy for employees in accordance with the Accident Insurance Act. Statutory accident insurance does not apply to:

- the employer, an independent entrepreneur himself/herself
- a leading executive of a limited liability company who, personally or together with family members living in the same household, holds more than 50% of the shares
- a general partner having a leading position in a general or limited partnership and controlling more than one-half of the authority over the partnership or having more than one-half of the partnership shares, either personally or together with family members living in the same household.

The people not covered by statutory accident insurance may take out voluntary accident insurance in accordance with the Accident Insurance Act.

**Voluntary social security cover for entrepreneurs**

As entrepreneurs are not covered by the statutory accident insurance, new entrepreneurs are advised to take out a voluntary accident insurance policy for themselves and the family members employed in the company. Furthermore, entrepreneurs do not have a contractual group insurance policy, and that is why they are themselves responsible for arranging voluntary life insurance cover with an insurance company. The accident insurance company assesses the annual earnings of a self-employed person insured under YEL for the purpose of the voluntary accident insurance on the same principles as used in determining the earned income under YEL.

In the case of unemployment, entrepreneurs may qualify for a basic allowance from the Social Insurance Institution of Finland (Kela); entrepreneurs may also voluntarily join the Entrepreneurs’ Unemployment Fund if they wish to provide themselves with earnings-related unemployment benefits. Entrepreneurs may also receive a maternity allowance, special maternity allowance, paternity allowance, parental allowance, special care allowance or rehabilitation allowance and sickness allowance.

More information can be obtained from insurance companies and from EnterpriseFinland (YritysSuomi), www.yrityssuomi.fi.
The Responsibilities of Self-employed Persons and Employers

An employer is obliged to insure its employees (pension, occupational injury, unemployment and group life insurances) as well as to provide them with occupational health care preventing occupational accidents and illnesses. Employees are, furthermore, obliged to receive a wage/salary in accordance with a collective agreement.

(The self-employed person is personally obliged to take the self-employed person’s pension insurance, YEL. When defining earnings, the self-employed person estimates their individual work load and its value accounted as a wage/salary. Both the size of the pension and the pension contribution depend on the confirmed earnings).

<table>
<thead>
<tr>
<th>THE MOST COMMON EMPLOYER CONTRIBUTIONS IN 2010</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security contribution</td>
<td>2.23</td>
</tr>
<tr>
<td>All employers</td>
<td>2.23</td>
</tr>
<tr>
<td><strong>The Employees` Pension Act (TyEL)</strong></td>
<td>21.8</td>
</tr>
<tr>
<td>A contract employer who has at least one permanent employee or earnings of at least 7 386 €/ during the previous six months and wages/salaries not exceeding 1 650 M€/year, employees aged 18–68 years</td>
<td>21.8</td>
</tr>
<tr>
<td><strong>The Employees` Pension Act (TyEL)</strong></td>
<td>22.4</td>
</tr>
<tr>
<td>A temporary employer, no permanent employees and with earnings less than 7 386 €/over a period of six months</td>
<td>22.4</td>
</tr>
<tr>
<td><strong>The Self-Employed Persons` Pension Act (YEL)</strong></td>
<td>15.9</td>
</tr>
<tr>
<td>Based on the confirmed YEL earnings</td>
<td>15.9</td>
</tr>
<tr>
<td>• an self-employed person, under 53 years</td>
<td>21.2</td>
</tr>
<tr>
<td>• an self-employed person, over 53 years</td>
<td>22.4</td>
</tr>
<tr>
<td>• an self-employed person, starting their business for the first time under 53 years, a discount of 25% for a time period of 48 months</td>
<td>15.9</td>
</tr>
<tr>
<td>over 53 years, a discount of 25% for a time period of 48 months</td>
<td>16.8</td>
</tr>
<tr>
<td><strong>Group life insurance</strong></td>
<td>%</td>
</tr>
<tr>
<td>Shall be charged with an accident insurance payment</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Unemployment insurance</strong></td>
<td>0.75</td>
</tr>
<tr>
<td>Up to 1 846 500 € in earnings</td>
<td>0.75</td>
</tr>
<tr>
<td>For an amount exceeding 1 846 500 € in earnings</td>
<td>2.95</td>
</tr>
<tr>
<td>Employer contribution for a TyEL insured part-owner</td>
<td>0.75</td>
</tr>
<tr>
<td>Contribution for a TyEL insured part-owner</td>
<td>0.15</td>
</tr>
<tr>
<td><strong>Accident insurance payment</strong></td>
<td>1.00</td>
</tr>
<tr>
<td>Graded 0.3–8%, on average</td>
<td>1.00</td>
</tr>
</tbody>
</table>
The Responsibilities

Sickness insurance contribution for an insured person
% of the wage/salary
The payment is included within the tax withholding percent, not separately charged from the wage/salary
- employee’s daily allowance 1.47% and nursing fee 0.93% 2.40
- employer’s daily allowance 1.05% and nursing fee 1.47% 2.52
- benefit receivers/pension and benefit income receivers, nursing fee 1.64% 1.64

EARNING LIMITS  €

Minimum income of €/month, for a person within the TyEL  51.57
Minimum earned income of €/year, for a self-employed person’s business activities within the YEL  6 775.60
Maximum amount of YEL earned income €/year  153 875.00
Minimum amount of YEL earned income €/year for a part-time pension  13 551.19
The self-employed person’s entitlement to unemployment benefits, if the minimum income is €/year  8 520.00
Minimum income of €/month, for a person entitled to an unemployment pension  600.00
Maximum income of €/month, for a person entitled to a disability pension  644.56

EMPLOYEE CONTRIBUTIONS  %
Pension insurance contribution, a person under 53 years  4.50
Pension insurance contribution, a person over 53 years, starting from the beginning of the following month  5.70
Unemployment insurance contribution  0.40

PRELIMINARY TAXATION, COMPANIES

A company pays taxes, either based on pre-estimated income during the present accounting period or the taxable income of the previous accounting period. The tax authorities determine the amount of the tax and provide the company with advance tax demand notes and paying-in slips.

Based on the tax form which is provided after the completed accounting period, the tax will be evened out and the difference is either provided as a tax refund or collected as an additional tax.

The company is entitled to apply for a change regarding its withholding taxes. Intermediate financial statements, a budget or some other additional clarification must be attached, if required.

A large number of similar kinds of regulations are applied to individual company forms in the income taxation. However, the rules connected, for example, to profit distribution situations, differ from each other due to structural differences between the company forms.

ESSENTIAL TAXATION PRINCIPLES, REGARDING DIFFERENT COMPANY FORMS

Regarding every company form, the profit from the business activities of a private undertaking is divided into capital income and earned income, based on the net assets of a company.

The higher that the share of the capital income is, the higher the net assets of the company are. In the event that no net assets exist, the income shall be taxed completely as earned income. (The calculation of net assets varies slightly between the different company forms. A simplified example of how to calculate net assets: Net assets = business activity assets – liabilities.)

The calculation of the net assets of small companies with minor net assets favours other company forms than a limited company.

The net income of employees, self-employed persons, pensioners etc. is either earned income or capital income.

Capital income is subject to a capital income tax of 28%.

Earned income is subject to progressive earned income taxation. It can vary from 0% up to circa 52% (community, congregation, state, nursing fees and daily allowances included).

<table>
<thead>
<tr>
<th>Taxable earned income, €</th>
<th>Tax amount, lower limit, €</th>
<th>Tax amount, when exceeding the lower limit, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 100–21 700</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>21 700–35 300</td>
<td>610</td>
<td>18.00</td>
</tr>
<tr>
<td>35 300–64 500</td>
<td>3 058</td>
<td>22.00</td>
</tr>
<tr>
<td>64 500</td>
<td>9 482</td>
<td>30.50</td>
</tr>
</tbody>
</table>

There is only one type of income for a limited company with a fixed tax of 26%. When a tax burden is compared between different company forms, the company taxation and the individual taxation of a self-employed person should be taken into consideration (especially concerning a limited company).

ACCOUNTING OBLIGATION

Everyone is obliged to keep books on their business or occupational activities, in accordance with the Accounting Act.

THE OBLIGATION TO SELECT AN AUDITOR

(Limited companies, cooperatives, general partnerships and limited partnerships)

In accordance with current law, only a certified auditor, meaning either an Authorised Public Accountant (KHT) or an Approved Accountant (HTM) or then a community (KHT or HTM) of individual auditing providing companies, can be selected. An auditor can, however, remain unselected in such a company, in which, at most, only one of the following prerequisites has been fulfilled during both the completed accounting period and during the accounting period preceded immediately:

- The total amount of the balance sheet exceeds 100 000 €;
- The turnover or profit equivalent to it exceeds 200 000 € or
- The number of employees has numbered over three on average

Private traders do not have to select an auditor.
ARRANGING OCCUPATIONAL HEALTH CARE

In accordance with the Occupational Health Care Act, an employer is obliged to arrange occupational health care at their own expense, in order to prevent and control health risks and problems related to work and working conditions and to protect and promote the safety, working capacity and health of their employees.

An agreement concerning occupational health care can be drawn up with a health centre, private medical care providers or with an occupational health care service, common between individual companies. The Social Insurance Institution of Finland (KELA) provides compensations, in general, for 50–60% of the incurred costs. The remaining costs are deductible from the taxation of the company.

A self-employed person is entitled to also arrange occupational health care for themselves, but this is not obligated by law. The compensation for the costs incurred due to the self-employed person’s health care is 50%, up to the annual upper limit determined by KELA. The employer shall apply for compensation within a period of six (6) months after their accounting period has been completed.

The application time concerning the compensation of costs incurred by the self-employed person, due to their occupational health care, is six (6) months from date on which the costs were incurred.

Additional details are available from, for example, Condia Oy, Sepänkatu 17, 2nd floor, 90100 Oulu telephone +358 10 345 3812