

# Country Guide

## Finland

Prepared by

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# Doing Business in Finland

2024

## Introduction

This guide, *Doing Business in Finland*, has been prepared by Roschier, Attorneys Ltd.

The purpose of the guide is to provide an introduction to Finnish business law, the focus being on areas of law that may be of interest to businesspeople and investors. The guide is intended for general informational purposes only, and the contents should not be construed as legal advice or a legal opinion on any specific facts or circumstances.

The information in this guide is current as of March 2024, unless otherwise expressly indicated.

We hope that you will find this guide useful when considering investments or other business activities in Finland. Should you have a specific legal question, we encourage you to contact one of our lawyers.

Helsinki, Finland

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# 1. Overview

## Population and language

Finland is one of the most sparsely populated countries in Europe, with a population of approximately five and a half million. The biggest city is Helsinki, the capital, with a population of approximately 664,000. Helsinki, Espoo (305,000 inhabitants) and Vantaa (242,000 inhabitants) form the metropolitan area, which is home to nearly one fifth of the country's total population.

The official languages are Finnish and Swedish. Finnish is spoken as a first language by approximately 86% of the population and Swedish by 5%. Finns have a good knowledge of foreign languages and English in particular, is widely spoken especially in business environments.

## Political system

Finland is a parliamentary republic with a head of government - the prime minister - and a head of state - the president. The current president of Finland, Alexander Stubb, was inaugurated on 1 March 2024.

The Finnish Parliament is unicameral and comprises 200 representatives. Members of Parliament are elected every fourth year. Following the general election in 2023, the current Finnish government is the most right-wing in recent history, consisting of the National Coalition Party (Kansallinen Kokoomus), the Finns Party (Perussuomalaiset), the Swedish People's Party of Finland (Ruotsalainen kansanpuolue), and the Christian Democrats in Finland (Suomen Kristillisdemokraatit). Petteri Orpo of the National Coalition Party is the Prime Minister.

Finland joined the European Union on 1 January 1995, and it became a full member of NATO on 4 April 2023.

## Economy

Finland has traditionally been a small open economy with a large export sector in relation to GNP. Finland's economy is characterized by a high level of industrialization and a market that is largely free.

## Dominant industries

Finland's three most dominant industries are the:

- Metal industry (approx. 40%)
- Chemical industry (approx. 24%)
- Forest industry (approx. 19%) (even though Finland's forest resources are relatively small in global terms, Finland is one of the world's foremost producers and exporters of forest industry products)

## Business culture

Some key values that are not only important in the Finnish business culture, but in Finland's culture in general, are equality, honesty, and trust.

The legislation limits the maximum regular working hours to eight hours per day and 40 hours per week. Working hours can be further limited in collective bargaining agreements or individual employment contracts, for example to 37.5 hours per week. Public holidays and their remuneration are determined based on collective agreements for each respective industry. According to the legislation, Independence Day is the only paid public holiday if it otherwise would have been a normal working day for the employee.

## **2. Legal system**

Finland has a civil law system. As a member of the EU, EU regulations and treaties are directly applicable and take precedence over national legislation. The legal system is based on the principle of the rule of law. Due to the close connection regarding the development of the legal systems in the Nordic countries, similarities can be found. The historically relevant and common past of Sweden and Finland is the main contributor to the similarities that are present in the respective legal systems in both countries.

## **3. Foreign investment**

There are no general restrictions on foreign investment, although authorization is required in certain regulated sectors such as banking, investment services, fund management and payment services. However, foreign investments into, or acquisitions of ownership in, defense industry companies (including companies manufacturing dual use products) and security sector companies are subject to a mandatory approval process. Under the same regime, non-EU investments into, or acquisitions of ownership in, companies that are deemed critical for the vital functioning of society may require approval. In each case, the approval thresholds are ownership reaching or exceeding 10%, one-third, and 50% of the votes (or similar control).

Certain trading restrictions and requirements imposed nationally or at EU level (such as customs duties) apply to importing and exporting goods and trading to or from non-EU countries. Since March 2014, the EU has imposed trade sanctions and other restrictive measures against Russia as a result of the situation in Ukraine. The scope of such economic sanctions and restrictive measures imposed by the EU has significantly expanded as a response to Russia's invasion of Ukraine. The economic sanctions and restrictive measures by the EU target specific sectors of the Russian economy, such as the energy, financial and transport sectors. The EU has also introduced new sanctions against Belarus due to the country's support in relation to Russia's invasion of Ukraine. The most important are Regulation No 833/2014 (the "Sectoral Sanction Regulation") and Regulation No 269/2014 (the "Individual Sanction Regulation") which have direct applicability on all individuals, entities, and bodies under EU jurisdiction. As an EU member state, Finland applies the sanctions imposed on Russia and Belarus.

Regulation No 833/2014 particularly prohibits the export of dual-use goods and advanced technology into Russia. This prohibition applies to a wide range of items and products listed in the Annexes of the Regulation. New items and products are continuously added to the scope of the prohibition with further amendments to the Regulation. Regulation No 833/2014 also places many restrictions on investments into Russia and other economic activities with Russian entities.

Regulation No 269/2014 imposes financial measures such as asset freezing and a prohibition on making funds available to certain named natural and legal persons, entities, and bodies. Any business operations with targeted natural or legal persons are prohibited, unless authorized by the

national competent authority. The list of targeted individuals and entities is updated by the European Commission (DG FISMA).

The Ministry of Foreign Affairs (<https://um.fi/frontpage>Opens in a new window) is the competent authority in Finland for implementing and enforcing the sanctions regime and granting authorizations under Regulation No 269/2014 and Regulation No 833/2014.

There are no exchange control or currency regulations in Finland. However, the Act on Preventing Money Laundering and Terrorist Financing (444/2017) (Anti-Money Laundering Act):

- Sets out provisions regarding the prevention of money laundering and terrorist financing
- Fosters the investigation and detection of money laundering and terrorist financing
- Reinforces the tracking and recovery of the benefits of crime

This results in banks and other credit institutions having certain obligations, for example, to identify their customers in order to verify the funds and their legal origin.

In Finland deposit banks must be prepared to hand over essential information to the Financial Stability Authority in relation to the provisions provided under the Deposit Guarantee Schemes Directive (2014/49/EU) (DGSD).

Most companies registered in the Finnish Trade Register (e.g. private limited liability companies, co-operative societies and certain partnerships) are obliged to file a notification of their beneficial owners and to update and maintain those details in the Trade Register. The companies are responsible for filing the notification and identifying their actual beneficial owners. Publicly listed companies do not have to carry out this obligation as their shareholders and actual beneficial owners are identifiable through other measures in accordance with the legislation on securities markets.

Foreign investors in Finland have equal access to the same range of EU and government incentives as domestic Finnish companies. Finland welcomes and encourages foreign direct investment. Incentives can take the form of:

- Start-up grants
- Guarantees
- Subsidized loans
- State-guaranteed financing
- Tax deductions

In addition to general restrictions on foreign investment, where an acquisition results in directly or indirectly holding at least 10% of share capital or voting rights in certain regulated financial institutions (e.g. banks, insurance companies, payment institutions, investment firms, managers of investment funds), a notification and pre-acquisition approval from the FIN-FSA is required. Significant owners of the supervised entities of the FIN-FSA must also be fit & proper in accordance with financial market regulations. For this purpose, there is a requirement to file materials

evidencing the fitness & propriety of the acquirer and its management to the FIN-FSA in connection with an acquisition of regulated entities. Subsequent pre-approvals and filing obligations apply at 20%, 30% and 50%. The obligations also apply to indirect acquisitions of a regulated financial entity (e.g. a regulated subsidiary of the parent company to be acquired).

## **4. Business vehicles**

### **4.1 Main business vehicles**

The most common forms of business vehicle used in Finland are:

- Sole proprietorships (toiminimi)
- General partnerships (avoin yhtiö)
- Limited partnerships (kommandiittiyhtiö)
  - Limited liability companies (osakeyhtiö). There are three types of limited liability company:
    - private limited liability companies (yksityinen osakeyhtiö)
    - public limited liability companies (julkinen osakeyhtiö)
    - European companies (eurooppayhtiö) (SE)
- Co-operative societies (osuuskunta)

There is no trust institution in Finland equivalent to the common law trust system.

Sections 4.2 to 4.11 concern only limited liability companies.

### **4.2 Foreign companies**

The most common form of business vehicle used by foreign companies is the private limited liability company (yksityinen osakeyhtiö). The main reasons for this are:

- Flexible regulation enabling effective corporate actions
- Legal personality
- Shareholders' liability is limited
- Shares are transferable

### **4.3 Registration and formation**

A limited liability company must be notified for registration with the Finnish Trade Register within three months of signing the memorandum of incorporation. A start-up notification must be submitted to the Finnish Trade Register including:



- Basic information on the established company.
- The memorandum of incorporation.
- The articles of association.
- Certain other documentation.

The name of a private limited liability company must include the Finnish term "Osakeyhtiö" (or in Swedish "Aktiebolag") or its abbreviation "Oy" (or in Swedish "Ab"). The name of a public limited liability company must include the Finnish term "Julkinen osakeyhtiö" (or in Swedish "Publikt aktiebolag") or its abbreviation "Oyj" (or in Swedish "Abp"). The name must be individual and distinctive, and it cannot be confusingly similar to any already registered names. The Finnish Trade Register will examine the registrability of the company name in connection with processing the start-up notification.

The share capital must be paid in full before registration (see *section 4.5*). The estimated processing time ranges from three to 40 working days, depending on the type of notification. Notifications through the online system are handled more rapidly.

If the limited liability company is not notified for registration within three months, the company's formation expires.

More information about registration can be found at [www.prh.fi/en/kaupparekisteri.html](http://www.prh.fi/en/kaupparekisteri.html).

#### **4.4 Reporting requirements**

Limited liability companies must submit their annual accounts to the Finnish Trade Register. Additional stricter reporting requirements, such as preparation and publication of half-year reports, apply to publicly traded companies.

Limited liability companies must also submit their income tax returns to the Corporate Tax Office within four months of closing of their accounting year.

Private limited liability companies must file a notification of their actual beneficial owners with the Finnish Trade Register when a new company is set up after it has been registered with the Finnish Trade Register, and thereafter whenever their details change. The following details on beneficial owners are entered in the Trade Register:

- Name
- Finnish personal identity code, or date of birth if the person is a foreign national and does not have a Finnish personal identity code
- Citizenship
- Municipality of residence, or home country and home address for a person living abroad
- Grounds for, and extent of, the control or the share of ownership and/or voting rights

#### 4.5 Share capital

Private limited liability companies are not subject to minimum share capital requirements. The minimum share capital for public limited liability companies is EUR80,000.

There is no maximum share capital.

#### 4.6 Non-cash consideration

Limited liability companies can issue shares for non-cash consideration. A valuation report from the auditors is required.

#### 4.7 Rights attaching to shares

**Restrictions on rights attaching to shares.** All shares carry equal rights unless otherwise provided for in the articles of association. A limited liability company can also have non-voting shares or shares that carry the right to vote only in certain situations.

**Automatic rights attaching to shares.** In general, all shares carry:

- Administrative rights such as voting rights, the right to speak and be present at general meetings and the right to seek legal remedies available to shareholders.
- Property rights such as the right to receive assets of the company when distributed and preference to subscribe for shares in a share issue.

However, the articles of association can provide that the limited liability company has shares with differing rights attached (for example, different shares carry different voting rights or different rights to receive distributable assets of the company).

#### 4.8 Management structure

The board of directors manages the administration of a limited liability company and the appropriate organization of its operations. A limited liability company can also appoint a managing director and have a supervisory board. The management structure is not tied to the share capital.

#### 4.9 Management restrictions

One member of the board of directors and the managing director needs to be resident in a European Economic Area (EEA) member state (that is, all the members of the EU plus Iceland, Liechtenstein and Norway). It is possible to apply for an exemption from this requirement from the Finnish Trade Register, but the exemption practice is restrictive.

#### 4.10 Directors' and officers' liability

The managing director and members of the board and supervisory board are liable to compensate:

- The limited liability company for damage caused deliberately or through negligence in violation of the articles of association or the duty of care, or other provisions of the Companies Act (624/2006, as amended) (osakeyhtiölaki).

- The shareholders or third parties for damage caused deliberately or through negligence in violation of the articles of association or the Companies Act.

#### **4.11 Parent company liability**

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

### **5. Environment**

Finland has an extensive legal framework relating to environmental issues. Finnish environmental legislation is largely influenced by EU law, and in some cases EU environmental law is directly applicable. The most relevant acts regulating environmental matters in Finland are:

- Environmental Protection Act (527/2014, as amended) concerning all industrial and other activities that cause or may cause environmental pollution, such as soil, water and air contamination and noise pollution
- Nature Conservation Act (9/2023, as amended) concerning conservation and maintenance of nature and landscapes
- Act on the Environmental Impact Assessment Procedure (252/2017, as amended) concerning the environmental impact assessment required in projects and changes to them with potentially significant environmental impacts
- Waste Act (646/2011, as amended) concerning waste, waste management and littering as well as products and activities generating waste
- Water Act (587/2011, as amended) concerning water resources management issues
- Act on Compensation for Environmental Damage (737/1994, as amended) concerning liability for environmental damage
- Act on Coordination of Certain Environmental Permitting (764/2019, as amended) concerning coordination and expedition of various environmental permitting processes
- Land Use and Planning Act (132/1999, as amended), concerning the planning, building and use of areas and buildings
- Climate Change Act (423/2022, as amended) concerning the preparation and implementation of national climate policy
- Emission Trading Act (311/2011, as amended) concerning greenhouse gas emissions allowance trading
- Mining Act (621/2011, as amended) concerning the exploration and exploitation of deposits containing mined minerals, gold panning in an area owned by the State, the termination of related operations, and the proceedings for establishing a mining area for mining operations
- Land Extraction Act (555/1981, as amended) concerning the extraction of stone, gravel, sand, clay and earth to be transported elsewhere or stored on the site or to be processed

- Act on the Redemption of Immoveable Property and Special Rights (603/1977, as amended) concerning redemption of immovable property and special rights
- Forest Act (1093/1996, as amended) concerning the management and utilization of forests in areas classified as forestry land
- Act on the Safe Handling and Storage of Dangerous Chemicals and Explosives ('Chemicals Safety Act') (390/2005, as amended) concerning, among others, industrial-scale storage and handling, transportation and keeping of dangerous chemicals
- Chemical Act (599/2013, as amended) concerning hazardous substances
- Gene Technology Act (377/1995, as amended) concerning the contained use and deliberate release into the environment of genetically modified organisms as well as the launch and operation of installations and premises intended for the handling of genetically modified organisms
- Nuclear Energy Act (990/1987, as amended) concerning nuclear energy
- Radiation Act (859/2018, as amended) concerning radiation practices, existing exposure situations and emergency exposure situations
- Criminal Act (39/1889, as amended) concerning, among others, environmental offences

In some cases, more detailed instructions on the application of environmental acts are provided in lower-level decrees or guides of public authorities.

## **6. Employment**

### **6.1 Laws, contracts and permits**

The most relevant statutes regulating employment relationships in Finland are the:

- Employment Contracts Act (55/2001, as amended) (ECA 2001)
- Codetermination Act (1333/2021)
- Co-operation within Finnish and Community-wide Groups of Undertakings Act (335/2007, as amended)
- Working Hours Act (872/2019, as amended)
- Annual Holidays Act (162/2005, as amended)
- Occupational Safety and Health Act (738/2002, as amended)
- Act on Occupational Safety and Health Enforcement and Cooperation on Occupational Safety and Health at Workplaces (44/2006, as amended)
- Protection of Privacy in the Working Life Act (759/2004, as amended)

- Equality between Women and Men Act (609/1986, as amended)
- Non-discrimination Act (1325/2014, as amended)

There are also numerous collective bargaining agreements (CBAs) regulating the terms of employment. In key business sectors, many CBAs are generally applicable, and must be applied by an employer even if the employer is not a member of any employers' association.

The primarily applicable legislation in international employment relationships is determined by international choice of law rules. Regulation (EC) 593/2008 on the law applicable to contractual obligations (Rome I) applies to employment contracts concluded after 17 December 2009. The Rome Convention on the Law Applicable to Contractual Obligations 80/934/EEC (Rome Convention) applies to employment contracts concluded on or before 17 December 2009. According to Rome I and the Rome Convention, the parties to an employment contract are allowed to choose the law governing their employment relationship, but this choice of law cannot override or derogate from the otherwise applicable employment legislation that would afford better protection to the employee. If the parties have not agreed on the applicable law, as a starting point, the laws of the place most closely related to the employment relationship will apply. This would usually be the place where the employee normally performs their work.

In addition, certain minimum terms of employment apply to employees who are temporarily posted to Finland and whose employment is subject to a foreign country's legislation. These terms are detailed in the Posted Workers Act (447/2016, as amended) and regulate, for example, minimum salary, rest periods and annual holiday.

Generally, Finnish employment law applies to Finnish employees who are temporarily seconded to work abroad.

A written contract is not required. However, an employer must give employees who have been employed under an oral contract a written statement of the main terms of employment, some within the first seven days of employment and the rest within a month's time from the commencement of employment (ECA 2001). This also applies if the written contract is silent on any material condition. The employment contract or written statement must include at least the following information:

- The name of the employer and the employee and their domiciles (information to be given within the first seven days of employment)
- Date of commencement of work (information to be given within the first seven days of employment)
- If the contract is for a fixed term, the grounds for the fixed term (or a notification that the contract is a fixed-term employment contract with a long-term unemployed person as referred to in Chapter 1, section 3a of the ECA 2001), and the end date (or an estimate of the end date) (information to be given within the first seven days of employment)
- Trial period (if any) (information to be given within the first seven days of employment)
- Principal place of work, or if no principal place of work exists an account of the principles by which the place of work from time to time is determined or a statement that the employee

can freely determine their place of work (information to be given within the first seven days of employment)

- Employee's principal duties (information to be given within the first seven days of employment)
- The basis for the determination of the employee's salary and other remuneration, as well as the salary payment period (information to be given within the first seven days of employment)
- Regular working hours (information to be given within the first seven days of employment)
- If the working hours are agreed to be varied, an account to demonstrate in which situations and to what extent the need for extra work may arise and the weekdays and times when the employer may order work without the employee's consent for each occasion
- Specific information requirements apply to agency work including, for example, name and domicile of the user business. In addition, the employer must also inform the agency worker of the reasons for the user company's assignment and the duration or estimated duration of it. In addition, the employer must provide an estimate of other work that may be available within the agency that is similar to that agreed in the agency worker's employment contract.
- Information on the training provided by the employer to which the employee is entitled (if any)
- Method of calculating annual holiday
- Notice period
- CBA applicable to the work or an indication that no CBA applies
- The insurance company (or companies) in which the employer has organized the employee's certain insurance coverage
- Specific information requirements apply for work that is performed abroad for at least a one-month period, including, for example the:
  - duration of the work
  - currency in which the monetary salary is paid
  - terms of the employee's repatriation.

The employer must provide the employee with the required information no later than one month prior to the employee's departure.

CBA's play a central role in the Finnish labor market. The CBA governing the employment relationship can set out specific rules that substitute or supplement labor and employment law. The terms arising from the provisions of the applicable CBA supersede any conflicting terms of an employment contract when the terms agreed in the employment contract are to the employee's detriment (*Collective Agreements Act (436/1946, as amended)*).

In addition, certain practices of the employer, for example a benefit regularly given to the employees, may become so well-established that they form an implied term of the employment contract and are therefore no longer solely at the employer's discretion.

Citizens of the Nordic countries (Denmark, Iceland, Norway and Sweden) can work in Finland without an employee residence permit. However, citizens of other Nordic countries who are staying in Finland for over three months, must notify details of the move and register at the nearest service location of the Digital and Population Data Services Agency (Fi. Digi- ja väestötietovirasto). Registration is free.

In addition, citizens of other EU countries and of Liechtenstein and Switzerland can work in Finland without an employee residence permit. However, if the work lasts longer than three months, the employees must register their right of residence with the Finnish Immigration Service. The fee for the registration of EU citizens and the equivalent right to residence is currently EUR54.

Employees of other nationalities must, with certain exceptions, apply for an employee residence permit or another residence permit that enables foreign nationals to work. The duration of the employee resident permit application procedure varies depending on the case and lasts approximately a month. In cases of emergency, applicants can make a written request for urgent processing to the Finnish Immigration Service. The fee for an employee residence permit is currently EUR740 (or EUR490 for electronic applications).

## 6.2 Termination and redundancy

Employees are entitled to management representation where an employer regularly employs at least 150 employees in Finland (*Codetermination Act*). The employees can appoint their representatives to the supervisory board, the board of directors or to the management groups of the company. The employer, however, chooses the administrative body in whose work the employee representatives can participate.

On a transfer of business, both the seller and the purchaser (if they regularly employ at least 20 employees and are therefore within the scope of the *Codetermination Act*) have a duty to inform the affected employee representatives on certain aspects of the transfer. If the transaction does not constitute a transfer of business (but is instead a share deal), there is no duty to consult employees in accordance with the *Codetermination Act*. When considering redundancy terminations, lay-offs, or making employment relationships part-time or other material changes to the terms of employment, the employer must also observe a consultation obligation and procedure (*Codetermination Act*).

An employer can dismiss an employee if the employee has seriously breached or neglected obligations arising from the employment relationship. However, the grounds must be substantial and appropriate. In addition, an employer can dismiss an employee if the employee's work capacity has substantially diminished over a long period of time, and the employee is no longer capable of performing their duties (*ECA 2001*). Case law indicates that the following, among others, can constitute sufficient grounds for termination:

- Carelessness
- Failure to follow instructions
- Gross negligence

- Dishonesty
- Absence without reason

If the employer lacks sufficient grounds for the dismissal, the dismissal may be deemed unjustified. In addition, the following are by law deemed as not justified grounds for dismissal:

- Illness or injury, unless the employee's work capacity has diminished substantially and for a long term, so that it is not reasonable to expect the employer to continue the employment relationship
- Participation in a strike or other industrial action
- Political, religious, or other opinion
- Participation in community or association activities
- Recourse to judicial procedure
- Pregnancy or family leave (there is a presumption that any dismissal is motivated by the employee's pregnancy or family leave unless the employer proves otherwise (*ECA 2001*)).

In addition, some employees, such as employee representatives, enjoy special protection against dismissal.

Before dismissing an employee, the employer generally must:

- Issue the employee a warning, making it clear that the employee's conduct, neglect or similar is endangering the employee's continued employment
- Give the employee a fair chance to improve their conduct or performance
- Consider whether the situation can be resolved by transferring the employee to other duties

On termination of an employment contract, the employment relationship will continue for the duration of the applicable notice period. CBAs usually contain provisions on notice periods that are mandatory for those required to apply the CBA. Apart from this, the parties can, within certain limitations, agree on the length of the notice period. If nothing has been agreed and no CBA is applicable, the ECA 2001 contains provisions on the length of the notice periods. According to the ECA 2001, the employer's notice period is determined as follows:

- Up to one year of employment: 14 days
- Over one year and up to four years of employment: one month
- Over four years and up to eight years of employment: two months
- Over eight years and up to 12 years of employment: four months
- Over 12 years of employment: six months



When dismissed, employees are entitled to their notice period salary, compensation for accrued holidays and other unpaid receivables. Severance is optional.

An employee dismissed without sufficient legal grounds and without the required procedure may be entitled to compensation of up to 24 months' salary (for employee representatives, up to 30 months' salary), subject to the particular circumstances of the dismissal (*ECA 2001*). If an employee is selected for dismissal on discriminatory grounds, the employee can, in addition to compensation for unjustified termination, claim compensation and damages. Discrimination is also sanctioned by the Finnish Criminal Code (39/1889, as amended), the possible penalty being fines or up to six months' imprisonment.

For an exceptionally severe breach, the employment relationship can also be terminated with immediate effect by both the employer and the employee if it is deemed unreasonable for the employment relationship to continue for the duration of the notice period. The termination with immediate effect must be made within 14 days of learning of such breach, otherwise the right to do so is forfeited.

Under the ECA 2001, an employer can terminate an employment contract on collective grounds, provided that both:

- The amount of work has diminished substantially and permanently due to financial, production-related, or organizational reasons. A reduction is usually considered temporary unless it clearly exceeds 90 days.
- The employer is not able to offer the affected employees suitable alternative work within the company (or, in certain circumstances, the company's group) or retrain them for other duties.

A redundancy is unjustified if either:

- Before or after the redundancy, the employer employs a new employee to perform tasks similar to those performed by the employee made redundant, although the operational circumstances have not changed.
- The amount of work has not actually diminished, based on the reorganization invoked as reason for the redundancy.

There are no specific selection criteria for determining which employees are to be made redundant. CBAs often contain provisions regarding this, stipulating, for example, that the work of employees with dependants should be preserved. No employer can use discriminatory grounds to select employees for dismissal. Certain employees enjoy special protection from termination, such as employee representatives and employees on family leave.

Employers (including branches of foreign undertakings) who regularly employ at least 20 employees must, before deciding on redundancies, layoffs, reducing working hours or other material changes to the terms of employment, consult the employees and/or their representatives regarding the reasons for, effects of, and possible alternatives to the planned measures (*Codetermination Act*). The consultations must be carried out in accordance with the co-operation procedure in the Codetermination Act and possible CBA provisions.

An employee made redundant without sufficient legal grounds may be entitled to compensation of up to 24 months' salary (for employee representatives, up to 30 months' salary). If the employer

fails to comply with the codetermination procedure, the employee subject to the measures resulting from decisions made by the employer may be entitled to compensation of up to EUR35,000 for breach of the codetermination obligation.

After the end of the employment relationship, the employer has an obligation to re-employ any employees made redundant if the employer needs additional workforce for the same or similar tasks as the employee used to perform and the employee is registered as a jobseeker with the local labor authorities. This obligation applies for four months after the employment relationship of the employee made redundant has expired. However, if the employment relationship has lasted at least 12 years, the obligation applies for six months.

Employers that regularly employ at least 30 employees must offer to employees who are made redundant and have at least five years of continuous work history with the employer both:

- Outplacement services. Their total value must be equivalent to at least one month's salary of the employee in question or the average monthly income at the workplace, whichever is higher.
- Occupational health care services for six months after the employee's obligation to work has ended

## 7. Tax

### 7.1 Taxes on employment

Generally, an individual is deemed to be a Finnish resident for income tax purposes if either:

- The permanent home and dwelling of the individual are in Finland
- The individual physically and constantly resides in Finland for more than six consecutive months

In addition, citizens of Finland who have moved abroad are regarded as residents for Finnish income tax purposes until three years after the end of the year of their emigration, unless they can prove that they do not have any substantial ties to Finland during the tax year in question.

Tax resident individuals are taxed on their worldwide income in Finland. Non-residents are liable for tax on income derived from Finland (*Income Tax Act (1535/1992, as amended)*), unless there is an applicable tax treaty between Finland and the employee's state of residence restricting Finland's right to tax.

### 7.2 Tax resident employees

**Income tax.** Tax resident employees must pay taxes on their earned income. Currently, the highest progressive tax rate is 52.02% (2022).

**Social security contributions.** Employees must also pay (rates for 2022):

- Pension insurance contributions of 7.15% (or 8.65% for employees aged 53 to 62)

- Health care contributions of 0.53% and daily allowance contribution of 1.18%. Both are included in the personal progressive tax rate indicated on the employee's tax card. If the total amount of wages and salaries is less than EUR15,128, the daily allowance contribution is 0%.
- Unemployment insurance contributions of 1.50%

A church tax up to 2.1% (rate for 2022, depending on the church and municipality) is also payable if the taxpayer is a member of a Finnish church (mainly Lutheran and Orthodox) with a right to tax.

All the above taxes and other contributions are collected as advance payments withheld by the employer, based on a tax card and applicable pension and unemployment insurance contribution rates. Tax resident individuals annually receive a pre-completed tax return that can be amended by the taxpayer. If the advance payments determined in the tax decision are inaccurate, the taxpayer will either need to make further payment or will receive a refund.

The salary and fringe benefits paid to qualifying foreign key employees with special knowledge or competence are taxed at 32% during the first four years of their assignment in Finland, provided that they have a special tax card (applied for separately).

### **7.3 Non-tax resident employees**

Subject to any double tax treaties, non-tax resident foreign employees working for a Finnish company or Finnish branch of a foreign company are subject to a withholding tax of 35%. EUR510 is deducted from the monthly salary before the tax is withheld.

Non-tax resident employees also have the right to choose to be taxed with progressive tax rates similar to those of tax resident employees.

Non-tax resident employees must, in most cases, pay social security payments (including pension) of approximately 10.36% (2022) of all Finnish-source earned income, unless they have a certificate A1 or E101 of a posted employee.

### **7.4 Employers**

Employers must make the following contributions:

- Social security
- Unemployment insurance
- Pension insurance
- Collective life insurance
- Accident insurance

The amount of these payments is about 22% of the gross salary payable. The amount of individual contributions can vary substantially depending on the branch and size of the employer. Foreign employers generally only make these contributions if they have a permanent establishment in Finland.

## **7.5 Business vehicles**

### **7.5.1 Tax resident business**

A company is treated as a Finnish tax resident if it is registered in Finland or established under Finnish law. However, an applicable double tax treaty might restrict the taxing right of Finland if the place of effective management of the company is outside Finland. With the amendment to the Income Tax Act that entered into force on 1 January 2021, a foreign company is generally considered to be a Finnish tax resident if its place of effective management is located in Finland. A European company (*Societas Europaea*) registered in Finland is also treated as tax resident.

### **7.5.2 Non-tax resident business**

Generally, a Finnish branch of a non-tax resident company constitutes a permanent establishment and must pay corporate tax on income and gains attributable to that branch (see *Question 21, Corporate Tax*). A non-tax resident company, not domiciled in a double tax treaty country, may be liable for corporate tax on its activities in Finland even when a permanent establishment is not created. If a non-tax resident company does not have a permanent establishment/branch in Finland, the company is only subject to tax on Finland-source income (for example, dividends and royalties).

## **7.6 Corporate tax**

Tax resident companies are subject to corporate tax on their worldwide profits and gains (subject to any double tax treaties) at a rate of 20%.

Generally, corporate tax is based on the profit and loss statement prepared in accordance with the Finnish Generally Accepted Accounting Principles (GAAP) with only minor adjustments for tax purposes. Companies can also apply the International Financial Reporting Standards (IFRS).

Corporate tax is usually paid with monthly advance payments. Companies file a corporate tax return within four months after the end of the financial period. If insufficient advance taxes have been paid, a supplement corporate tax based on the tax decision, issued within ten months after the end of the financial period, must be paid.

Corporate tax is a flat rate state tax. There is no local corporate tax.

## **7.7 Value added tax (VAT)**

VAT is payable at the standard rate of 24% on:

- The commercial sale of goods and services supplied in Finland
- Imported goods (see *Customs Duties*)

The reduced rates are:

- 14% on food, non-alcoholic beverages and restaurant services
- 10% on medicines, passenger transportation services, certain fees related to cultural, art and sports events and services, books, as well as magazine and newspaper subscriptions

Payable and deductible VAT is reported by filing a self-assessed tax return. As a general rule, this is filed monthly, and VAT is typically paid monthly to a tax accountant.

## **7.8 Transfer tax**

A transfer tax is payable on the transfer of Finnish securities (1.6%) and on the transfer of securities in a Finnish housing or real estate company or a foreign real estate company holding Finnish real estate (2%). The tax base for transfer tax includes both:

- Any payment that the purchaser makes that is a prerequisite for the transfer of the securities
- Any liability that the purchaser assumes that the seller benefits from, in addition to the purchase price for the securities

Transfer of securities is tax exempt if either:

- The securities are listed on a qualifying stock exchange or subject to multilateral trading, provided that the securities are transferred against fixed cash consideration through a securities intermediary and that certain other qualifications are fulfilled
- Both parties are non-residents, unless the securities are in a Finnish housing or real estate company, in which case the transfer is always subject to transfer tax

Transfer tax is also payable on the transfer of real estate (4%).

Transfer tax on securities must be paid and the transfer tax return filed within two months following the transaction. Transfer tax on real estate must be paid within six months following the transaction.

## **7.9 Social security payments**

*See Tax Resident Employees*

## **7.10 Dividends, interest and IP royalties**

### **7.10.1 Dividends paid**

Generally, dividends paid by Finnish companies to foreign corporate shareholders are subject to a 20% withholding tax or a lower rate defined in the applicable double tax treaty (if any). Dividends paid to foreign corporate shareholders who have their place of residence in the EEA are subject to a 15% withholding tax (or a lower rate defined in any applicable tax treaty) where the shares of the foreign corporate shareholder in the dividend distributing company are considered to be investment assets of the foreign corporate shareholder, and the foreign corporate shareholder does not have at least a 10% holding in the dividend distributing company.

Dividends paid by Finnish companies to foreign corporate shareholders are not subject to withholding tax if the following conditions apply:

- Where a similar dividend would be exempt if paid out to a resident corporate shareholder in Finland

- If the place of residence of the foreign corporate shareholder is in the EEA
- No full credit for the Finnish-source tax is available in the country of tax residence

Additionally, dividends paid to an EU resident company holding at least 10% of the share capital in the distributing company are not subject to withholding tax, provided the recipient falls within Article 2 of Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (as amended by Directives 2013/13/EU and 2014/86/EU) on the taxation of parent companies and subsidiaries.

Dividends paid on nominee-registered shares are generally subject to a 15% withholding tax if the recipient resides in a double tax treaty country.

In addition, the return of capital by publicly listed companies from the invested unrestricted equity fund is also regarded as dividend distribution and taxed accordingly. Return of capital other than by publicly listed companies is also taxed as dividend, unless the payment constitutes return of capital invested by the shareholder less than ten years prior to the distribution of funds (in this case, the return of capital is subject to capital gains taxation).

#### **7.10.2 Dividends received**

Generally, dividends received by companies are tax exempt. However, 75% of dividends are taxable (at a rate of 20%) and the remaining 25% is tax exempt in the following situations:

- Where dividends are received from shares accounted for as investment assets of the recipient company
- Where the distributing company is not a domestic or an EU company mentioned above
- Where dividends are received from shares held in a listed company, if the recipient company is neither a listed company nor owns at least 10% of the distributing company's share capital

Foreign dividends are taxed in line with domestic dividends if the following criteria are met:

- The distributing company will be liable to pay tax on its income at a minimum rate of 10% (or Article 2 of Directive 2011/96/EU (as amended by Directives 2013/13/EU and 2014/86/EU) on the taxation of parent companies and subsidiaries will apply).
- The distributing company is resident within the EEA according to the rules of the relevant jurisdiction and for tax treaty purposes.

If the distributing company resides in a non-tax treaty country, 100% of the dividend is taxable.

#### **7.10.3 Interest paid**

Interest paid to foreign corporate shareholders on a loan is not subject to withholding tax, provided that the loan is not deemed to be a capital investment comparable to equity.

#### 7.10.4 IP royalties paid

Generally, royalties paid by a Finnish company to an affiliated EU corporate shareholder are not subject to withholding tax (*Directive 2003/49/EC on interest and royalty payments*). Otherwise, a withholding tax of 20% is payable. Usually, double tax treaties reduce or eliminate this tax.

#### 7.10.5 Groups, affiliates and related parties

According to the interest deduction limitation rules, net interest expense (that is, interest expense in excess of interest income) is deductible, provided that it does not exceed EUR500,000. If this level is exceeded, all net interest expense is non-deductible, with two exceptions:

- Net interest expense below 25% of the taxable EBITD, which is the taxable profit to which the interest expenses, tax deductible depreciations, and the received group contributions are added and from which the given group contribution is subtracted, is always deductible.
- Net interest expenses paid to unrelated parties are deductible up to EUR3 million and deducted primarily as part of the 25% of corrected taxable earnings quota.

The interest barrier applies to both domestic and cross-border situations. However, the scope of applicability is limited:

- All types of activities fall under the scope of the limitations, which means that the rules apply not only to business income, but also real estate and other companies taxed under the Income Tax Act.
- Financial, insurance and pension industries are excluded from the scope of the legislation.
- If the equity/asset ratio of the debtor is equal to or higher than the corresponding ratio at the consolidated group level, the rules are, with some further qualifications, inapplicable. In order to apply the balance sheet test, the consolidated balance sheet has to cover the whole group and be prepared in the EU, EEA or tax treaty country in accordance with the international accounting standards or rules that correspond to the accounting rules of an EU or EEA country.

The interest deduction restrictions apply to interest, other compensation for debt corresponding to interest as well as other payments arisen in connection with the raising of finance. The definition of interest is broad in this context. Guarantee fees, arrangements fees and similar costs have been mentioned as examples.

The non-deducted net interest expense is carried forward and deductible during the following years under the 25% taxable EBITD restriction.

The current interest barrier rules entered into force in Finland on 1 January 2019 and are effective for tax years 2019 onwards. However, the restrictions do not apply to loans from unrelated parties and raised on 16 June 2016 or earlier. The rules were amended as of 1 January 2022, and the changes concern the balance sheet comparison and the exception related to public infrastructure projects.

Income tax can be levied on a tax-resident individual or company for their share of the profit of a controlled foreign company (CFC), regardless of whether the profit is distributed by the CFC to its shareholders. Generally, a CFC is a foreign company that in its country of tax residence is subject to

income tax at a rate lower than three-fifths of the level of corporate tax payable in Finland. The criteria to apply CFC legislation for a company residing in a tax treaty country or in an EU/EEA member state is stricter than for a company residing in a country that has no tax treaty with Finland or is not an EU/EEA member state.

Under the CFC legislation, a corporation is a CFC and a shareholder is liable for tax if the shareholder, together with related parties, owns more than 25% of the corporation (either by vote, value or entitlement to profits). Furthermore, the new legislation lowered the ownership threshold, which is used to define a related party status, from 50% to 25%.

Transactions between related parties, as defined in the law, must be carried out in accordance with the arm's length principle, even between Finnish resident companies. In addition, large enterprises must prepare transfer pricing documentation of cross-border transactions between related parties.

#### **7.10.6 Customs duties**

Exports of goods outside the EU are in most cases exempt from VAT. Imports from outside the EU are subject to Finnish VAT, which is payable by the importer as if the goods were supplied in Finland (see *Value added tax (VAT)*). Customs duty and excise duty may also be payable on the imported goods.

#### **7.10.7 Double tax treaties**

Currently, Finland has double tax treaties with about 90 countries. The tax treaties generally follow the OECD Model Tax Convention on Income and on Capital and are applied in accordance with the OECD commentary.

## **8. Competition**

Competition law applies to all companies, Finnish domiciled or foreign companies that conduct business in Finland. Competition law in Finland is administrative in nature and does not entail criminal penalties for anti-competitive behavior (even though there are certain actions that are penalized under the Criminal Code).

The EU competition rules apply directly in all EU countries, including Finland. EU competition law applies to anticompetitive conduct that has effects within the internal market regardless of the nationality or geographic location of the enterprises concerned or where the conduct occurred. However, the Finnish Competition Act (948/2011, as amended) (Competition Act) covers behavior having effect on the domestic market.

### **8.1 Competition authority**

The two main authorities responsible for enforcing the national competition rules, as well as Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU), are the:

- **Finnish Competition and Consumer Authority (FCCA).** This is the authority of first instance and is responsible for assessing whether the provisions of the Competition Act (or Articles 101 and 102 of the TFEU) have been infringed. The FCCA is also responsible for merger control. It investigates a concentration and either clears it, with or without conditions, or requests the Market Court to prohibit it.



- **Market Court.** The FCCA decisions can be appealed to the Market Court. This has the exclusive competence to impose fines or periodic penalty payments, and to prohibit mergers. However, it must always act on (although not necessarily follow) the FCCA's proposal.

The ultimate appellate body in competition matters is the Supreme Administrative Court. This functions as a second appellate instance for the FCCA's decisions and as a first appellate instance for the Market Court's decisions.

In addition, at regional level, the regional state administrative agencies also have powers to investigate restrictions on competition in co-operation with the FCCA. There are also sectoral authorities for certain industries such as energy, transport and communication. In addition, food supply chain's practices are supervised by the Food Market Ombudsman.

## 8.2 Restrictive agreements and practices

The rules applicable to prohibited horizontal and vertical co-operation are contained in section 5 of the Competition Act. According to this provision, agreements between business undertakings, decisions by associations of business undertakings and concerted practices by business undertakings which have as their object or effect the significant prevention, restriction or distortion of competition are prohibited. This is in line with Article 101 of the TFEU. In particular the following competition restrictions are prohibited:

- Price fixing (including the fixing of selling prices and other trading conditions)
- Limitation of output, allocation of markets, customers, or sources of supply
- The use of discriminatory trading conditions
- Tying

A restriction on competition can be exempt under section 6 of the Competition Act where certain conditions (identical to those listed in Article 101(3) TFEU) can be satisfied.

## 8.3 Unilateral conduct

Section 7 of the Competition Act, which is modelled on Article 102 TFEU, prohibits abuse by one or more business undertakings of a dominant position. There are many forms of abuse that are liable to fall within the scope of this prohibition, such as:

- Predatory pricing
- Price squeezing
- Unfair pricing
- Price discrimination
- Rebate systems
- Refusal to deal

- Tying
- Exclusive sales or exclusive purchasing agreements

Furthermore, under the provisions ensuring neutrality of competition between public and private sector business activities (*sections 30 (a) to 30 (d) of the Competition Act*), the FCCA has the authority to intervene in the provision of goods and services in public sector business activities if the used operating models (for example, overpricing) or operating structures (for example, undertakings controlled by the public sector) prevent or distort competition.

In respect to sanctions for competition infringements, the Finnish system is based on administrative fines. The FCCA also has the power to propose both behavioral and structural remedies which are proportionate to the infringement committed and necessary to bring the infringement effectively to an end.

#### **8.4 Transactions subject to merger control**

The Finnish merger control regime captures only mergers exceeding certain turnover thresholds. Notification to the FCCA is required when both of the following turnover thresholds are met:

- The combined aggregate Finnish turnover of the parties exceeds EUR100 million
- The aggregate turnover in Finland of each of at least two of the parties exceeds EUR10 million

A concentration that needs to be notified under the provisions of the Competition Act include the occurrence of the following:

- Where there is an acquisition of control (as provided under Chapter 1, section 5, of the Finnish Accounting Act (1336/1997)) or an acquisition of a corresponding actual control
- The acquisition of the entire business operations or a part thereof of an undertaking
- A merger
- The creation of a joint venture which will perform on a lasting basis all the functions of an autonomous economic unit

Under the Finnish merger control regime, the possibility of exercising decisive influence over the actions and competitive behavior of an undertaking means such change in control that needs to be notified. Control with respect to merger control can therefore be exercised both on a *de jure* and *de facto* basis. Even a minority interest can sometimes lead to a position where a concentration needs to be notified.

The FCCA is authorized to intervene in transactions where it assesses that the concentration significantly impedes effective competition in the Finnish market or a substantial part thereof, in particular due to the creation or strengthening of a dominant position. This is the same test as applied by the European Commission.

## 8.5 Foreign-to-foreign acquisitions

Foreign-to-foreign transactions are subject to the same thresholds and there are no other foreign exemptions.

## 8.6 Specific industries

Some specific provisions regarding merger notification procedures apply to certain financial institutions and insurance companies in Finland. Financial institutions' turnover calculation is also subject to specific rules.

Further, in Finland, competition law is not applied to agreements or arrangements which concern the labour market.

## 9. Anti-bribery and corruption

The Finnish Criminal Code (39/1889, as amended) contains several bribery offences, including:

- **Electoral bribery** (*section 2, Chapter 14*). This relates to promising, offering or giving to another a fee or other benefit to persuade him/her to vote in a given way or refrain from voting in a general election or referendum or demanding a fee or another benefit for voting or refraining from voting in a general election or referendum.
- **Bribes to a public official** (*section 13, Chapter 16*). This relates to promising, offering or giving to a public official in exchange for his/her actions in service a gift or other benefit intended for him/her or for another, that influences or is intended to influence or is conducive to influencing the actions in service of the public official.
- **Bribes to a member of parliament** (*section 14a, Chapter 16*). This relates to promising, offering or giving a member of Parliament a gift or other benefit (outside of those given as part of customary hospitality) intended for him/her or another person in order to have the member of Parliament act or refrain from acting in his/her parliamentary mandate in a certain manner or as a reward for such action, and the act is conducive towards clearly undermining confidence in the independence of the exercise of the parliamentary mandate.
- **Bribes given or accepted in business** (*sections 7 and 8, Chapter 30*). This relates to promising, offering or giving an unlawful benefit to any of the following:
  - A person in the service of a business
  - A member of the administrative board or board of directors, the managing director, auditor or receiver of a corporation or of a foundation engaged in business
  - A person carrying out a duty on behalf of a business
  - A person serving as an arbitrator and considering a dispute between businesses, between two other parties, or between a business and another party intended for the recipient or another, in order to have the bribed person, in their function or duties, favor the briber or another person, or to reward the bribed person for such favoring

The Finnish Penal Code allows for application of corporate criminal liability in relation to the giving of bribes to a public official or a member of Parliament and the giving or accepting of bribes in business.

Under Finnish law, the punishment for bribery offences varies from a fine to two years' imprisonment. If the value of a bribe is considerable, the offence may be considered aggravated, in which case the punishment is imprisonment for at least four months and at most four years.

Corporate criminal liability is implemented as a corporate fine (the minimum corporate fine is EUR850, and the maximum corporate fine is EUR850,000).

## 10. Intellectual property

### 10.1 Patents

**Definition and legal requirements.** To be protected, an invention must:

- Be novel
- Involve an inventive step
- Be capable of industrial application

A patent provides a right to prohibit unauthorized exploitation, including the manufacture, offering, making available, and use, of the patented invention in Finland.

**Registration.** Patent protection is sought by filing an application with the Finnish Patent and Registration Office (FPO) or with the European Patent Office (EPO) and it is conditional on examination by the FPO or the EPO respectively. Finland is also a member to the Patent Cooperation Treaty 1970 (PCT). Patent protection for international PCT applications filed via the FPO, EPO, or World Intellectual Property Organization (WIPO) is conditional on grant by the FPO. In addition, Finland has ratified the Agreement on a Unified Patent Court (UPC Agreement) regarding European patents with unitary effect (unitary patents). Unitary patents are examined and granted by the EPO. The applicant must first obtain a European patent, and if a request for unitary effect is made, a unitary patent is valid in all countries participating in the unitary patent system at once. The website of the FPO is available at [www.prh.fi](http://www.prh.fi) and provides guidance on how to register a patent and offers databases for patent searches.

**Enforcement and remedies.** The patent holder and licensees may bring proceedings for patent infringement. In the event that a licensee files a suit in patent infringement, it must notify the right holder. The Market Court, or subject to leave to appeal to the Supreme Court, may:

- Issue interim injunctions
- Issue injunctions
- Order that the infringing product be confiscated or destroyed
- Award compensation for unauthorized use and/or damages
- Order disclosure of information on the origin and distribution network of products or services

- Allow the claimant to publish information regarding the judgment at the defendant's expense

Patent-related criminal proceedings imposing fines or imprisonment are handled at first instance by the District Court of Helsinki

With regard to unitary patents, the enforcement and remedies of unitary patents has been harmonized under the UPC agreement, and a new supranational Unified Patent Court has been established for the proprietors of unitary patents to enforce their rights and seek remedies. The enforcement and remedies processes are similar to those provided under Finnish national law, but there are also certain deviations. The Unified Patent Court has a Finnish Local Division in Helsinki, and disputes falling within the jurisdiction of the Unified Patent Court may in some cases be resolved in Finland. The local division operates within the framework of the Market Court and its premises.

**Length of protection.** Subject to the payment of renewal fees, protection lasts for 20 years from filing the application. On application, the term of protection for inventions concerning pharmaceutical products and plant protection products may be further extended by a maximum of five years.

## 10.2 Trademarks

**Definition and legal requirements.** To be protected, a sign must be distinctive.

The right to a trademark provides an exclusive right to prevent others from using it, or a mark confusingly similar to it.

**Protection.** Trademarks are established through registration with the FPO or the European Union Intellectual Property Office (EUIPO), or through establishment in Finland. Registrations with the FPO or the EUIPO are conditional on examination by the FPO or the EUIPO, respectively. Trademark protection in Finland is also available via the Madrid System of the WIPO. Registration of a trademark filed as an international application under the Madrid System is conditional on examination by the FPO. The website of the FPO is available at [www.prh.fi](http://www.prh.fi) and provides guidance on how to register a trademark and offers a database for trademark searches.

**Enforcement and remedies.** The trademark holder and licensees may bring proceedings for trademark infringement. The licensee may initiate legal proceedings in a trademark infringement case only with the consent of the right holder of a trademark, or unless otherwise agreed. However, the holder of an exclusive license may institute legal proceedings if the right holder of the trademark fails to take action against the infringement within a reasonable time after being informed of the infringement. Enforcement is similar as for patents (*see above, Patents*).

**Length of protection and renewability.** A Finnish trademark registration expires after ten years from the date of registration and is renewable indefinitely for consecutive ten-year periods. Under the fully reformed Trademarks Act, the initial ten-year period is calculated from the date of application. Unregistered trademarks are protected if they are established through use. A trademark is considered established when it is generally known in Finland in its relevant target group as a trademark of the goods or services of the proprietor.

## 10.3 Registered designs

**Definition.** To be registered, a design, pattern or ornament must both:

- Be novel
- Have individual character

The design right provides an exclusive right to prevent others from exploiting it by manufacturing, offering, making available, using, importing, exporting, or storing a product based on, or including, the protected design.

**Registration.** Rights to registered designs are sought by filing an application with the FPO or EUIPO and are conditional on examination by the FPO or EUIPO, respectively. The website of the FPO is available at *www.prh.fi* and provides guidance on how to register a design and offers a database for design searches.

**Enforcement and remedies.** The right holder and licensees can bring proceedings for design right infringement. In the event that a licensee files a suit in design right infringement, it must notify the right holder. Enforcement is similar as for patents (*see above, Patents*).

**Length of protection and renewability.** Protection lasts for five years and is renewable for four additional five-year periods.

#### 10.4 Unregistered designs

**Definition and legal requirements.** For unregistered designs, protection is available based on Regulation (EC) 6/2002 on Community designs.

Unregistered designs provide the right holder with an exclusive right to use a product incorporating that design. This includes the making, offering, putting on the market, as well as importing and exporting of a product in which the design is incorporated or to which it is applied, and stocking such a product for those purposes. However, an unregistered design shall confer on its holder the right to prevent these acts only if the contested use results from copying the protected design. Further, the contested use will not be deemed to result from copying the protected design if it results from an independent work of creation by a designer who may be reasonably thought not to be familiar with the design made available to the public by the holder.

**Enforcement and remedies.** The right holder of the unregistered design is entitled to enforce the unregistered design right. The licensee may bring proceedings for infringement only if the right holder consents thereto. However, the holder of an exclusive license may bring such proceedings if the right holder the design, having been given notice to do so, does not himself bring infringement proceedings within an appropriate period. Further, a licensee shall, for the purpose of obtaining compensation for damage suffered by the licensee, be entitled to intervene in an infringement action brought by the right holder. Enforcement is similar as for patents (*see above, Patents*).

**Length of protection.** Protection lasts for three years from the date the design was first made available to the public in the EU. After three years, the protection cannot be extended.

#### 10.5 Copyright

**Definition and legal requirements.** The original and unique expression of an idea, motif, or subject of a literary or an artistic work of authorship is protected. The copyright owner has the exclusive right to authorize or prohibit the use of the work through:

- Reproduction of the work
- Distribution of the work or copies of it
- Communicating or making the work available to the public

**Protection.** Protection subsists automatically and does not require registration.

**Enforcement and remedies.** The author and its representative may bring proceedings for copyright infringement. In addition, the public prosecutor may be entitled to initiate proceedings in certain cases. Enforcement is similar as for patents (*see above, Patents*).

**Length of protection and renewability.** As a general rule, protection expires 70 years after the author's death.

## 10.6 Utility Models

Utility models can be protected. They are technical inventions that:

- Comprise a technical solution that can be industrially applied
- Are novel
- Distinctly differ from what has become known before the date of filing of the utility model application

Protection provides an exclusive right to prohibit others from commercially exploiting the technical solution protected by the utility model.

**Length of protection and renewability.** Protection lasts for four years from the date of application and is renewable twice; first for a period of four years and after that for a period of two years resulting in maximum protection period of ten years.

## 11. Marketing agreements

### 11.1 Agency

The Act on Commercial Representatives and Salesmen (417/1992, as amended) contains mandatory rules on:

- The agent's and the principal's general obligations, such as the duty to disclose information
- Termination of agency contracts
- Agents' remuneration and compensation on termination
- Restrictions on competition

## 11.2 Distribution

No statutes specifically regulate distributorships, but a number of statutes indirectly apply to distribution agreements.

## 11.3 Franchising

No specific statutes regulate franchises, but a number of statutes indirectly apply to franchising agreements.

## 12. E-commerce

In addition to general statutes, the following acts are the main acts to regulate e-commerce:

- **The Act on Electronic Communications Services (917/2014, as amended).** The Act on Electronic Communications Services is an umbrella statute that consolidates, updates and streamlines the regulation of electronic communications. The Act regulates, among other things, the provision and offering of information society services, including distance selling, information to be provided by the service provider, electronic direct marketing, cookies as well as protection of privacy and information security.
- **The Act on Strong Electronic Identification and Electronic Signatures (617/2009, as amended).** The Act regulates strong electronic identification and electronic signatures, as well as the offering of these services to service providers using them and to the general public.
- **The Consumer Protection Act (38/1978, as amended).** The Act applies to e-commerce and contains requirements on the information to be provided to consumers, both prior to the conclusion of the sales contract and during the order process, as well as with regard to the consumers' right to receive a refund.

Multiple statutes apply to the operation of online platforms. The most significant statutes governing this area consist of the:

- Consumer Protection Act (38/1978, as amended); Act on Electronic Communications Services (917/2014, as amended)

Prior to entering into a contract, online platforms are required to provide consumers with certain conformation, for example, about the main parameters determining the ranking of offers and whether they are entering into a contract with a trader or non-trader (*Consumer Protection Act*). Furthermore, consumers should be informed of how obligations related to the contract are shared between the third party offering the consumer goods and the online marketplace. The Unfair Business Practices Act (1061/78, as amended) prohibits acts that are against good business practices or are otherwise unfair to other entrepreneurs. Moreover, the Competition Act (2011/948, as amended) comes into play in the event that the platform's business raises concerns from a competition law perspective. For example, where it is considered that a platform acts in such a way that could be seen as treating its own products in a more favorable way, violating unfair business practices or competition law.

With regard to EU legislation, Regulation (EU) 2019/1150 of the European Parliament (EP) and of the Council of 20 June 2019 on promoting fairness and transparency for business users of online



intermediation services introduced rules for online platforms and search engines regarding terms and conditions as well as complaints and redress (among others). According to the Act on the Prohibition Procedure of Online Intermediation Services and Search Engines 464/2020, cases concerning the prohibition procedure in accordance with Regulation (EU) 2019/1150 are handled by the Market Court.

Finally, Regulation (EU) for 2022/2065 of the European Parliament and of the Council of 19 October 2022 on a Single Market for Digital Services and amending Directive 2000/31/EC (EU Digital Services Act) and Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828 (Digital Markets Act) regulate online platforms and intermediaries to ensure, among others, safety of the online users and transparency of online platforms.

### **13. Advertising**

The Consumer Protection Act (38/1978, as amended) provides the main legal framework for marketing directed at consumers, which applies also to digital advertising. For example, it prohibits:

- Marketing that is contrary to good practice or otherwise inappropriate
- Providing false and misleading information in marketing

The Consumer Protection Act contains a number of specific and mandatory rules on consumer marketing, for example on the information to be included in marketing. In addition, the Consumer Ombudsman issues guidelines on consumer marketing-related matters, for example regarding influencer marketing in social media, promotional games and sales promotion campaigns as well as giveaways. These guidelines are not binding but provide an indication of how the supervising authority interprets the Consumer Protection Act.

Business-to-business marketing is regulated by the Unfair Business Practices Act (1061/78, as amended). Additionally, the Act on Electronic Communications Services regulates marketing in certain media, including marketing in television and radio. In this respect, there are specific provisions concerning (among other things):

- How advertisements should be placed between other content
- How product placement should be organized
- What type of sponsorships are forbidden

There are specific rules relating to the marketing of certain types of products including alcohol, tobacco, pharmaceuticals, medical devices and foodstuff, among others. In addition, special consideration must be given when targeting minors for sales promotion purposes.

The statutory legislation is supplemented by several self-regulatory codes of the International Chamber of Commerce (ICC), most importantly the ICC International Code of Advertising Practice. In the pharmaceutical industry, Pharma Industry Finland, has issued a Code for the Marketing of Medicinal Products. In addition, the Finnish Direct Marketing Association has issued several self-regulatory codes on direct marketing.

## 14. Direct marketing

Direct marketing is regulated under the Act on Electronic Communications Services (917/2014, as amended). As a main rule, direct marketing by means of automated calling systems and fax machines, e-mails, text messages, voice messages or picture messages may be targeted only at natural persons who have given their prior consent.

In this regard, the consent must be considered as 'active', meaning that the person must have explicitly provided that direct marketing is allowed. A pre-ticked box is not sufficient to comply with this obligation. Direct marketing for legal persons is allowed without a prior notice. On all occasions, there must be a possibility to forbid direct marketing.

Sales promotions are regulated under the Finnish Consumer Protection Act (38/1978, as amended) and the Unfair Business Practices Act (1061/78, as amended), which are further supplemented by the Finnish Consumer Ombudsman's guidelines. The guidelines are not binding but provide practical guidance and an indication of how the supervising authority interprets the Consumer Protection Act.

In general, the main principles provided for sales promotions consist of the following:

- The conditions must always be clear and comprehensible and easily accessible and include, particularly, the duration of the promotion and any quantitative or other related restrictions.
- In the event of a combined offer under which the purchase of one product entitles the buyer to another product without extra cost or to a reduced price or another special advantage, the content and value of the offer (unless under EUR 10) and, in addition to the common price of the products, their separate prices must be stated.
- When marketing goods at a discount or reduced price, the marketing must indicate the lowest price at which the goods have been marketed during the 30 days preceding the price reduction. If, in a continuous marketing campaign of a maximum duration of 60 days, the price reduction is progressively increased, the lowest price at which the goods have been marketed during the 30 days preceding the first price reduction may be indicated as the lowest price.

For advertising relating to prize draws and competitions, an excessive emphasis on the prizes and opportunities for winning is considered inappropriate.

## 15. Data protection

As of 25 May 2018, the collection, storage, and processing of personal data have been regulated by Regulation (EU) 679/2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation (GDPR)).

The national Personal Data Act (523/1999, as amended) has been repealed and a new Data Protection Act supplementing and specifying the GDPR entered into force in early 2019. The Act on the Protection of Privacy in Working Life (759/2004, as amended) regulating the protection of privacy in employment relationships was also amended in early 2019. The Act on Electronic Communications Services (as amended 917/2014) regulates the processing of data in electronic communications.

In addition, the Regulation (EU) 2022/868 of the European Parliament and of the Council of 30 May 2022 on European data governance and amending Regulation (EU) 2018/1724 (Data Governance Act) and the Regulation (EU) 2023/2854 of the European Parliament and of the Council of 13 December 2023 on harmonized rules on fair access to and use of data and amending Regulation (EU) 2017/2394 and Directive (EU) 2020/1828 (Data Act) facilitate data sharing and regulate the use and access to data. The Data Governance Act has been applicable from 24 September onwards, whereas the Data Act will become applicable in September 2025.

## 16. Product liability

The Product Liability Act (694/1990, as amended) provides for compensation for personal injury and damage caused by a defective product to property where the property is intended, and primarily used, for private use or consumption.

In order to be entitled to damages under the Product Liability Act, the injured party must prove the damage, lack of safety of the product and the causal link between the lack of safety and the damage. The parties that may be held liable under the Product Liability Act are the following:

- The manufacturer or producer of the product
- The party who has brought the product to the European Economic Area (EEA) to be placed on the market
- The party who has brought the product from a country belonging to the European Free Trade Association (EFTA) to be placed on the market on the EU or vice versa, or from EFTA country to EFTA country
- The party who has marketed a product as their own, if the product bears their name, trademark or other distinctive symbol

In addition, the Consumer Safety Act (920/2011, as amended) applies to consumer goods and services and contains rules on product safety, which is supervised by the Finnish Safety and Chemicals Agency (Tukes). Noncompliance can lead to:

- An order for rectification measures to be carried out
- The issue of injunctions/interim injunctions
- An order that the operation be suspended or that certain measures are carried out
- Prohibition of the export of the product or the transit of the product through Finland
- Order that the product is disposed of.

The Consumer Safety Act does not impose liability specifically to certain parties. However, liability arising from damages related to product safety will be assessed on the basis of the Tort Liability Act (412/1974, as amended). A general prerequisite for a party to be liable is that there is a causal link between the damage and the act for which the party is to be held liable.

## 17. Regulatory authorities

### 17.1 Competition

**Main activities.** The Finnish Competition and Consumer Authority (FCCA) is responsible for:

- Work relating to implementing competition and consumer policy.
- Public enforcement of both national and EU competition rules, and rules applicable to restrictive agreements and practices as well as abuse of dominance.
- Competence for merger control, ensuring neutrality of competition between public and private sector business activities and supervision of public procurement in Finland.

FCCA decisions can be appealed to the Market Court, which also has the exclusive competence to impose fines or periodic penalty payments, and to prohibit mergers in Finland. The ultimate appellate body in competition matters is the Supreme Administrative Court. This functions as a second appellate instance for the FCCA's decisions and as a first appellate instance for the Market Court's decisions.

W [www.kkv.fi](http://www.kkv.fi) (Finnish Competition and Consumer Authority)

[www.markkinaoikeus.fi](http://www.markkinaoikeus.fi) (Market Court)

[www.kho.fi](http://www.kho.fi) (Supreme Administrative Court)

### 17.2 Environment

**Main activities.** The key legislative body regarding environmental matters is the Ministry of the Environment. Additionally, policies regarding:

- Mining, energy, and bioeconomy are handled by the Ministry of Economic Affairs and Employment
- Forestry and water resources are handled by the Ministry of Agriculture and Forestry

The supervisory authorities in environmental matters are generally the regional Centers for Economic Development, Transport and the Environment, and the environmental protection authorities of municipalities. Depending on the situation, environmental permits, water management permits, and land extraction permits are granted by the Regional State Administrative Agencies or the municipalities. The municipalities also carry out the land use planning (other than the regional land use plans, which are handled by the Regional Councils) and grant building and other construction permits in accordance with the land use planning. More sector-specific permitting and supervisory issues are handled for example by the Energy Authority, which governs over energy matters, and the Safety and Chemicals Agency (Tukes), which governs over mining and chemical matters.

W [www.ym.fi/en](http://www.ym.fi/en) (Ministry of the Environment)

[www.tem.fi/en](http://www.tem.fi/en) (Ministry of Economic Affairs and Employment)

[www.mmm.fi/en](http://www.mmm.fi/en) (Ministry of Agriculture and Forestry)

[www.energiavirasto.fi/en](http://www.energiavirasto.fi/en) (Energy Authority)

[www.tukes.fi/en](http://www.tukes.fi/en) (Tukes)

### 17.3 Financial services

**Main activities.** The Financial Supervisory Authority (FIN-FSA) is the authority for supervision of Finland's financial and insurance sectors. The entities supervised by the authority include banks, insurance, and pension companies as well as other companies operating in the insurance sector, investment firms, fund management companies and the Helsinki Stock Exchange.

**W** [www.finanssivalvonta.fi](http://www.finanssivalvonta.fi) (Financial Supervisory Authority)

### 17.4 Other

**Main activities.** The Finnish Patent and Registration Office (PRH) registers companies, foundations, associations, religious communities, and LEI codes. The PRH examines and grants patents, and registers utility models, trademarks and designs. The PRH oversees and approves auditors. The PRH also monitors organizations regarding collective management of copyright to ensure compliance with the Finnish Act on Collective Management of Copyright.

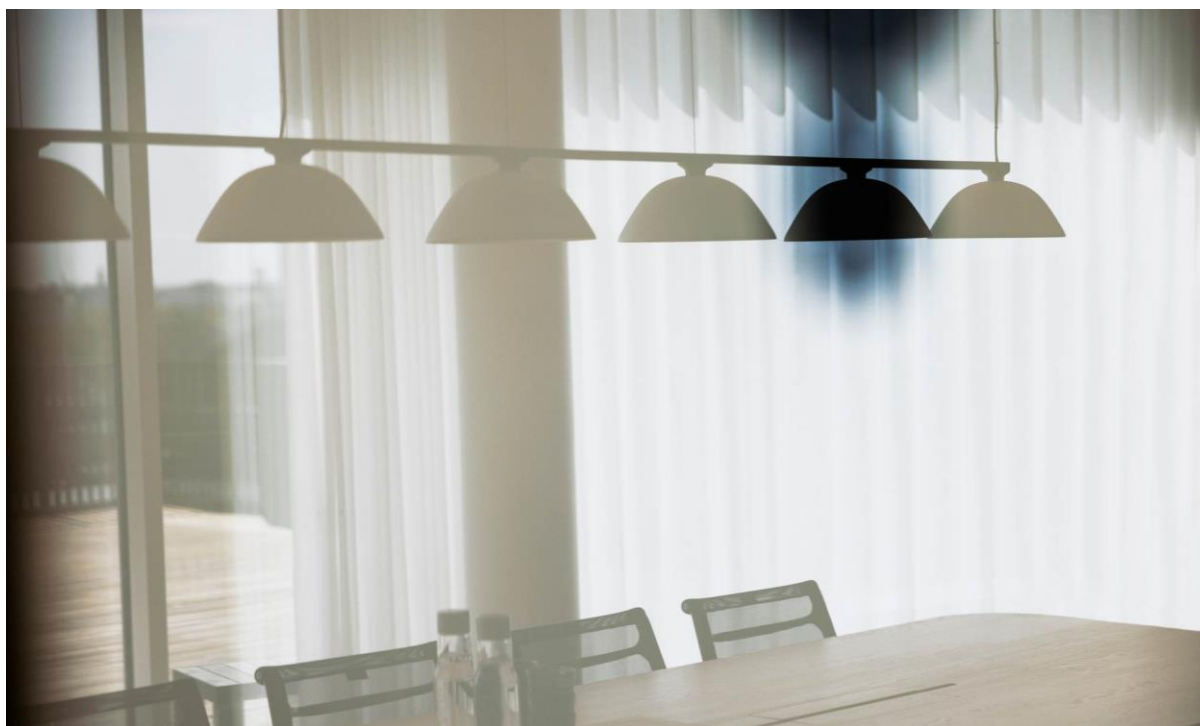
**W** [www.prh.fi](http://www.prh.fi) (Finnish Patent and Registration Office)

## About Roschier

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We are a dedicated and trusted partner to our clients, and we provide in-depth advice on a wide range of matters. Our clientele includes major regional and international corporations, financial services and insurance institutions, investors, growth and other private companies with international operations, and governmental authorities.

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