

Finland VAT

A tax professional's essential guide to calculating, reporting and paying indirect taxes in Finland

Introducing VAT in Finland..

Finland introduced VAT in 1994 at a standard rate of 22% - and it has changed only twice ever since.

The standard rate currently stands at 24% - some way above the average of OECD countries at 19.2% and the highest the country has ever set it.

VAT is applied to imported goods and many services, while there are reduced rates for some goods (including many foods and pharmaceuticals).

As a member of the European Union (EU), Finland follows the VAT directives set out for all member states. But it also has a series of unique regulations that businesses trading in the country must follow.

From triangulation to exemptions, warehousing rules and the reverse charge mechanism, we've got it all covered in this guide to VAT in Finland.

We hope you enjoy it!

What VAT rates apply?

Finland has a high standard rate of 24%, which is complemented by a range of other rates that businesses can apply:

24%	Standard e.g. most goods and services
14%	Reduced e.g. food, agricultural services, plants
10%	Reduced e.g. pharmaceutical products, domestic transport
0%	Zero e.g. printing services, international travel



Exemptions

A number of goods and services are exempt from VAT in Finland, including:

Postal services



Lotteries



Education services



Insurance services



Performance fees

How to comply

Foreign businesses that are registered for VAT in Finland must comply with a range of rules in accounting, invoicing and more. These include:

- 1 Issue invoices with all disclosure details included (as outlined in the Finnish VAT Act).
- 2 Use electronic invoices that meet the requirements set out in the Invoicing Directive.
- 3 Invoice all customers in accordance with the time of supply VAT rules in Finland.
- 4 Process credit notes and other corrections in suitable fashion.
- 5 Maintain accurate records containing all relevant data along with VAT returns, Intrastat and ESL declaration.

Finland VAT: FAQs

1. How is the tax period determined in Finland?

Each business must file VAT returns on a monthly basis. Companies with annual turnover below €50,000 may instead opt for quarterly reporting.

2. When should VAT returns be filed?

VAT returns should be submitted electronically to the Finnish VAT authorities by the 12th of the second month following the tax period.

3. What is the payment deadline?

VAT due must be paid to the authorities by the VAT returns deadline (12th of the second month after the tax period).

4. Are interim payments required?

No, payments should only be made in alignment with the VAT returns deadline.

5. Are businesses required to submit an annual statement?

No, unlike many other EU countries, Finland does not expect businesses to provide an annual summary of VAT.

6. Can VAT credit be carried over or refunded?

No, there is not a carry forward mechanism in place.

Reverse charge mechanism

An optional reverse charge for both goods and services exists within Finnish VAT legislation. But how does it differ for each?

The reverse charge can be applied to major supplies of goods (with a small number of specific exceptions) that are completed by a non-established supplier in Finland.

Should the foreign supplier need to or has opted to register for VAT, the reverse charge cannot be used.

The reverse charge is also applicable to major supplies of services, albeit with exception for a number of topics, including educational, scientific, cultural, recreational and athletic events as well as exhibitions.

If the foreign supplier has registered for VAT in Finland, the reverse charge mechanism is no longer applicable.

What about intra-EU triangulation?

Finland is part of the simplified intra-EU triangulation scheme. Without this, a business based in Finland (B) that purchases goods from Denmark (A) and transports them directly to Italy (C) would be expected to be registered for VAT in Country C.

But the simplification scheme means B does not have to register for VAT in C, making it ensuring faster, friction-free trade within the bloc. But tax professionals should still be aware of some key rules:

Triangulation is still permitted even if the middleman (B) has already registered as a non-established company in Country C

Triangulation cannot be applied in transactions involving four or more parties

Check the interpretation of the scheme in each country. Some member states do not apply all the measures in certain circumstances

Anything else?

Warehousing

The EU's VAT warehousing regime is in operation in Finland, allowing businesses to exempt the importation and supply of goods that are set to be stored under warehousing arrangements (not including customs warehousing).



Import VAT



Imports of goods from non-EU countries into Finland can be completed with the reverse charge mechanism. In reality, most importers with a Finnish VAT registration typically pay import VAT in their VAT return.

The expert's view...

At Christmas time, there's only one VAT regime we could be talking about. The home of Santa Claus himself: Finland!

Behind this picturesque nation known for its spectacular winter landscapes, vantage points offering views of the Northern Lights and roaming reindeer is one of the EU's most advanced and intriguing VAT regimes.

Finland largely complies with the EU's VAT directives for all member states, but in many cases adds its own unique twist. Its stringent rules of compliance mark it out as a system not to mess with and we advise leaving nothing to chance when trading in the country.

Finland might not change its standard rate of VAT very often (just twice in 27 years), but there are plenty of other processes your team will need to stay on top of. They include triangulation, import VAT regulations and use of the reverse charge mechanism.

If it's no longer efficient to manage Finnish VAT manually, we've developed a solution that can be implemented within your ERP to automate every piece of determination, calculation and reporting you'll ever need to ensure complete accuracy and instant compliance in every Finnish transaction.

Get in touch with us to find out more!

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