The Finnish Tax Administration | Developing organisation
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Dear reader

You are holding the new Tax Administration presentation brochure. Its goal is to introduce our new organisation as of 1 September 2010. We have organised our operations in a new way as part of a broader strategic development effort.

Effective at the beginning of September, the Tax Administration will be a national authority, whose functions, with the exception of individual taxation, are divided into national business lines and support units.

The purpose of the national business lines is to develop the uniform taxation of their clients, improve the quality of service and enhance tax control. The organisational change also promotes productivity goals. National business lines allow for tax decisions to be made flexibly where there is sufficient skilled staff.

Mirjami Laitinen
Tax Administration Director-General
Taxation in Finland

Tax revenue is the public sector’s most significant source of income. The Tax Administration collects the majority of Finnish taxes and tax-like payments.

DELEGATION OF TAXATION

Decisions concerning Finnish taxation are made by the Finnish Parliament and European Union. Municipalities and parishes render their own decisions concerning tax percentages. In addition to this, the Åland Islands have some tax regulations differing from those in place elsewhere in Finland. Tax legislation is drafted by the Ministry of Finance and enacted by Parliament.

The Tax Administration collects approximately two-thirds of all taxes and tax-like payments in Finland. The Tax Administration passes on the tax revenue it collects to tax recipients that maintain public services: the State, municipalities, Kela (The Social Insurance Institution of Finland), parishes and forest management associations.

In addition to the Tax Administration, taxes and tax-like payments are also collected by Finnish Customs and the Finnish Transport Safety Agency (Trafi).

The Tax Administration collects over 80% of all tax debts. The remainder are transferred to the enforcement authorities for collection. The investigation of tax violations is conducted by the Finnish Police in cooperation with the Tax Administration.

The Population Register Centre maintains a register of the Finnish population and regularly provides personal information to the Tax Administration. The National Board of Patents and Registration of Finland maintains a register of companies and organisations in Finland.
We eliminate or reduce the risks that threaten the tax revenue by affecting customers so that as few of them as possible are not paying their taxes.
TAXES AND PAYMENTS COLLECTED BY THE TAX ADMINISTRATION

In Finland income earned by individuals is divided into earned income and capital income. Earned income includes salary and pension income as well as social benefits. Taxes on capital income are levied on such items as rent income and income earned from the sale of property. Capital income and earned income are taxed differently: capital income is taxed according to a fixed tax rate and earned income according to a progressive tax scale, where the tax percentage increases as income increases. The income tax percentage for limited companies and other corporate bodies is fixed.

Taxpayers reserve the right to deduct expenditures incurred by purchases or holdings from their income.
State taxes

Capital income tax is paid on capital income. The capital income tax percentage is a fixed rate.

Gift tax is paid on the amount of a gift or inheritance advance exceeding a certain amount. Gift tax is determined based on the value of the property being given and the familial relationship.

Inheritance tax is paid on any inheritance received with a value exceeding a certain amount. Inheritance tax is determined based on the value of the property being given and the familial relationship.

Source tax is withheld from income paid in Finland to foreign nationals who are in the country for no more than six months. A flat rate source tax is also levied on interest income.

State income tax is paid on earned income. Parliament decides on the income tax scale on an annual basis. The tax percentage is progressive, increasing as the level of income increases.

Transfer tax is paid on the sale of real estate or securities.

Value-added Tax (VAT) is a consumption tax that the consumer pays when purchasing a product or service. The business transfers to the State value added taxes collected on sales every month.

Local government taxes

Municipal tax is paid on earned income. Municipalities set their respective income tax percentages on an annual basis.

Real estate tax is paid annually based on the value of the property. Real estate tax percentages are set by the municipal council.

Social Insurance Institution (Kela)

The health insurance contribution and per diem allowance are transferred to the Social Insurance Institution (Kela).

Parish taxes

Church tax is levied on the income earned by members of the Evangelical Lutheran Church of Finland and Orthodox Church of Finland. The Tax Administration transfers the Church tax to parishes.

Forest management associations

The forest management association fee is a tax-like charge collected from forest owners and transferred by the Tax Administration to forest management associations.
**TAX REVENUE BY TAX RECIPIENT**

<table>
<thead>
<tr>
<th>Recipient</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>50</td>
</tr>
<tr>
<td>Municipalities</td>
<td>40</td>
</tr>
<tr>
<td>Kela</td>
<td>8</td>
</tr>
<tr>
<td>Parishes</td>
<td>2</td>
</tr>
<tr>
<td>Forest management associations</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: Tax Administration (2009)

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**KEY FIGURES FOR FINNISH NATIONAL ECONOMY**

<table>
<thead>
<tr>
<th>Key Figure</th>
<th>Value</th>
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<tbody>
<tr>
<td>Gross domestic product at market rate</td>
<td>EUR 171 billion</td>
</tr>
<tr>
<td>Gross domestic product at market rate per capita</td>
<td>EUR 32,025</td>
</tr>
<tr>
<td>Annual change in volume</td>
<td>- 7.8 %</td>
</tr>
<tr>
<td>Population at the end of the year</td>
<td>5,350,000</td>
</tr>
<tr>
<td>Number of Tax Administration’s corporate clients</td>
<td>356,000</td>
</tr>
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</table>

Source: Statistics Finland, Tax Administration (2009)

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**COST-EFFECTIVENESS OF THE TAX ADMINISTRATION**

<table>
<thead>
<tr>
<th>Cost-Effectiveness</th>
<th>Value</th>
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<tbody>
<tr>
<td>Tax Administration net expenditures</td>
<td>EUR 377.2 million</td>
</tr>
<tr>
<td>Gross tax revenues</td>
<td>EUR 57.5 billion</td>
</tr>
<tr>
<td>Tax Administration net expenditures/gross tax revenues</td>
<td>0.66%</td>
</tr>
</tbody>
</table>

Source: Tax Administration (2008)

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**PUBLIC EXPENDITURES BY FUNCTION**

<table>
<thead>
<tr>
<th>Function</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>Social security and health care</td>
<td>56</td>
</tr>
<tr>
<td>Education, leisure, culture and religion</td>
<td>14</td>
</tr>
<tr>
<td>General public administration</td>
<td>13</td>
</tr>
<tr>
<td>Environmental protection, housing and communities, promoting business</td>
<td>11</td>
</tr>
<tr>
<td>Defence, public order and safety</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Statistics Finland (2008)
We operate in such a way that we achieve benefits through improved productivity and cost savings. We improve the capability of the Tax Administration to renew in the manner required by changes in the operational environment and developments in our operations.
MISSION
Our core task is to carry out the duties assigned to us by society consistently and successfully. We operate in such a way that customers can and are willing to contribute to their tax issues correctly and on their own initiative. We provide with targeted and convenient services that make it easy for our customers to deal with us and that minimise their costs. The systematic management of tax risks enhances the accrual of tax revenue.

BUSINESS IDEA
The right tax at the right time.

VALUES
- Fairness
- Reliability
- High standard of professionalism

NEW OPERATING STRATEGY
The Tax Administration updated its operating strategy in 2009. As the operating environment of the Tax Administration has changed considerably, there was a desire to find new focal points in the development of operations.

Tax revenue is the most important source of public income. Proactive guidance, excellent service and credible tax control ensure the accrual of tax revenues.

The primary goal is to move toward an operating approach based on the management of tax risks. Customers are grouped according to various criteria so that tax risks associated with the same type of customers can be more effectively identified and managed. The goal is to have customers handle tax-related transactions independently and in the correct manner.

Strategic goals of the Tax Administration
- We will ensure the tax revenue by providing proactive guidance and good service as well as by conducting credible tax control.
- Our customers can contribute to their tax issues with as little cost and inconvenience as possible.
- Our operations are both productive and economic.
- Our organisation has innovative potential.
CUSTOMERS AND CUSTOMER SATISFACTION

The Tax Administration regularly surveys the attitudes that citizens have towards taxation as well as customer satisfaction with Tax Administration services.

Previously, customer satisfaction was tracked on The Finnish school grade system (ranging from 4 to 10). In the 2010 survey satisfaction with transactions and services was measured using a six-point scale, ranging from extremely satisfied to extremely dissatisfied. Individual customers were very satisfied with transactions and services, regardless of the transaction channel. Every other person using e-services was extremely satisfied with the quality of the transaction. Corporate customers were also relatively satisfied with transactions and services, regardless of the transaction channel used. The percentage of corporate customers that were extremely satisfied was lower than that of individual customers, but the overall grade among corporate customers was still good.

According to an attitude survey, the Tax Administration has a good image and citizens view taxation very favourably. Citizens also have a great deal of confidence in the professional skills of tax authorities.
TRANSACTION CHANNELS

The goal of the Tax Administration is to reduce the need for customers to conduct business in person at Tax Administration offices. Instead, we want to develop telephone and online services whose use is not affected by the number and location of offices. E-service channels will allow work to be distributed throughout Finland.

Tax Administration customers can get tax advice from national helpdesk numbers. Service numbers have been set up for different customer groups, types of tax and transaction situations.

The volume of online service users, tax returns and data has increased every year.

- **www.vero.fi** (www.tax.fi)
  Information on taxation and the Tax Administration, publications and forms.
- **Tyvi services**
  Electronic filing of income tax returns for corporate taxpayers.
- **www.ytj.fi**
  Information system for companies and organisations jointly operated by the Tax Administration and National Board of Patents and Registration.
- **www.suomi.fi/eservices**
  Public administration forms and e-services.
- **www.palkka.fi**
  Free payroll program for microemployers and households.
- **www.tax.fi/taxcard**
  Online ordering of tax cards for individuals.
- **www.vero.fi/veroilmoitus**
  Online viewing, correction and updating of tax returns for individuals.
- **www.vero.fi/verotili**
  Online filing of periodic tax return, browsing Tax Account statements and transactions and calculating how much tax and late-payment interest will be payable.
We develop procedures and services in such a way that it is as easy as possible for customers to fulfil their declaration obligation and pay their taxes.
Tax Administration organisation

NEW ORGANISATION
On 1 September 2010 the Tax Administration organisation was restructured. The National Board of Taxes was phased out, with its former functions being distributed among various bodies. National business lines were established for corporate taxation and auditing. Tax collection already functions as a national unit. Other former National Board of Taxes functions will be handled by the Executive and Legal Unit, Communications Unit and Joint Services Unit.

BUSINESS LINES
Taxation functions are carried out by the national business lines: Individual Taxation, Corporate Taxation, Tax Auditing and Tax Collection. Each of these business lines has a Helsinki-based Steering and Development Unit, which is responsible for the planning, management and oversight of operations, information systems, co-operation with domestic and international stakeholders, and projects. Actual operative functions are carried out by units located throughout Finland.
Individual Taxation
At present, regional tax offices are responsible for providing service and guidance to individual taxpayers as well as business owners and self-employed persons. They also manage customer information, income taxation and withholding, tax control, and inheritance, gift, transfer and property taxation. Individual taxation operations will also be made national when the Individual Taxation unit opens in 2012.

Operations are supervised by the Individual Taxation Steering and Development Unit. Operative functions are carried out by 23 tax offices and their nearly 90 office and service point locations.

Nationally centralised individual taxation responsibilities:
- National telephone and Internet helpdesk service (Finnish, Swedish and English): helpdesk groups with several tax offices
- National telephone and Internet helpdesk service for international taxation: helpdesk group with several tax offices
- Limited taxpayer customer taxation: Helsinki Metropolitan Area Tax Office

Corporate Taxation NEW
The Corporate Taxation Unit is responsible for providing service and guidance, customer information and tax control for limited companies and other corporate bodies.

Operations are supervised by the Corporate Taxation Steering and Development Unit, which also comprehends tax advisers and operating process advisers. Operative functions are carried out by the Large Taxpayers’ Office and 7 corporate tax offices, which operate in 17 locations.

Nationally centralised corporate taxation responsibilities:
- Taxation and tax control of major corporations and companies operating internationally: Large Taxpayers’ Office
- National telephone and Internet helpdesk service (Finnish, Swedish and English): helpdesk groups with several tax offices
- Taxation of non-profit associations and foundations
  > Finnish: Savo-Karjala Corporate Tax Office
  > Swedish: Southwest Finland Corporate Tax Office
- National e-services telephone service: Savo-Karjala Corporate Tax Office
Tax auditing

The Tax Auditing Unit is responsible for conducting tax audits and carrying out other special control measures.

Operations are supervised by Tax Auditing Steering and Development Unit. There are 5 tax auditing units in 25 locations responsible for operative functions.

Tax collection

The Tax Collection Unit is responsible for tax payments, collection, recovery and remittances as well as functions related to the tax account method.

Operations are supervised by Tax Collection Steering and Development Unit. There are 4 tax collection units in 7 locations responsible for operative functions. Tax collection units are responsible for receiving and making returns on tax payments, tasks related to the tax account method as well as sending payment reminders and drawing up tax payments arrangements. Tax collection units are also responsible for the control of tax payments and filings, customer service for payments and returns, and the bookkeeping and remittances of tax revenues for tax recipients.

Nationally centralised tax collection responsibilities:
- Supplementary prepayments: Northern Collection Unit
- Large Taxpayers' Office customer tax collection functions: Southern Collection Unit
- Remittances of tax income for tax recipients: Southern Collection Unit
- Tax collection functions for associations and foundations
  - Finnish: Eastern Collection Unit
  - Swedish: Western Collection Unit

There are 5 tax recovery units in 11 locations responsible for operative functions. The recovery units are responsible for collecting unpaid, past-due taxes as well as their payment arrangements and customer service. Recovery units also exercise the Tax Administration’s right to speak in hearings involving tax and bookkeeping offences.

Nationally centralised tax recovery responsibilities:
- EU regional tax recovery affairs: Uusimaa Recovery Unit
- Tax recovery affairs in the Nordic countries: Western Finland Recovery Unit
- Tax recovery functions for non-profit associations and foundations
  - Finnish: Eastern Finland Recovery Unit
  - Swedish: Western Finland Recovery Unit
**SUPPORT UNITS**

**Joint Services Unit**  NEW

The Service Unit is responsible for Tax Administration transaction channels and services, and language services.

The Tax Risk Management Unit maintains, develops and controls the tax risk management process as well as related procedures and tools.

Prior to establishment of the Individual Taxation Unit, the Individual Taxation Steering and Development Unit is also part of the Joint Services Unit.

Joint Services also includes the Development Co-ordination Unit as well as advisers co-ordinating quality control and international stakeholder co-operation.

**IT Services**

The IT Services is responsible for joint Tax Administration application, production and information technology services and provides support, control and oversight for the implementation of information technology within the Tax Administration.

**Administrative Unit**

The Administrative Unit is responsible for joint Tax Administration personnel, financial and general administrative functions, employer functions and personnel development and training services.

**ADMINISTRATIVE UNITS**

**Executive and Legal Unit**  NEW

The Executive and Legal Unit is responsible for the Tax Administration’s steering and management system, strategic process and security function.

The Legal Unit drafts Tax Administration regulations and taxation harmonisation guidelines, participates in the drafting of statutes, and prepares reports and statements requiring specialised legal expertise in information and other matters.

**Communications Unit**  NEW

The Communications Unit is responsible for the management of Tax Administration communications and marketing and assists management and units in the planning, execution and monitoring of communications.
**Internal Auditing Unit**

*The Internal Auditing Unit* is responsible for the internal auditing of the Tax Administration and preparing responses to administrative appeals submitted to the Director-General for resolution.

**Tax Recipients' Legal Services Unit**

An independent body of the Tax Administration, the Tax Recipients' Legal Services Unit oversees tax recipient rights in taxation and appeals involving taxation. The unit exercises the tax recipients' right to speak as an involved party, for example, by filing appeals on decisions rendered by tax authorities and judicial bodies and submitting rejoinders to appeals filed by taxpayers and persons liable to pay.
Up-to-date contact information for all Tax Administration units can be found at www.vero.fi/yhteystiedot