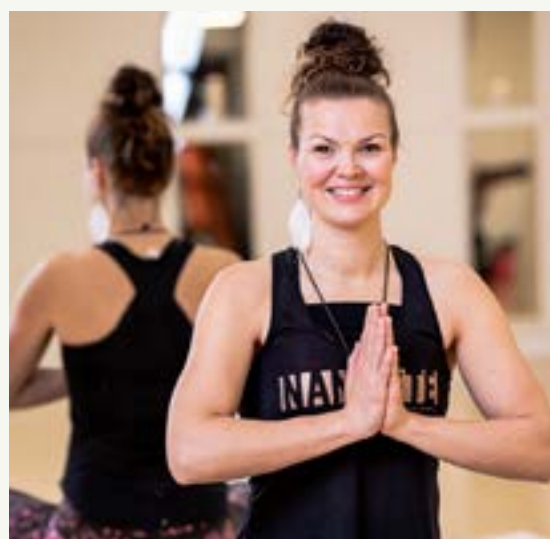


Guide

Becoming an Entrepreneur
in Finland 2020



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CUSTOMER
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4.6

(ON A SCALE OF 1 TO 5)

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1,500
EXPERTS FROM
DIFFERENT FIELDS
OF BUSINESS
TO ASSIST
NEW ENTREPRENEURS

MORE THAN
7,000
NEW COMPANIES
PER YEAR

APPROXIMATELY
16,000
NEW CUSTOMERS
EACH YEAR

80%
OF THE COMPANIES
STILL OPERATING
AFTER THE FIRST
FIVE YEARS

Source: Suomen Uusyrityskeskukset ry
Vaikuttavuusselvitys 2019 / MDI

Be brave – but don't forget to think

Entrepreneurship is a great thing. It's a combination of freedom and responsibility. It gives you the opportunity to pursue your dreams in your own way. But patience at the beginning pays off – in entrepreneurship, careful planning is the foundation of success.



Interest in entrepreneurship, the entrepreneur style of working and light entrepreneurship is growing. I believe this is influenced by our desire to do things in our own way and in accordance with our own values. For more and more people, work is not just something we do to fund other things. A growing number of us value the significance of our work. Entrepreneurship is a way to do things as we like them to be done.

At the same time, entrepreneurship, light entrepreneurship and establishing a company are now easier and faster than ever before – thanks to digitalisation. A private tradership can be established in minutes at the Finnish Patent and Registration Office website, and a limited company can nowadays be founded online without any share capital. Many companies offer “light” entrepreneurship services, and using these services is a good option.

This newly found ease has not removed the foundation or effects of entrepreneurship. Entrepreneurs can enjoy their successes, but they also have to bear the responsibility for the risks related to their business. In terms of our legislation and social securi-

ty system, people are treated differently depending on whether they are entrepreneurs or employees.

So, before jumping head first into entrepreneurship, you should stop and think about what the right method for you is to make your dreams of entrepreneurship come true. Where do I begin, and how do I plan to continue? It is important to ensure that you consider various aspects and have reliable and up-to-date information at your disposal.

The Enterprise Agency is your trustworthy partner. The Enterprise Agency provides you with accurate and up-to-date information, objective support for your thinking process, sparring for developing your business idea, and answers to your questions. Our service is free of charge and available from the moment the spark of entrepreneurship ignites in you to your first steps as an entrepreneur.

Susanna Kallama
Managing Director
Finnish Enterprise Agencies SUK

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Yrittäjät

NEW ENTREPRENEUR 2019

Unikie from Tampere looks far into the future with their artificial vision

Esko Mertsalmi established Unikie with his four partners in 2015 to provide IT consulting and software development. Today, the New Entrepreneur of the Year 2019 already employs nearly 280 people, thanks to company acquisitions.

PHOTO BY **Marjaana Malkamäki** TEXT BY **Anna Laaksonen**



LiDAR radar also sees the things that won't be visible to the naked eye.

Artificial vision is up for almost anything

Unikie Oy from Tampere specialises in developing solutions for detecting the surrounding environment and self-driving vehicles. The company's goal is to become the market leader in products relating to artificial vision.

In addition to self-driving cars, Unikie's artificial vision application can be used for guiding other vehicles and traffic monitoring. If malfunctions occur, the application enables the closing of lanes, for example, to prevent accidents.

Focus on growth and global reach

Two of the five founders lived for a long time in Silicon Valley, so according to Mertsalmi, expanding abroad has been self-evident for Unikie.

"From day one, we started focusing on product development that supports global markets. All the signs pointed to a massive change in the automotive industry, and this global transformation would be a big opportunity for Finland."

As the United States was already familiar, it was the first country Unikie expanded to. Germany quickly exceeded the United States in sales. Today, the company also operates in Sweden, and plans and networks are already in place to support quick expansion to several other countries as well.

Experts' support is also the key for larger operators

Esko Mertsalmi highlights the importance of experts' support when establishing a company. Unikie already contacted the Enterprise Agency Ensimetri in Tampere early in the winter of 2015. The expert references given by business advisor **Anu Lehtola** encouraged the founders to organise a meeting with a lawyer, for example.

"Shareholders' agreements and corporate charters are something that should be compiled with an expert. We also used the service provided by the Enterprise Agency for the financial sparring of our business concept."

The industry of the future

Unikie has a clear business plan. They plan to be a global operator with a turnover of more than a hundred million euros in five years. This also translates into a growing need for personnel – right now, Unikie wants to recruit more than a hundred people.

"We want to play our part in influencing Finland's export industry on a larger scale. Finland now has the chance to create a billion-euro business in the automotive industry. We just have to take it!"

Unikie's strong growth orientation also impressed the jury of the Entrepreneur of the Year competition.

"Unikie's steady growth and internationalisation speak volumes. The company operates in the industry of the future – success is certain in the coming years as well. It's also a great example of how each business idea benefits from advice, and that no one should miss the chance to brainstorm ideas with an expert," says **Susanna Kallama**, the Managing Director of Finnish Enterprise Agencies.

Growth and internationalisation are not the only aspects on which Unikie focuses. Product development, sales and logistics also require attention to ensure seamless operation. In addition, it is essential to create a company that supports the wellbeing of employees.

The world of an entrepreneur is full of opportunities

For Mertsalmi, it was important to get his friends involved in the business. **Lauri Kolari**, **Seppo Kolari** and **Jani Väisänen** still have key roles in the company. A few years ago, the fifth founder, the former ice hockey player **Mikko Eloranta**, was offered a job as a scout for the New York Rangers, and of course was free to seize the opportunity.

Together, this group of friends form a solid team that shares the responsibility, and in which each of them have a role based on their natural strengths.

"For me, entrepreneurship comes from my character. It is a way of life."

Esko Mertsalmi advises starting entrepreneurs to seize the opportunity if it arises. That way, a missed opportunity won't be something to regret later.

"From day one,
we started
focusing
on product
development
that supports
global
markets."

NEW ENTREPRENEUR OF THE YEAR COMPETITION

The national New Entrepreneur of the Year 2019 was selected by the Finnish Enterprise Agencies with the Finnish Patent and Registration Office and Varma.

Each local Enterprise Agency first selects the New Entrepreneur of the Year from companies that have been operating 2-5 years in their area and submits their name to the nationwide competition.

An entrepreneur whose business has been launched in a controlled and systematic manner and whose company is deemed to have a good

opportunity to become profitable will be named as the New Entrepreneur of the Year.

In addition to the award for the New Entrepreneur of the Year, honourable mentions for other successful entrepreneurs are given each year. The jury offers grants to the winner and the persons who were given honourable mentions.

The New Entrepreneur of the Year in Finland is published and awarded at the Summer Day of the Finnish Enterprise Agencies in early June.

[illegible]

A woman with her hair in a bun, wearing a black tank top with 'NAMASTE' printed on it and colorful patterned leggings, is performing a tree pose (Vrikshasana) in a yoga studio. She is smiling at the camera. Another person is visible in the background, also in a yoga pose. The studio has large windows and a wooden floor.

SHOULD I BECOME AN ENTREPRENEUR?

Before becoming an entrepreneur, you should consider the different options and think about whether you are suited for the job. The Finnish Enterprise Agencies can offer you expert assistance and someone to talk to when thinking about your readiness to establish a company and become an entrepreneur.

PHOTO BY: PIHLA LIUKKONEN

JORDAN HOUSE

Light entrepreneurship gave a kick-start

Susanna Jordan from Mikkeli has worked as a trainer and yoga instructor for many years. She started out as an employee, then continued to work via an invoicing service. Since March 2019, she has been working under her own company name, Jordan House.

Mikkeli Enterprise Agency assisted her in establishing the company.

Visit www.uusyrityskeskus.fi and read how Susanna Jordan finally realised her dream to become an entrepreneur.

"Establishing my own company straight away felt too scary, so when my friend recommended an invoicing service, it sounded like the perfect opportunity at that time."

Susanna Jordan

What is entrepreneurship?

More and more entrepreneurs are needed, because entrepreneurship is the lifeline and moving force of society. A huge change has taken place in the general attitude towards entrepreneurship in the past ten years. Now, one in every five Finnish young people are considering entrepreneurship as one option, compared to one or two per cent at the beginning of the 2000s. The enthusiasm among young people can already be seen in the business world. 17% of all companies established through the Finnish Enterprise Agencies last year were established by people who were less than 25 years of age.

Entrepreneurship is a good career alternative – but not for everyone. Defined in three words only, entrepreneurship is work, work and work but the only reason for starting a business cannot be unemployment. It is not likely that you can find enough people who would become your customers only to employ you. Your business and the products and services it offers must be useful for an adequate number of customers and they must be willing to pay for them.

Before becoming an entrepreneur, consider the following issues:

- What is your situation in life like?
- Are you suited to becoming an entrepreneur in terms of your own character and other personal traits?
- Is your business idea good enough?
- Where can you find customers?

The aim of a business is that it succeeds and makes a profit. Entrepreneurship, or enterprise, is about identifying the risks relating to a business activity and about preparing for them, i.e. the skill to make a business operation profitable.

Entrepreneurship is also about believing in one's own business idea. Entrepreneurship can be a way of life or a means to provide a livelihood and to employ oneself. Financial motives, i.e., the wish to earn money, are necessary if an entrepreneur wants to support himself/herself and possibly also employ other

Defined in three words only,
entrepreneurship
is work, work and
work.

people. Entrepreneurship means making good use of one's own professional skills, experience and social skills. A good entrepreneurial idea and a functional business idea based thereon combined with an entrepreneur with knowhow usually lead to success.

WHO IS AN ENTREPRENEUR?

The definition of entrepreneur depends on whom you ask. People working with business law and people working with pensions and unemployment issues have a different definition for an entrepreneur. According to one of the definitions, an entrepreneur is a person who, alone or together with others, practices business in a company that aims to make profit. These activities include a degree of risk-taking.

In the case of unemployment benefits, an entrepreneur is a person who works in a company of which themselves or themselves together with their family own a share that is determined by law. Furthermore, a person who works, but is not in an employment or service relationship with the employer company (such as a freelancer or a person who works through an invoicing community) considered an entrepreneur. Just owning a company or a part thereof does not make anyone an entrepreneur.

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So could you become an entrepreneur?

Presently, being an entrepreneur is one of the most popular ways of working. Paid employment is no longer as safe a choice as it used to be, and the difference between paid employment and the risks inherent to entrepreneurship has diminished. Entrepreneurship offers an alternative for traditional employment: you can practice your profession independently without the supervision or authority of any superiors.

Do I have what it takes to be an entrepreneur? This question occupies the minds of many unemployed persons and those about to complete their studies. Also many people employed by others think about starting their own businesses. The key to the success of an enterprise is often the entrepreneur himself/herself and his/her person.

A starting entrepreneur usually has knowhow or professional skills to which (s)he can successfully link the business idea. Besides preparedness, running an enterprise requires entrepreneurial skills. These include business management, financial administration, marketing and the actual service or production. It is not necessary to be able to do everything by yourself as you can buy services

from another entrepreneur. Many do so and buy, for example, accounting services from an accounting firm or marketing help from an advertising agency.

Personal qualities and skills lay the foundation for a successful business. Think about your own strengths. Different fields require different qualities and skills. What do you still have to develop?

A person planning to set up a business must be familiar with the field where (s)he intends to establish the business. In addition, (s)he must also know the bases for financial management, pricing, budgeting and marketing. It is possible to gain or improve such skills and knowledge with the help of training or experts.

It is worth remembering that becoming an entrepreneur doesn't necessarily mean that you have to work as an entrepreneur forever. You can think of this as one phase of your life and as a part of your whole career.

Do you have what it takes to become an entrepreneur?

- Are you decisive?
- Are you hard-working, creative and bold?
- Are you ready to take a chance?
- Do you have initiative and are you goal-oriented?
- Can you cope with uncertainty?

Factors that motivate entrepreneurship

- You can be your own boss.
- You can decide for yourself what you will do.
- You can influence your own working hours.
- You have the opportunity to earn more than when working for someone else.
- You can fulfil yourself.
- You can employ others.

Challenges of entrepreneurship

- How will you get funding for your company?
- Do you know what kind of requirements legislation imposes on your industry?
- Are you familiar with your sector and its competitive situation?
- Do you have any experience or specialist knowledge of the sector?
- Will you be able to plan your working hours so that you will also have some free time?

Where to get the business idea?



Before becoming an entrepreneur, you should consider your own skills as well as the possibilities to exploit them as an independent entrepreneur. Your expertise may be based on your work experience or professional skills, training, personal relations or hobbies, for example. Most successful companies are based on a solid foundation of expertise and competence. You should not establish a company if you do not have enough expertise or competence.

When contemplating the operating idea and the business idea, the most important is to ensure that the personal abilities are compatible with them. A small enterprise should specialize in operations for which the entrepreneur has the best knowledge, skills and financial preconditions.

OPERATING IDEA

The operating idea reveals the purpose of the enterprise. What is the task or why does the enterprise exist? The operating idea provides a basic formulation and summary of the intent of the enterprise to both the entrepreneur and the public. A clear operating idea helps the start-

ing entrepreneur to define briefly his/her own business plan and to explain it to outsiders - for example, to financiers.

ESTABLISHING A NEW ENTERPRISE

There are many sources of business ideas. First we discussed an idea based on one's own knowhow and professional skills. It is often the most common and safest way to start entrepreneurship. Another alternative is to buy the idea, either a working enterprise, its business operations or parts thereof. The acquisition of a ready business idea and an operating model, i.e., a franchising enterprise, is a functional way to start as an entrepreneur. These alternatives do not exclude each other. It is possible to succeed as an entrepreneur, with your own business idea or with an acquired one.

Start with your own business idea

The own business idea may be based on experience or on an idea or invention of the person contemplating entrepreneurship. Business ideas generating from work or professional experience are most typical in the service branch. For example,

a hairdresser starts a barber-hairdresser enterprise and a driver becomes an entrepreneur in the transport sector. It is also possible to find new business ideas through hobbies or versatile contacts.

When developing a business idea, it is important to find ways to distinguish from the other entrepreneurs in the same field. Specialization may apply, inter alia, to a product, a service, a line of action or the selection of target customer groups. A new need may arise in the markets as a result of demand, competition situation or a change therein.

Finding new market needs and satisfying them requires active following of the corporate environment and the recognition of needs as early as possible. The entrepreneur who first recognizes a new market gap may base his/her business idea on filling this gap. At its best, the business idea based thereon may provide solutions to problems in the market.

Completely new business idea or invention

A company may be established to commercialise a completely new business

idea, product, service or invention. This is the most challenging way to start a business, and it involves the most risks. Obtaining funding may be very difficult at first.

Existing business idea

The most typical way to start a business is to use an existing business idea but implement it in a new and more competitive way or in a new market area. You may realise your plans by establishing a new enterprise or by acquiring an already working enterprise.

MAKING USE OF THE BUSINESS OPERATIONS OF A WORKING ENTERPRISE

For a starting entrepreneur, the acquisition of an enterprise does not, in fact, mean continuing the business operations of the enterprise. It is just one way for a new entrepreneur to best implement his/her plans in the business operations or just “business” (s)he wishes to carry out. Although “business” is not a very Finnish word, it best describes the nature of a corporate acquisition from the point of view of the buyer. The term “working business” contains all the elements required in entrepreneurship i.e. products/services, customers, market position and, first and foremost, turnover.

However, the acquisition of a working enterprise naturally includes risks but it offers a new entrepreneur a simple way to start and a possibility to commence business operations immediately as the customers and turnover already exist. If you buy a company, you should keep in mind that you cannot buy the market. Even the new entrepreneur will have to earn their customers.

The options are:

1. to buy the whole of a working enterprise
2. to buy part of an enterprise (one function)
3. to just buy the enterprise's business operations
4. to buy part of the business operations.

There are many enterprises in Finland whose present owners are willing to sell them. Some of them are actively for sale but most of them continue their operations silently looking for a buyer. After you have drafted your own business plan, be active in looking for an interesting target enterprise and go ahead and contact its owner irrespective of whether the enterprise is openly for sale or not. Companies that are publicly for sale can be found through the search service at yritysporssi.fi, for example. Purchasing an already functional business can be a good way to start an entrepreneur career.

If you intend to start your entrepreneurship by buying an existing enterprise or business, or a part of it, make sure you use experts to help you assess the finan-

cial situation of the enterprise and the risks relating to its business. The advisor network of the Finnish Enterprise Agency includes acquisition experts to assist you. Financial management professionals (accountants, auditors and corporate acquisition consultants) will advise you on whether the business's operations are profitable and whether its accounting is reliable. Before you sign the contracts and other documents, you should also seek advice from a legal expert.

Generally, buying the business operations alone is a safer option than buying the whole enterprise, because then the old liabilities and debts of the enterprise are not transferred to the new owner.

ANSWERS BY

A BUSINESS ADVISOR



How do I develop my business idea?

"A successful business idea is usually based on solving an identified and existing problem. Determining this problem lays the foundation for taking the idea further. Developing the idea is based on acquiring facts and considering various aspects from the customer's point of view. Do the ground work, i.e. find out more about your target market and identify your customers. One of the most critical aspects in developing the business idea is to sort out the demand. It is also good to brainstorm the business idea early on with an outsider to get fresh angles."

Hanna Ojanperä, Keski-Suomen Uusyrityskeskus ry

The various forms of entrepreneurship

There are many options to be an entrepreneur or work in an entrepreneur-like manner. You can start your entrepreneurship as a self-employed person, a member of a co-operative, a partner entrepreneur, a part-time entrepreneur or a temporary entrepreneur. You need not choose to become an entrepreneur for the rest of your life. Part-time entrepreneurship in connection with studies or hired labour has become clearly more common. Becoming an entrepreneur together with others has also become more common, especially among young people.

ENTREPRENEURSHIP AS A FRANCHISEE

Working as a franchisee allows you to start up a business without having your own business idea. Franchising is a long-term collaborative agreement between two independent enterprises. The franchisor grants to the franchisee (of whom there may be many) the right to use, in return for payment and in accordance with the terms of reference, the business idea that the franchisor has developed and devised, and which it controls.

A franchisor duplicates a concept, i.e., offers it widely for the use of several enterprises. This results in a network of undertakings operating in co-operation and using the same concept, i.e., a so-called franchising chain. Franchising chains operate in very different sectors, for example, in trading and restaurant industries as well as in various enterprise and consumer services. Franchisors are constantly looking for new entrepreneurs. Even at this moment, there are hundreds of openings for entrepreneurs in Finland. For more information on franchising, visit the website of the Finnish Franchising Association at www.franchising.fi and the search service at yritysporssi.fi.

Finland uses a self-regulating model of franchising operations that is based on a Code of Ethics published by the Finnish Franchising Association. They determine the good, established practices for franchising. If you are planning to become a

franchise entrepreneur, you should keep in mind the fact that all members of the Finnish Franchising Association commit to the franchising Code of Ethics. You should study the code before becoming a franchising entrepreneur.

"LIGHT ENTREPRENEURSHIP"

So called "light entrepreneurship" (in Finnish "kevytyrittäjyys") is a form of employment where a person acquires his/her own work and defines a price thereon. Invoicing and payroll accounting have been outsourced to an invoicing service that retains a service fee when paying wages.

The invoicing service handles the self-employed person's tax withheld in advance and other required payments (such as health insurance and accident insurance contributions).

Self-employed people are included in the scope of the Self-Employed Persons' Pension Act (YEL). All self-employed people between the ages of 18 and 67 who earn at least €7,958.99 per year (in 2020) must pay the self-employed person's pension contribution. Furthermore, the entrepreneurship in Finland must last for an uninterrupted period of at least four months.

If an unemployed person is employed for a period of a maximum of two weeks in a principal-contractor relationship, the right to an unemployment allowance is retained. The income from the business will be reconciled with the unemployment allowance. An unemployed person who starts a business may receive reconciled

unemployment allowance for the first four months after the establishment of the company, as the full-time/part-time nature of the work is not assessed during this time. This applies to self-employed persons. The situation regarding full-time/part-time work will be reassessed if the business or business-like activity continues.

The primary basis for assessing whether the work is full-time or part-time is the time used for working rather than the income received. The period of four months starts at the beginning of a period of employment that will last for more than two weeks.

ANSWERS BY

A BUSINESS ADVISOR



What does light entrepreneurship mean?

"Light entrepreneurship is an entrepreneur-like and flexible way to sell your own work without having your own business ID. This service is not suitable for selling products. Light entrepreneurship is a good and easy way to test your business and map potential customers. Light entrepreneurship is a solution for you if you don't have to make larger investments and you only sell your own expertise. Nowadays, there are also invoicing services for entrepreneurs, who will then receive their own business IDs."

Tarja Pöyhönen, Managing Director
Kuopionseudun Uusyrityskeskus

PART-TIME ENTREPRENEURSHIP

Starting up a business part-time, for example in addition to a main job or studies, is recommended if the person is not sure whether the business will be profitable – at least to begin with. Working on a part-time basis, you can test first whether there are enough customers and assess how the business will develop and whether there is potential to become a full-time entrepreneur. Your own financial risk will be lower because your income is not totally dependent on the success of the business. The Employment and Economic Development Office (TE Office) may not grant business start-up funds to part-time entrepreneurship. A start-up grant can be granted to anybody who wishes to expand their part-time entrepreneurship into a full-time occupation.

STARTUP ENTREPRENEURSHIP

Startup companies are usually newly created companies in their early stages in the technology field whose business concept contains something new and different. The operations are financed with risk financing as the company does not yet make profit. The aim is to achieve fast growth and internationalising. Some quickly growing and internationalising startups have been established in Finland.

PARTNERSHIP

Operating as a partner can be a very entrepreneurial activity depending on how the responsibilities and authority are split amongst the partners. For example, in family businesses, the spouse and children may be partners. In small businesses, it may be possible to get key people to commit themselves to the enterprise and its development by transferring stakes in the business to them.

TEAM ENTREPRENEURSHIP

Here, several people who wish to become entrepreneurs establish a business together. All these people are responsible for the success of the enterprise. For example, when two businesses merge, the partners of these enterprises may become partners in the new enterprise. Young people, in particular, like starting businesses together with others. Experts from many different fields may be

involved in a company established by young people.

WORK INTEGRATION SOCIAL ENTERPRISE (WISE)

When planning to start a business, one possibility is to start a social enterprise. In addition to profitable business operations, the purpose of a social enterprise is to provide work opportunities for disabled persons and the long-term unemployed as well as to support their future employment. Otherwise, a social enterprise functions just as any other enterprise.

The Finnish Ministry of Employment and the Economy (TEM) maintains a register of work integration of social enterprises. The application form (TEM309) is available in the E-services of Enterprisefinland.fi ("Forms and e-services").

A work integration social enterprise may be a private trader, a general partnership, a limited partnership, a limited liability company or a co-operative. A business to be registered as a work integration social enterprise must fulfill the following requirements:

- **At least 30%** (percentage of placed employees) of the employees in an employment relationship (excluding the entrepreneur) must be persons whose
 - disability or illness hampers employment
 - who have been unemployed jobseekers for a continuous period of 12 months (or are comparable thereto)
 - who have received unemployment security on the basis of unemployment for a period of at least 500 days. The percentage of placed employees shall always include persons whose disability or illness hampers employment.
- **All employees**, irrespective of their productivity, are paid the pay agreed in the collective agreement of the said line of work payable to a person with full work capacity
- **The working hours** of the persons, whose disability or

illness hampers employment, is at least 50 percent of the maximum working hours of the industry, and of others to be included in the percentage of placed employees, at least 75% of the maximum working hours of the industry

- **Public subsidies** are less than half of net sales.

A work integration social enterprise may be granted increased pay subsidy for employing a person whose disability or illness hampers employment or a long-term unemployed person.

SOCIAL ENTREPRENEURSHIP

What separates a social enterprise from other enterprises is its primary goal. The primary reason for doing business and gaining profit is a specific social or environmental goal.

For example, the goal can be to promote welfare, employ the long-term unemployed or people with disabilities, prevent social exclusion of junior or senior citizens, promote communal handicraft opportunities, rehabilitate special groups, or recycling operations.

A social enterprise combines in an interesting and even challenging way the operational models of traditional profit-seeking enterprises and efficacy-seeking organisations.

The social enterprise uses most of its economic profit in furthering the social goal.

Transparency is one of the operational principles of a social enterprise. Ethical guidelines are an essential part of the responsible management of a social enterprise. The goal of a social enterprise is to be a successful company. The company's legal form can be any type of business.

A company established for a social purpose that uses most of its profit to benefit society may apply for the Finnish Social Enterprise Mark. The mark is granted by a committee of independent experts. For more information on social entrepreneurship, please see www.arvoliitto.fi and www.suomalainentyo.fi.

Turning an enterprise idea into a business idea



An enterprise idea indicates what the new enterprise intends to produce. The enterprise idea is defined in more detail and gradually shaped into a business idea. The business idea indicates what the enterprise will do and to whom it will sell, how the enterprise will implement these things, and in what markets it will operate. The business idea answers the questions **What? To Whom? How?**

Think about whether your products will be able to succeed in the marketplace? Which markets will you operate in? What is different about your business idea? Make sure you consider your business idea from the point of view of the customer in particular. The product (goods or a service or a combination of these) must be something that the customer is prepared to pay for. Determining customers' needs is important so that it is clear what qualities they value. Is your product or service, for example, more effective, cheaper, of higher quality, more pleasant or simpler than that of your competitors?

You will get the best insight when you test it in practice, for example with a small market survey. The most genuine feedback about your product will come from your potential customers. Nevertheless, an opinion poll does not always necessarily tell the whole truth about customers' buying habits. Market research can al-

so be bought from external experts, but then you will have to pay for the survey.

THE BUSINESS IDEA MUST BE VIABLE

Implementation of the business idea requires know-how on the part of the entrepreneur(s) as well as capital that is needed for working capital and initial investments. Know-how and familiarity with the field can be acquired via training, work experience and recreational pursuits. Be realistic in terms of demand for goods or services. You will improve your chances of success with careful planning.

Industry and competitive situation

Industry refers to that field in which the enterprise operates, for example catering (restaurants and cafes), financial services (banks), building or cleaning. In some fields, there are a lot of operators, i.e. there is a lot of competition. In such cases, the opportunities to make a profit are small, because the entrepreneurs must sell their product cheaply. The lower the novelty value and the more established the field, the greater the competition faced. That is greater the number of competitors offering a similar product.

Try to find an innovative business idea! The more unique the product, the less competition you will face. On the other

hand, in such cases it is difficult to estimate the profitability of the business or compare the business idea to other operators. In such circumstances, the size of the market and the structure of demand must be estimated, and profitability calculated on the basis of the estimates.

CONSIDER

Benefits to the customers:

- For what purpose will the customers use the product?
- Why would a customer want to buy the product?

Image:

- Why would the customer want to buy the product from you?

Products:

- How can you stand out from the competition?
- What will your products cost?
- How will you package and deliver the products?

Customers:

- How will you reach your customers?
- How many customers do you have?
- How much are the customers willing to pay?
- How would the customers like to pay?

Way of working:

- Will you manufacture the products yourself?
- Will you buy the products from a subcontractor?
- How will you market and sell the products?

Resources:

- How will you get the necessary facilities?
- Will you need any machinery or equipment?
- Where will you get the money you need to get started?
- Do you (and your partners) have enough expertise and experience?



BEFORE ESTABLISHING

A COMPANY

To establish a company, you will have to prepare a business plan, acquire funding and plan your marketing, sales and pricing, for example.

PHOTO BY: MAIJA ASTIKAINEN

"Courage for entrepreneurship comes from believing in your own product. You need to have passion for what you do!"

Nina Puustinen

GEOTRA OY

Business idea based on background

Nina Puustinen was 23 years old when she moved from her homeland Georgia to Finland. Just 15 years later, she is the founder, owner and currently the only employee of the Georgian wine importer Geotra Oy.

EnterpriseVantaa helped her to establish her business.

Nina received the start-up grant and also the Start-up Plus. Read more at www.uusyrityskeskus.fi.

Business plan



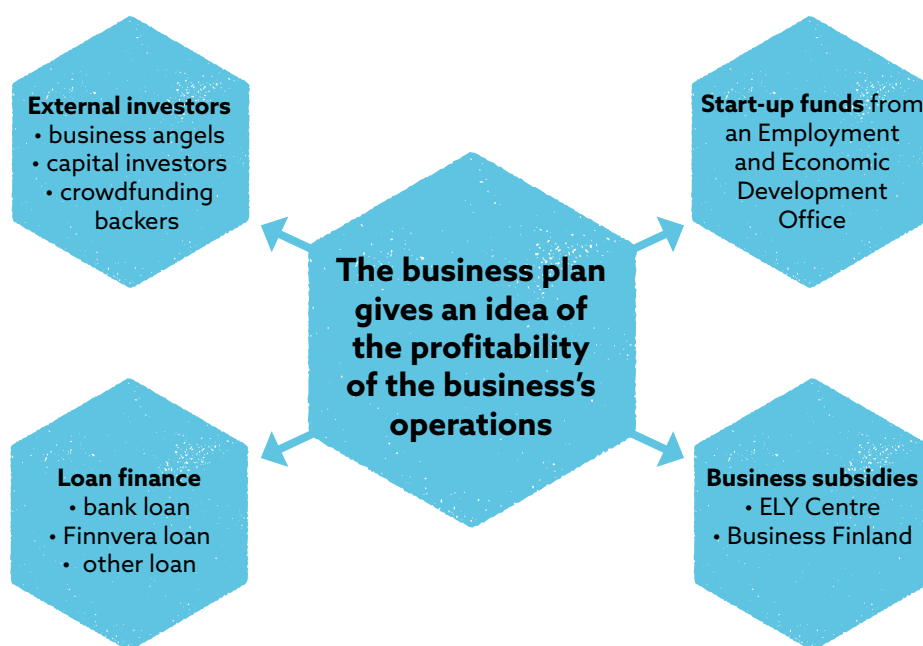
WHAT IS A BUSINESS PLAN?

Business plan refers to a written plan for the business. It describes how the business idea will be implemented in practice: the operating environment of the enterprise, and its working practices and objectives. It is a comprehensive and detailed presentation with a specified time-scale. The business plan also includes longer-term objectives and quantitative targets in the form of profit budgets and cash-flow statements.

The plan goes through the features of the product, the customer groups, the competitive environment in the marketplace, and training and expertise of the entrepreneur(s) as well as how the enterprise intends to market its products. The business plan also estimates, with the aid of calculations, profitability and the sum of money that is needed for starting up the business's operations (investment requirement).

A good plan also highlights the risk factors that may affect the success of the business.

In addition, the business plan is a tool that enables entrepreneurs to plan, and it can also be used in negotiations with



possible investors, business partners, lessors or suppliers, for example. With the help of the business plan, the entrepreneur can prove that the enterprise will succeed when, for example, financial-statement data is still not available. A well prepared business plan gives an idea of the profitability of a business and its future prospects, and it helps in sourcing finance.

A business plan is also needed when start-up funds are applied for from the Employment and Economic Development Offices, when business subsidies are applied for from the centres for Economic Development, Transport and the Environment (ELY) or loan finance.

ELEMENTS OF THE BUSINESS PLAN



MODEL PLAN:

1. DESCRIPTION OF BUSINESS IDEA

- Describe what your company will sell, to whom and how.
- What customer needs will your products satisfy?
- What is new about your business idea when compared to the business ideas of your competitors?
- Why would customers be interested in your products?

4. CUSTOMERS AND THEIR NEEDS

- Who will your customers be, how many of them are there and where are they?
- On which basis will they make a decision to buy?
- What properties do the customers value in your products?
- What customer needs will your products satisfy?

7. MARKETING AND ADVERTISING

- How will you market your products in a way which ensures that you will reach your customers and convince them of the benefits of your product?
- How will you target your advertising?
- How will you ensure that your customers can find you online?
- How do the company name and general appearance suit your business?

2. DESCRIPTION OF YOUR COMPETENCIES

- Do you (and your partners) have the necessary education and work experience?
- What kind of expertise do you still need?

5. SECTOR AND COMPETITIVE SITUATION

- What is your sector?
- What is the competitive situation like in that sector?
- Is there any room for new entrepreneurs in the sector?
- Will you introduce an innovation (something new) to the sector?
- What is the outlook of the sector?

8. RISKS

- There are always risks to a business. You cannot eliminate all of them, but you can mitigate them with good planning.
- What are your current risks?
- What kinds of risks will you face in the future?
- Could someone copy your business idea?
- Is the business idea highly susceptible to fluctuations in the economic situation?
- How will you commit key employees to your company and what if they decide to leave?
- Make a SWOT analysis; see p. 23.

3. DESCRIPTION OF THE PRODUCTS

- What kind of products or services will you offer?
- How do your products differ from those of your competitors?
- Are your products an innovation or a new way of solving your customers' problems?

6. SCOPE OF THE MARKET

- How many customers are there in the market for your product, what is the competitive situation like and what is the outlook?
- Which market will you aim for: a specific location, Finland, Europe or the entire world?
- Could you expand the business at a later point in time? If yes, how?
- What obstacles could there be on the way to that market: regulations, limitations, customs duties?

9. INTELLECTUAL PROPERTY RIGHTS

- Protect your intellectual property rights.
- Protection reduces the risk of copying.
- Do you need a patent for a technical invention, protection of utility models or a "minor patent", trademark protection or protection for patterns and designs which protects the appearance of your product?
- Confidentiality agreements are one means of preventing customers and partners from revealing an unprotected business idea to outsiders.

10. CALCULATIONS

- Financing statement
- Profitability calculation
- Sales volume calculation

See the sample calculations on the following pages.

10. ESTIMATES: FUNDING, PROFITABILITY AND SALES

A. Financing statement

A financial statement determines how much money you will need and where you will get it. It lists all of the investments and purchases you must make in order to start your business, such as the initial stock, the machinery needed for production, company registration fees, rent guarantees and working capital for the first three months of operation.

The working capital is an assessment of the fixed costs (salaries, rent, insurance, bookkeeping, etc.) you must

pay before your operations have brought cash to the company. You can use your own capital and property given as a capital contribution (assets invested in the business other than money, such as a vehicle), a loan, business subsidies and outside investments. The sources of funding must cover all the funding needs. Keep in mind that the start-up grant is not considered an actual source of money, because it is meant to cover the entrepreneur's personal living costs only.

EXAMPLE OF A FINANCING STATEMENT CALCULATION

(an enterprise in the cleaning service industry, private trader)

EXPENDITURE REQUIREMENTS	EUR
Start-up notification	60
Means of production	2,000
Equipment installations	500
Computers and software	1,500
Car	
Phone/tax/internet	200
Office supplies	300
Property given as a capital contribution (existing machines, work tools and supplies)	500
Marketing investment	800
Initial stock purchases	1,000
Working capital	3,200
Cash reserve (for example premiums, bookkeeping costs, travel expenses, etc. before the customers have started to pay their invoices)	840
TOTAL EXP. REQUIREMENT	10,900

SOURCES OF FUNDING	EUR
Equity	
Share capital	
Personal cash investments	4,400
Property given as a capital contribution	500
Loans from shareholders	
Loan capital	
Bank loans	6,000
Finnvera loans	
Other loans	
TOTAL SOURCES OF FUNDING	10,900

ANSWERS BY

A BUSINESS ADVISOR



Why is profitability so important?

"When starting out as an entrepreneur, you need to calculate profitability, estimate costs and profits, as well as the financing needs. All business, even a part-time one, needs to become profitable. It is common at the beginning that costs exceed profits, but profitability should be achieved in reasonable time for the company's sector. A significant factor in profitability is pricing – undercutting is not a solution. It is easy to just focus on covering the costs while your own livelihood is compromised. Calculations and estimating profitability are essential aspects in planning business operations. Profitability and sufficient cash inflow should also be monitored once the operations have started. Only then can you react before crises escalate."

Armi Metsänoja, Business Advisor,
Yrityssalo Ltd

B. Profitability calculation

A profitability calculation shows how many products you must sell to make your business profitable. In other words, the profitability calculation indicates the sales volume that will cover all the costs (variable and fixed) without the business making any profit (the "break-even point"). The profitability calculation will show you which combination of sales volume, sales prices and costs will lead to your target result.

EXAMPLE OF A PROFITABILITY CALCULATION (private trader)

	Monthly EUR	Annual (12 months) EUR
= Target profit (net) (Own salary goal of a private entrepreneur as private withdrawals)	1,500	18,000
+ Loan repayments	100	1,200
INCOME AFTER TAXES	1,600	19,200
+ Taxes around 22% see site 85	451	5,415
= Funding requirement	2,051	24,615
+ Loan interest (+ any salary guarantee fees, etc.)	27	324
A. OPERATING MARGIN (required)	2,078	24,939
+ Fixed costs (net of VAT)		
the YEL premium of an entrepreneur is 18.798%* (the annual income of EUR 13,076)**	205	2,458
Insurance (the Self-employed Persons' Voluntary Accident Insurance and other insurance for entrepreneurial activities)	100	1,200
Wages and salaries		
Indirect remuneration costs		
Costs relating to premises		
Repairs and maintenance	30	360
Leasing payments		
Communication costs (phone, internet, etc.)	80	960
Office expenses	20	240
Travel and car expenses, daily expense allowance	500	6,000
Marketing expenses	200	2,400
Bookkeeping, auditing, tax returns, etc	100	1,200
Unemployment fund, trade association, etc.	30	360
Other costs (the Trade Register's handling fee, work clothes ja tools etc.)	100 e	1,200 e
B. TOTAL FIXED COSTS	1,365	16,378
SALES MARGIN REQUIRED (A+B)	3,443	41,317
+ Purchases + materials and supplies (net of VAT)	425	5,100
NET SALES REQUIRED	3,868	46,417
+ VAT 24%	928	11,140
TOTAL SALES/INVOICED SALES REQUIRED	4,796	57,557

* The YEL insurance premium is 24.10% of the YEL earned income for entrepreneurs between the ages of 18 and 52 or over the age of 62 and 25.60% of the YEL earned income for entrepreneurs between the ages of 53 and 62 A new entrepreneur will receive a discount of 22% of the YEL insurance premium for the first 48 months. Thus, the insurance premium for new entrepreneurs between the ages of 18 and 52 and over the age of 62 is 18.798%, and for new entrepreneurs between the ages of 53 and 62 it is 19.968% of the YEL earned income (in 2020).

** Entrepreneur's unemployment benefit, minimum annual income.

C. Sales volume calculation

In the sales calculation, the minimum invoiced sales target indicated by the profitability calculation can be apportioned among the various customer groups. This

makes it easier to assess the importance of the customer relationships; any discounts and variable costs for products being sold shall be taken into account.

EXAMPLE OF A SALES CALCULATION (monthly)

Product	Cleaning (daily)	Cleaning (evenings and weekends)	Window cleaning	Floor waxing	Spring cleaning	Other work	TOTAL
							VAT 0%
Sales price	24 e	30 e	35 e	40 e	120 e	28 e	
Costs	3 e	3 e	4 e	10 e	9 e	0 e	
Margin	21 e	27 e	31 h	30 e	111 e	28 e	
Sales quantity	70 h	25 h	8 h	8 h	8 h	8 h	127 h
Total sales	1,680 e	750 e	280 e	320 e	960 e	224 e	4,214 e
Total purchases	210 e	75 e	32 e	80 e	72 e	0 e	469 e
Margin							3,745 e

According to the profitability calculation, the business would have to generate a sales volume of €3,868 or €46,417 (12 months). As the entrepreneur needs to ensure that they will not burn out, sufficient resting times should also be taken into account in the calculation. All entrepreneurs need a summer vacation month, for example. Hence, the entire sales volume needs to be created over the course of 11 months to have sufficient funds to have a four-week holiday.

Therefore, the required annual sales volume in the profitability calculation, €46,417, is divided by 11 months: $€46,417/11 = 4,220$ per month. The cleaning industry entrepreneur would have to send invoices totalling at least €4,220 per month (plus VAT) in order to save up the funds required for the holiday month.

In the sales calculation example, the monthly net sales are roughly that, €4,214.

Share of purchases

Supplies to be purchased are "variable expenses". The more you clean, the more detergents and other supplies you will need. Their amount is linked to the work done and thus also the sum invoiced.

In the profitability calculation, the share of purchases is €425 per month

or €5,100 per year. €425 is some 11.0% of the required monthly net sales of €3,868, or $100 \times 425/€3,868 = 11\%$.

In the sales calculation example, the share of purchases (469) is 11.1% of the total sales volume of €4,214, excluding VAT (i.e. from the corresponding net sales), $100 \times 469/4,214 = 11.1\%$. In other words, the percentage is roughly the same (around 11%).

Margin

According to the profitability calculation, the required sales margin is 12 months \times €3,443 or €41,316 per year. As the holiday month must be taken into account, the required margin must be compared with the monthly margin according to the sales calculation example (€3,745), multiplied by 11 months, $11 \times 3,745 = €41,195$. The goal is €41,265, which means that there is not much of a difference. The goal can be reached.

In the sales calculation example, the percentage share of purchases (11.1%) is slightly higher than the share of purchases in the profitability calculation (11%), which explains the difference. The figures are of roughly the same magnitude, however.

Invoiced hours

In the sales calculation, the cleaning entrepreneur has thought about how many hours they would have to

be able to invoice in order to reach the target net sales per month. The time it takes to get to the site to be cleaned, during which no work to be invoiced will be done, must also be taken into account. Depending on the situation, the entrepreneur will be able to charge travel expenses from the customers, provided that the travel expenses were included in the offer. In the case of specific industries and long distances, charging the travel time may also be possible, but in such cases the charge will be lower than the normal hourly rate and it must be separately discussed with the customer.

The invoiced hours in the sales calculation example are 127 hours per month. This means that the entrepreneur would have to clock in $127 \text{ h}/4 = 31.75$ hours, or roughly 32 hours per week. The daily invoicing requirement is $32 \text{ h}/5 \text{ days} = 6.4$ hours, or roughly 6.5 hours per day.

Time must also be put aside for the acquisition of new customers and the necessary paperwork, but these cannot be invoiced from any one customer. These hours will add to the actual length of the working day. The hourly invoicing price must be high enough to reach the required margin in the calculation. This has been taken into account in the hourly prices of the sales calculation example.



SWOT analysis

The SWOT four-field analysis is a simple and widely used technique for analysing business operations. A SWOT analysis shows the Strengths, Weaknesses, Opportunities and Threats for the business idea, the entrepreneur and the enterprise. It is suitable for use in all forms of enter-

prise. The review may concern either the whole business or just part of its operations in greater detail.

The top row of the table shows the current situation and issues within the business. The bottom row represents the future and external matters. The left

side shows positive factors, while the right side shows negative factors.

The analysis helps with examining how the strengths can be developed, how the weaknesses can be eliminated, how the opportunities can be exploited and how the threats can be countered.

EXAMPLE OF A SWOT ANALYSIS:

Strengths

- strong expertise
- experience
- knowledge of the industry
- innovative product
- international contacts



Weaknesses

- insufficient personal funds
- no experience of working as an entrepreneur
- family situation
- weak language skills



Opportunities

- globalization
- potential for growth
- new products/services
- new market areas



Threats

- entrepreneur's ability to run the business
- increasing competition
- changes to legislation
- political situation



Risk management and scams



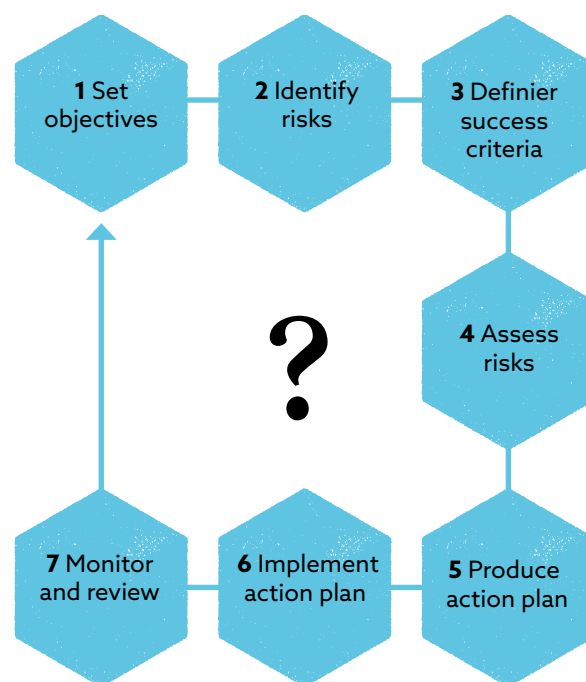
There are many ways in which an enterprise may be harmed or suffer losses, i.e. the business is exposed to various risks. However, risk in a business may also be an opportunity. The entrepreneur must be prepared to take risks in order to succeed. Risks must be identified, prepare for them and protect itself against them. In other words, the risks must be managed.

The risks in a business may be, for example, business risks, contract and liability risks, data-security risks, product risks, environmental risks, risks from interruptions to operations, and risks from crime. Risks can also be divided into strategic risks, financial risks, operational risks and risks of loss. Risks of loss include risks to property, inherent risks and life and health risks. Insurance is one means of risk management. It transfers some of the risks from the business to an insurance company.

Good risk management is anticipatory, it takes all the available information into account, and it is systematic and well organised.

Scams

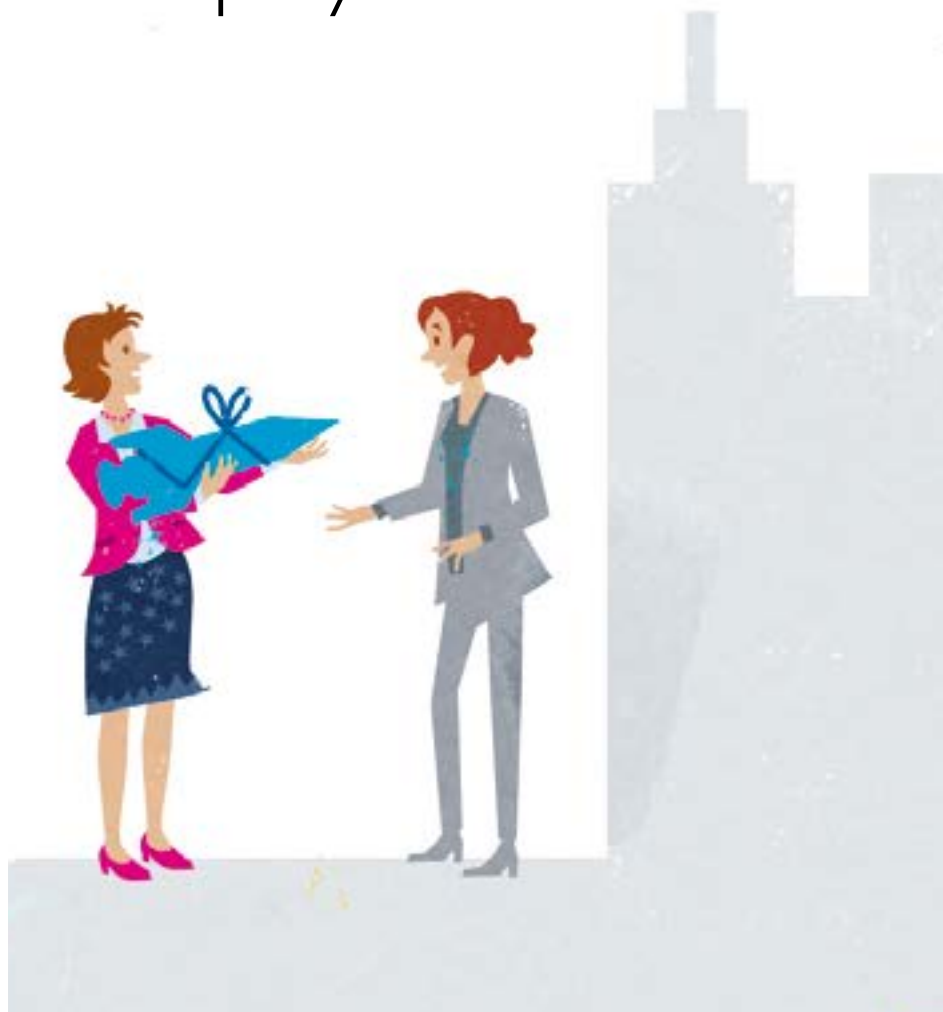
Scams and frauds targeting companies have increased significantly in recent years. New companies encounter directory scams, for example, where a telephone marketer calls and says that he or she is updating information for a business directory. The service fees are mentioned only at the end of the call. If you don't want to purchase the service, you should say so during the call or send an email right after the call. A reclamation is needed if you receive an order confirmation or an invoice for the service despite refusing to purchase the service. You can also demand to hear any recording of the call. It is recommended that no orders are placed or agreements made via telephone. Directory scams can also be sent via post or email.



Other scams targeting companies include false invoices, counterfeit invoices from a known company or corporation, counterfeit draft threats, offers masked as invoices, order frauds, in which products are ordered with a false identity or false documents, and bogus emails, where clicking on a link creates a data security risk.

For more information on scams and their prevention, read the Federation of Finnish Enterprises' guide "Yrittäjä, näin tunnistat ja torjut huijaukset" (in Finnish at www.yrittajat.fi).

Start-up grants and adjusted unemployment benefit



The start-up grants makes it easier for the entrepreneur to cope during the time the business is picking up speed.

Some TE Offices offer development services free of charge to entrepreneurs who have received a start-up grant to boost sales. The entrepreneur can choose the expert services from among the alternatives offered by the TE Office.

An application for a start-up grant must be accompanied by the business plan, as well as profitability and funding calculations. The business advisors of the Finnish Enterprise Agencies can assist in completing them. A further requirement is a certificate of the payment of taxes/tax debt certificate, i.e., a statement on whether the applicant has outstanding taxes to pay. A certificate may be ordered via the website of the Finnish Central Tax Administration (www.tax.fi), for example, or one may be collected from a tax office.

The start-up grant corresponds to the basic unemployment benefit in compliance with the Unemployment Benefit Act, excluding the increase part. In 2020, the basic grant is €33.66 per day. The start-up grant is paid for at the most five days in a calendar week.

The start-up grant is paid once a month retroactively on the basis of an application for payment submitted by the grant receiver. The application for payment

A start-up grant is a discretionary allowance that can be granted to a person who is becoming a full-time entrepreneur at the startup and establishment stage of the business. A start-up grant may also be granted to a person who plans to expand their part-time entrepreneurship into a full-time occupation. The start-up grant makes it easier for the entrepreneur to cope during the time the business is picking up speed. Start-up grants can be granted at the same time to several entrepreneurs who are working in the same start-up business. Start-up grants are taxable income, i.e. tax is payable on them.

It is worthwhile for someone considering setting up a business to contact their local Employment and Economic Development Office (TE Office) www.te-services.fi in

good time before starting their operations and to establish the possibilities for obtaining start-up grants. Operations must not be commenced before the Employment and Economic Development Office has made a decision on the start-up grants.

Start-up grants can be paid for a period of up to 12 months. A decision on the start-up grant is always made for a fixed period of time. The first period is always six months. After that period, the entrepreneur may apply for a continuation of the start-up grant for a maximum of another six months. The continuation application for a start-up grant must be delivered to the TE Office during the ongoing start-up grant period at the latest, approximately one month before the termination of the start-up grant period.

YOU MAY RECEIVE A START-UP GRANT IF

- the applicant has or (s)he will obtain adequate readiness for the intended business and that
- the intended business is of fulltime nature and it is estimated to meet the requirements of continuous profitable operations.

**A START-UP GRANT IS NOT GRANTED IF**

- the intended business is estimated to secure a reasonable income for the applicant at the start-up and stabilizing stages of the business operations
- the start-up grant is estimated to distort competition between the providers of same products or services to more than a minor extent
- a private person who applies for a start-up grant has started fulltime entrepreneurship before the decision on the grant was made.
- the person who applies for the start-up grant or the company involved has materially neglected their obligations to pay tax or other statutory payments, or the person or company has experienced material civil law default of payment, unless the TE Office considers the granting of the start-up grant appropriate.

If you are unemployed and start a business, you may receive a reconciled unemployment allowance for the first four months after the establishment of the company.

shall be submitted to the Development and Administration Centre (KEHA Centre) of ELY Centres and TE Offices within two months from the close of the payment period.

CONDITIONS FOR GRANTING SUPPORT

Start-up grants can be granted if the entrepreneur is able to establish profitable business and (s)he has experience as an entrepreneur or has business training. The support must be necessary for the entrepreneur's subsistence. The entrepreneur must work in the business full-time.

The Finnish Enterprise Agencies provide statements to the TE Offices on the prerequisites and profitability of the planned business to support the TE Office when making the start-up grant decisions.

A start-up grant cannot be paid if the income of the new entrepreneur has been secured in another manner, such as by wages, some form of support or benefits. For more information on the start-up grant, please visit www.te-services.fi. The bar-

riers for the granting of a start-up grant are governed in more detail in the Act on Public Employment and Enterprise Services.

ADJUSTED UNEMPLOYMENT BENEFIT

The term "adjusted unemployment benefit" refers to an unemployment benefit paid to a person who is working part-time. A person who is a part-time or short-term entrepreneur may also be entitled to receive the adjusted unemployment benefit.

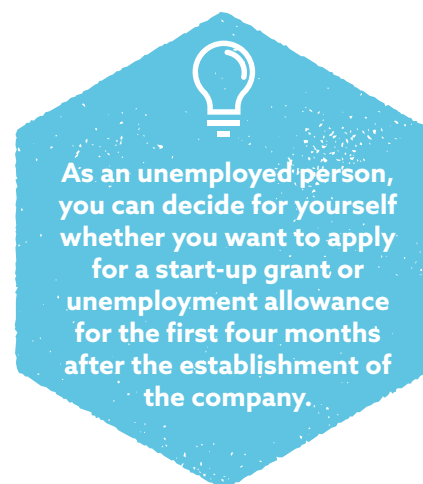
If you are unemployed and start a business, you may receive a reconciled unemployment allowance for the first four months after the establishment of the company, as the full-time/part-time nature of the work is not assessed during this time. If the business is not deemed to be a full-time job at the end of the four-month period, you can apply for a start-up grant. You can also apply for the start-up grant when you establish your business.

According to the Unemployment Benefit Act, a person is deemed a part-time entrepreneur if the workload required by the business operations is so low that it does not prevent the person from accepting a full-time job. The workload required by the business is the decisive factor; the income from the business operations or the lack thereof does not usually influence the decision.

The TE Office will make a decision on the prerequisites for the paying of the unemployment benefit and issue a statement that is binding on the party who will pay the benefit (the unemployment fund or the Social Insurance Institution of Finland). The TE Office will request a report on the business operations from the applicant before making the decision.

The amount of the adjusted unemployment benefit will be calculated by deducting half of the income exceeding the €300 protected portion from the daily unemployment benefit. If the person receives less than €300 per month from part-time or short-term business operations, it will not influence the benefit.

For more information on the adjusted unemployment benefit for entrepreneurs, please visit www.te-services.fi.



FINNISH TRADE REGISTER – CHECKLIST FOR ENTREPRENEURS



Make sure your registered company details are up to date – **file changes at ytj.fi**. Our online service is available in Finnish and in Swedish.



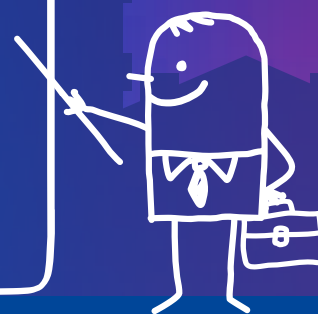
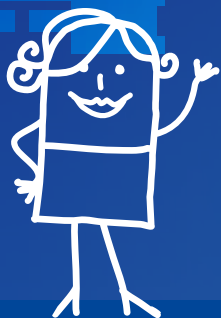
! File details of beneficial owners with the Finnish Trade Register. **Read more at www.prh.fi/beneficial_owners**.



Check if your company must file financial statements with the Finnish Trade Register. **Read more at prh.fi**.



File online. It is cheaper and faster than filing by paper forms.



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Business funding



established. The initial investment enables establishment of the enterprise and the start up of operations. When the business is profitable, future investment requirements can be covered by the income generated by the business's operations.

At the initial stage, the financing calculation helps in establishing the financing requirements and the financing sources. The size of the financing requirement is usually clarified in connection with the drafting of the business plan. The business plan and a performance plan needed as attachments to the application for financing can be drafted, for example, with the electronic tools of My Enterprise Finland service (oma.yrityssuomi.fi).

EQUITY CAPITAL

Entrepreneurs may invest in the business their own money or other assets that they own and possess (property given as a capital contribution). The entrepreneur's own savings, work tools or machines are referred to as self-financing. Generally, lenders (i.e. banks) require that around 20% of the finance provided comes from the entrepreneur before they consider granting a loan.

Equity capital can also be invested in the business by the entrepreneur's friends, family members and acquaintances. As a result, they can gain a share of ownership in the business.

EXTERNAL LIABILITIES

Normally, an entrepreneur needs, in addition to equity, external capital, i.e. loans. Interest is paid on a loan, which may be linked to the Euribor reference rate, for instance. In addition, the finance provider must obtain a return for itself, i.e. an interest margin, and a handling fee for the loan. The loan repayment terms vary depending on the finance provider. Often the banks require a real security for the loan capital, such as the pledging of a home or other assets. You should always ask many different banks for quotes on loans.

Also, funds from other external investors, such as acquaintances or family members, may be capital in the form of a loan that must be paid back with interest. It is always worth agreeing in writing on loans and their associated interest and repayment terms.

It is worth the entrepreneur remembering that short-term financial aid can also be obtained by paying for supplies later (supplier credit), leasing, bank accounts with overdraft facilities, and credit cards. Leasing finance is long-term rental where the item for which finance is provided acts as security.

However, in the cases mentioned above, the entrepreneur must pay attention to the annual interest rate, which may be substantially higher than a normal bank's interest rate, i.e. the loan will be more expensive.

PUBLIC FUNDING

A new company can receive business development support from a Centre for Economic Development, Transport and the Environment (ELY Centre; www.ely-centre.fi). Parties offering funding for companies which aim at growth in the international market include Business Finland, among others (www.businessfinland.fi/en/).

FUNDING FOR A PERSON ESTABLISHING A BUSINESS/ NEW BUSINESS

Finnvera

If you do not have the guarantee required by banks, Finnvera's (www.finnvera.fi/eng/) partial guarantee (Start Guarantee), which the bank will apply on behalf of the entrepreneur from Finnvera, can be the solution.

Start Guarantee is meant for recently established enterprises that meet the SME definition applied by the EU. Other criteria are that a maximum of three years may have passed since the entry

In the initial stages of a business, money is almost always needed to start up operations. The amount of money initially required depends on the business idea, and it fluctuates greatly depending on the industry. If operations are based on selling the entrepreneur's expertise as a service and the use of his/her time (for example, in interpreting and translation work), the initial investment required is much less than if a restaurant or a company manufacturing goods is being es-



You must reserve working capital to start a business because you will have more expenses than income at first.

of the company into the Trade Register and the owners must be natural persons. A Start Guarantee can be granted to a Finnish enterprise or registered proprietorship, but not to a co-operative. The entrepreneur's bank will apply for the Start Guarantee from Finnvera on behalf of the entrepreneur. The entrepreneur or the company need not contact Finnvera directly. Finnvera's guarantee coverage can be at most 80%. The total sum of Start Guarantees granted to one company may not exceed EUR 80,000, however. If your company is applying for a bank loan, but the criteria set for the start guarantee are not fulfilled, the company can apply for a guarantee from Finnvera for the bank financing (Finnvera guarantee, mainly 50% of the total borrowed capital). In these cases, the guarantee is applied directly from Finnvera.

Often, becoming an entrepreneur takes place by acquiring an already operational business. A partner in a limited liability company can apply for an Entrepreneur Loan from Finnvera to pay for the share capital of the company. An Entrepreneur Loan can also be granted to several founders or shareholders in the same company. The maximum loan per borrower is EUR 100,000.

The borrower must personally put up a self-financing portion of at least 20%.

Business development aid

The ELY Centre (www.ely-centre.fi) may grant SMEs development aid for development measures and investments. Development measures shall mean the development of the enterprise's business operations, internationalization, products and production methods, preparation of projects as well as other comparable significant business development.

The aid is directed at projects which are estimated to have a significant effect on the enterprise with regard to its

1. launching, expansion or renewal
2. innovations or improvement of knowhow
3. growth or internationalization
4. productivity
5. energy or material efficiency.

At least 25% of the investment acquisition costs must be funded from sources other than public subsidies.

No more than 50 percent of the expenses linked to the development measures and forming the grounds for support may receive funding. Such expenses are wages, consulting, travel expenses, participation fees and corresponding expenses. Investments included in the project may be supported depending on the size and location of the enterprise by 10–35 percent of the expenses forming the grounds for support.

The business development aid must be applied for prior to commencing the project. It is advisable to contact the ELY Centre expert before submitting the application for support to clarify the possibilities for the financing of the project. The enterprise shall draw up a project plan for the development project, which shall include the planned measures with schedules and costs as well as the results aimed at by the project.

The aid shall be paid subject to a separate application as the project progresses. An enterprise which receives aid must have the preconditions for profitable operations.

Up to 95% of Finland is determined as a "rural area", and in these areas, the ELY Centre may grant start-up aid for starting a company.

Agricultural enterprise supports

In rural areas, the ELY Centre may grant establishment support and investment support for entrepreneurial activity outside farming as well as for investment feasibility study. If the founder of the enterprise has already been granted a start-up grant, the establishment support cannot be granted.

The establishment support may be used to implement an enterprise start-up plan, such as for acquiring guidance preparing for business operations, product development projects, piloting of production, drawing up of a marketing plan or for other consulting or expert services. Support may also be granted to an existing enterprise if it takes up a completely new entrepreneurial activity.

The maximum establishment support is €35,000. For a trial, the maximum amount of support is €10,000.

Investment support may be granted to starting and expanding enterprises, inter alia, for

1. acquisition or construction of production facilities
2. acquisition of new machinery or other fixed assets as well as used machinery in limited cases
3. immaterial investments, such as acquisition of software, patents or manufacturing rights.

The investment shall be of material significance to the establishment, growth or development of the enterprise. The amount of the support varies, depending on the line of business and the objective area, between 20 to 40 percent of the costs.

Prior to launching the investment, the enterprise may apply for support for the clarification and planning of the preconditions of the investment. The support is meant for the acquisition of expert services and it can be granted to cover 40–50 percent of the approved costs. The support for this feasibility study does not require implementation of the investment.

Wage subsidy

An employer may receive a wage subsidy to hire an employee if the employer hires an unemployed jobseeker. The wage subsidy is a discretionary form of subsidy that a TE office may grant due to the lack of a jobseeker's professional competence. The amount and duration of the subsidy will

be determined based on how long the jobseeker has been unemployed.

The employer company must commit to paying wages corresponding to the collective labour agreement applied to the employment relationship.

If there is no such applied collective labour agreement, wages that are normal and reasonable for the job in question must be paid. A wage subsidy can be granted for an employment relationship that is valid for a fixed period of time or until further notice, as well as for apprenticeship training. A wage subsidy can also be granted for a part-time employment relationship, provided that it is justified on the basis of employing a person who is only partially fit for work.

The wage subsidy may be a maximum of 50% of the hiring costs.

In 2020, the maximum amount is €1,400 per month. When you announce a vacancy to the TE office, you can state wheth-

er you are interested in recruiting an employee with the help of wage subsidy. The employment relationship may not start until a decision in writing on the granting of the wage subsidy has been made. For more information on wage subsidies, please visit www.te-services.fi.

FUNDING FOR GROWING COMPANIES AND COMPANIES THAT PLAN TO GO GLOBAL

Finnvera

Finnvera (www.finnvera.fi/eng/) also offers funding for a variety of funding needs of companies that plan to go global. The loans and guarantees can be used to pay for the working capital required for export or fund the business operations of a Finnish parent company abroad. Finnvera's export credit guarantees can be used to reduce the risks related to international buyers and buyer countries in export business. Finnvera's funding solutions can also be used to offer a credit period for international buyers. It may be the decisive factor in trade negotiations that will finally land you the deal. In all issues related to the funding of export trade, you should contact your own bank and Finnvera at an early stage.

Business Finland

Business Finland provides funding for companies which aim to grow on the global market and want to develop their business through innovation. The company must have a good team, the ability to take risks and a sufficient amount of own funding and resources. The funding is meant for SMEs.

The funding can be used for the following purposes, for example:

- Planning international growth
- Research and development related to products, services, business model, competencies and understanding of customers
- Experiments, demos and pilot projects
- Internationalisation and market surveys
- Development of business for international market.



Your local Enterprise Agency can give you the best possible information on local financing channels and options.

The funding will be provided in the form of an aid or a loan, and the funding will cover part of the R&D project costs. The company must be able to fund part of the project itself.

Business Finland also offers advice and sparring for applying funding from Europe and other parts of the world. For more information on the funding, please visit www.businessfinland.fi/en/.

Business Finland provides advice on internationalisation for up-and-coming companies if a company is preparing to enter new markets, or if it wants to grow and develop its business in its current export market. Business Finland identifies promising business opportunities within markets and helps companies find the best partners and contacts across the globe. Business Finland has a global network of 140 experts in more than 30 countries. For more information on internationalisation services, visit www.businessfinland.fi/en/for-finnish-customers/services/international-growth.

The Team Finland Network

The Team Finland Network (www.tem.fi/en/team-finland/) maintains a list of internationalisation services for businesses that are funded by the state of Finland. Services for different stages of internationalisation are available, ranging from advice and market information to funding and surveying of international partners.

Several parties included in the network offer funding services of different types. Business Finland (www.businessfinland.fi/en/) funds and helps Finnish companies to grow more quickly and develop their innovations into international success stories, promote travel to Finland, and attract foreign investment to Finland.

Finnvera (www.finnvera.fi) improves and diversifies companies' funding options through loans, guarantees and export financing.

ELY Centres and TE offices support the growth and development of SME companies by providing advice, funding and training. The Ministry for Foreign Af-

fairs in Finland and representative offices across the globe help companies to create contacts and provide information on markets and opportunities in each country, as well as offer support in solving issues related to market entries.

Finnfund (www.finnfund.fi/en/) grants long-term funding for the establishment or expansion investments of Finnish companies or their partners that operate in developing countries. Finnpartnership (www.finnpartnership.fi/en/) offers business partnership support for the design, development and training of long-term commercial cooperation in companies. The Finnish Patent and Registration Office (www.prh.fi/en/) provides information and training on patents, trademarks and design copyrights.

Tesi (Finnish Industry Investment Ltd, www.industryinvestment.com) makes capital investments in promising Finnish companies during their growth and internationalisation.

Other parties within the network include the Finnish-Russian Chamber of Commerce, the Ministry of Education and Culture of Finland and culture and science institutes. The Confederation of Finnish Industries (EK) and the Federation of Finnish Enterprises are active partners of the network, and promote the growth and internationalisation of companies (www.prh.fi/en/).

Venture capitalists, business angels and crowdfunding

A venture capitalist or a business angel invests money in a start-up company against a minimum share of ownership (less than 50% of the shares), and usually sells the investment within 3–7 years. The investment target is normally an innovative company that is aiming for fast international growth with a scalable business model. In practice, the investor shares the risks of the business with other shareholders, and each is rewarded for the company's success. The terms of investment are specified in detail in a shareholders' agreement.

In addition to funding, the versatile business competence and networks of the

venture capitalist are made available to the company: a proficient venture capitalist offers profound understanding and practical experience, especially for the strategic development and recruitment of the company. You can search for a suitable venture capitalist by using a search engine on the website of the Finnish Venture Capital Association at (www.paaomasijoittajat.fi/en/), for example. The Finnish Venture Capital Association represents the interests of the sector, produces high-quality research and actively offers information about the sector. In addition, the association maintains the code of conduct of the sector, gives recommendations and organises training to develop the sector. Read more about the investment criteria of the venture capitalists from the guide *"How to raise venture capital and private equity funding – a guide for entrepreneurs"*.

A business angel is a private person who invests his or her private funds in a start-up company with a high growth potential. Usually, the business angel receives a share of the target company's share capital. Typically, in addition to the investment, the business angel brings his or her own human capital to the target company and enables the use of his or her personal contact network. Finnish Business Angels Network (FiBAN) is a non-profit association that aims to promote private investment in non-listed growth companies. FiBAN's *"Guide to Finding an Angel Investment"* (www.fiban.org/guide) is aimed especially at start-up companies, and it explains what is needed to find an angel investment.

Crowdfunding is quickly becoming more popular. Operating models suitable for companies include loan- and investment-type crowdfunding or crowdfunding based on advance sales.

In investment-type crowdfunding, companies usually put shares or bonds into circulation for investors. In loan-type crowdfunding, companies loan money from the general public and promise to pay it back with certain terms and conditions, with or without interest. In crowdfunding based on advance sales,



a company can reach a large number of consumers to market a new product.

Funding is often sought through a crowdfunding platform maintained by a crowdfunding broker. Brokerage of investment- and loan-type crowdfunding requires either a licence for offering investment services or inclusion in a crowdfunding broker register maintained by the Financial Supervisory Authority. Crowdfunding is a feasible option in the case of a company that aims to grow or is thinking about launching a new product, for example.

PLEASE NOTE!

Funding options

- **Own funding:** shareholders' equity and securities
- **Loan funding** (from a bank or Finnvera, for example): in return, you will pay interest
- **Investments** (such as business angels or other venture capitalists): in return, you will offer the investor a partnership or dividends
- **Crowdfunding:** Types suitable for a business include loan- and investment-type crowdfunding or crowdfunding based on advance sales
- **Public funding** (such as the ELY Centre, TE Office or Business Finland): a subsidy or loan for starting your business, internationalisation, growth and investments; in return, you will pay interest
- **Rural business subsidy** for business operations outside agriculture (ELY Centre).

Marketing, sales and advertising

WHERE CAN I FIND CUSTOMERS?

Before establishing an enterprise, you must research markets and find out what the markets are like for your potential enterprise. Based on this information you can decide whether it is sensible to establish an enterprise. You can also plan the marketing of your enterprise better. A starting entrepreneur can seldom afford to waste his/her marketing euros.

When developing your business idea, you have determined who your potential customers are and how many are there in the operating area of your business. You must also check your competitors and their strengths and weaknesses. Figure out why your business would be better than theirs and where would you be the underdog. It is also useful to find information on the product and service ranges and pricing of your competitors as well as of their strategies.

Market research and sharpening of your business idea

Market research is a way to gather information about markets, customer needs and opinions, competition structure or about the opinions of different customer groups on a certain product or service, business or business idea.

You will need to answer these questions:

- Who are your customers?
- How many customers are there in your selected area?
- Into what kind of groups (segments) can you divide the customers?
- How will you reach the customers?
- How much will the customers be willing to pay for your product?
- Why would customers choose your product over the products of your competitors?

If your customers are private consumers, you can gather background information

from the various databases and indexes in the Internet or from the various social media platforms. Information sources also comprise the municipal economic development offices and other authorities as well as Statistics Finland.

You can get information on the market trends, competitors and corporate customers from the business advisors and experts of the Finnish Enterprise Agencies, the ELY Centres (www.ely-centre.fi), entrepreneur federations, the Chambers of Commerce, federations of industries, the registers of the Statistics Finland, the PRH (www.prh.fi/en/) (the Finnish Patent and Registration Office) as well as from undertakings maintaining various data services.

If such desk research is still not sufficient, you can receive answers directly from your potential customers by sending an E-mail or web questionnaire or by interviewing them either by phone or by meeting them in person. In a market survey directed at consumers, the consumers are asked what they anticipate needing in the future or, even more commonly, what is their present consumption like. There are several electronic tools available for making the surveys.

The results may be used in the planning of marketing and sales or in product development. It is crucial for a

starting entrepreneur to find out whether a business idea has what it takes to succeed or not.

ENTREPRENEURSHIP IS SALES WORK

Success as an entrepreneur and the continuance of business operations both depend on sales. If the customers are not interested in buying, your path as an entrepreneur will be very short even if your product or service were the best. An entrepreneur receives his/her income from customers and therefore it is most important to take care of your sales and the cash flow of the undertaking.

ANSWERS BY

A BUSINESS ADVISOR



How can you advance sales?

"Sales can be advanced when the ground work has been done well. When you know your customer's needs and have no delusions about the excellence of your own product or service, you can sell it to best match your customer's needs. When you know your potential customer groups, it is easy to select just the right marketing and sales channels to reach the customers. From then on, sales requires resilience and endurance."

Timo Lehmusmetsä, Business Advisor
Kouvola Innovation Oy
Kouvolan seudun Uusyrityskeskus



The marketing is based on your customers: the one you sell to determines the way you need to market.

ing. Sales must also generate adequate gross margin so that you can pay the fixed and variable expenses of your enterprise.

Sales abilities play a key role in the success of an entrepreneur. The entrepreneur must be able to sell his/her own knowhow as well as the products or services (s)he offers. Good sales skills are a way to differ from the competitors. Efficient sales work helps to convince the customers and gives rise to a functioning interaction between an enterprise and a customer.

Sales work is based on identifying your customers

The most important aspect in sales work is to recognize the needs and expectations of the customer. It is important to clarify the starting point of the customer and therefore it is important to create

smooth interaction. Trust between the customer and the seller is essential for successful sales and the maintenance of the customer relationship. The creation and strengthening of trust are the basic elements of sales work.

A sales process may take from a few minutes to even years depending on the products or services offered. It includes many phases from the initial contact and the making an offer to contractual negotiations and the finalizing of the sale. Sales should be planned ahead: use of time, acquisition of customer information, tools to follow up the sales as well as the necessary support material.

Sales skills can be learned and help for sales can be bought

Even a starting entrepreneur may sometimes acquire help for sales as an outsourced service from another entrepreneur, a professional in sales – especially if one is uncertain in sales work. Some people think that sales work requires certain personality traits and social skills but sales skills can also be studied and developed.

Courses and training in sales are an easy and efficient way to improve one's own sales abilities. Sales work and the development of sales skills improve the negotiating skills that are important for an entrepreneur, his/her self confidence and goal

orientation as well as develop his/her social skills and discretion. Sales training varies from short courses of a few days to longer training courses leading to a diploma.

Every entrepreneur must do sales work. A good seller sells himself/herself first and then (s)he can sell his/her products and services. It is important for an entrepreneur to learn to understand the wishes and behavior of customers. In customer-oriented sales work, the entrepreneur fulfills the needs and expectations of a customer in order to achieve the best possible outcome.

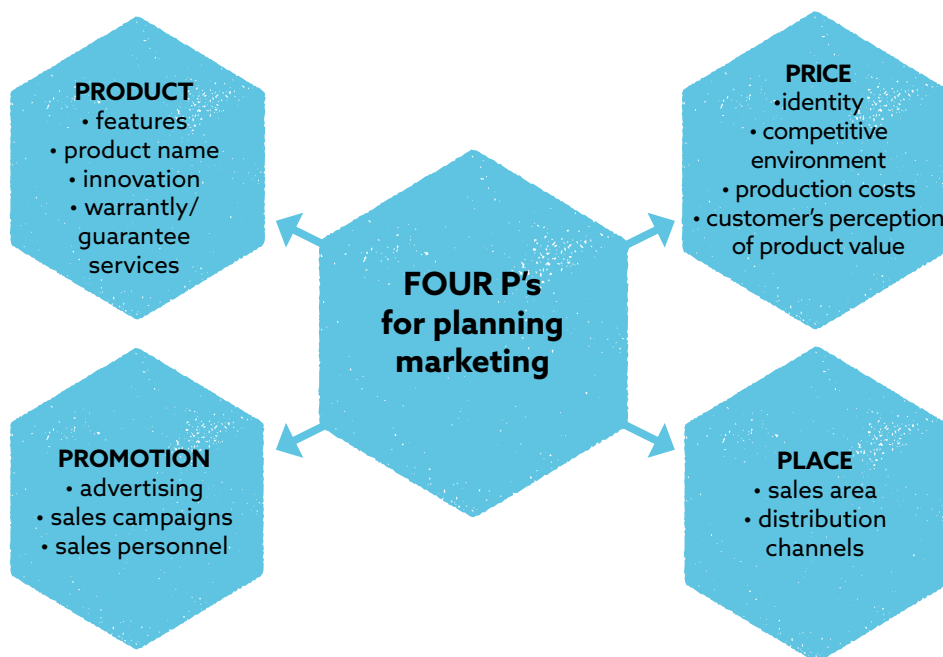
FIRSTLY, IT IS GOOD TO KNOW THE DIFFERENCE BETWEEN MARKETING AND ADVERTISING

With advertising, the business strives to directly influence the purchasing decisions of the consumer and to make the product well-known. A satisfied customer will come back readily. But if the advertising does not provide the right information about the product's features, it may be that the customer will not return.

In marketing, a business strives to influence the behaviour of consumers. The aim of marketing is to create, maintain and develop customer relationships. Maintaining customer loyalty is important, because acquiring new customers is of

ten much more expensive than keeping old ones. Loyal key customers also usually create the majority of sales volume.

Marketing includes all the actions that aim to promote sales. A good work-tool to help plan marketing is the so-called “marketing mix” model. It comprises the 4 P’s based on the corresponding English words: **Product**, **Price**, **Place** and **Promotion**. From these, you can choose the marketing mix desired according to your customer target group, and you can focus on using these in the marketing of your enterprise.



Source: Kotler Philip (1980) *Principles of Marketing*. Prentice Hall.

PRODUCT: The goods or services and their features, the product name, guarantees/warranties, novelty value and how the goods/services stand out from competing products.

PRICE: The monetary or other compensation paid by the customer for the product. The determining factors include the competitive environment in the marketplace, market share, the customer's perception of the product's value, production and material costs as well as discounts.

PLACE: The location where the product may be bought. Often, the term “distribution channel” is used. This refers to both concrete business locations (i.e. stores) and virtual business locations on the Internet, such as an online store.

PROMOTION: All means of communication via which the marketer, i.e. the enterprise, can promote its product. This includes, amongst other things, advertising, communication at the point of sale or on the internet, sales campaigns, public relations and the information passed between customers via word-of-mouth.

The marketing plan for the business will help make the marketing coherent and clear. Using the plan, you can monitor fulfilment of the objectives and develop marketing in the future. It is worth reviewing both the marketing mix and the customer groups at regular inter-

vals. For example, you can consider the following questions: have you achieved what you wanted with the measures implemented? Or should you make changes or adapt your style of marketing or advertising? Has the key customer group changed its purchasing behaviour (changed requirements)? Who are your customers now, and who do you want as customers in the future? And what are your competitors doing?

COMPETITIVE WEAPONS IN MARKETING

Success in the markets requires good knowledge of the business environment and the competitors as well as distinguishing oneself from the competitors. Marketing is the tool for influencing the consumer's impression and experience of the goods or services offered by a business – “we are better than our competitors”. Marketing is indeed an important part of the planning work of an enterprise.

The starting point of marketing is customers: to whom you sell determines your marketing approach. What you sell, i.e., your products and services, come only second in the order of importance. The customer buys the value (s)he can gain therefrom, not, for example, technical features or technological frills. Always concentrate on the customer and his/

her needs, do not get too engrossed by the features of your product or service.

The marketing of a starting entrepreneur is mainly personal sales work. Most often the question is how to sell one's own work. As very little money is usually available, own time must be invested in sales work. The initial contact is most often made by phone. The next step is to grab the suitcase and meet the customers.

A business strives to influence the behavior of customers through marketing. The aim of marketing is to create, maintain and develop customer relationships. It is important to maintain customer loyalty as the acquisition of new customers is often far more expensive than keeping the old ones. Loyal key customers usually generate most of the sales volume. For many, the basis of entrepreneurship is a well-maintained group of regulars who also bring new customers through recommendations.

SEGMENTATION OF CUSTOMER GROUPS AND SELECTION OF A TARGET GROUP

It is good for a business to investigate which product group it wishes to sell a product to. Even though acquiring a large group of customers is tempting, it is worth focusing on the most impor-

MEDIA THE COMPANY CAN MAKE USE OF



Newspapers, local and free papers, and magazines



The Internet (among other things display, blogs, virtual world, social media)



Television



Radio



Mobil



Films (including product placement)

Social media requires a systematic approach.

tant customer group that generates the greatest sales for the enterprise with the least effort. Marketing to a certain segment (i.e. group) will reduce the number of customers, but at the same time it will increase the effectiveness of marketing. There are various ways of specifying a certain segment. For example, age, place of residence or purchasing power, i.e. how much money customers have available, can be used. When advertising children's toys for instance, it is worth focusing on areas where there are lots of families with children or on a baby magazine that is read by new parents.

It is worth segmenting a market if:

- the market has enough potential customers
- a group's customers have common features and requirements
- the customer groups differ from each other
- marketing will reach the chosen segments economically and effectively.

SELECTION OF ADVERTISING MEDIA

It is worth looking for those media for your business that you can use to get a message, i.e. your advertisement, across to the desired recipients as economically and effectively as possible. An entrepreneur who is just starting up their business rarely has time or money to invest in massive marketing campaigns. The web offers versatile and cost-efficient opportunities to market your products and services. Many customers are already online, so entrepreneurs should be too.

Nowadays, people almost exclusively search for information about products and companies online. Up to 80% of consumers will study a product online before making a decision to buy it. Even a small company should meet its customers online in addition to its small store or other traditional sales channels.

Web visibility can take the form of ready-made media space on chargeable internet search services, the company's own website or an online store. In the case of all visibility, you should regularly update the information and make sure that it can be viewed with all devices, including a mobile phone and a tablet. An online store, like other websites, is a good way to collect information and build a customer register. You must always tell the customers what you are using the data for and how they can prevent its use for purposes other than that desired by them.

Familiarise yourself thoroughly with the main features and prices of the various advertising media. The prices may vary strongly depending on the media.

Take some time to study the key features and prices of different advertising media.

Direct marketing is one common way to reach customers. For example, a pizzeria entrepreneur may distribute adverts him/herself to letterboxes of residents in the neighbourhood. All brochures, business cards, etc. to be distributed directly to people either in person or electronically are forms of direct-marketing media. However, in direct marketing, you must take account of authorisation issues, i.e. whether you need customer authorisation for marketing or, in the case of minors, parent/guardian authorisation, if you use e-mail for example.

A really important marketing channel is communication among people, i.e. so-called word-of-mouth. Customers often tell each other about their good and bad experiences, so information about a product spreads on Facebook, for example. In marketing, it is also worth paying special attention to how you treat a customer in a service situation. For example, are you able in a sales situation to provide added value for a product, which creates a positive image (amongst other things, appearance of packaging, discounts, home delivery, items thrown in for free)? Or how, for example, will you deal with complaints?

SOCIAL MEDIA IN THE MARKETING OF AN ENTERPRISE

For a starting entrepreneur, the social media is a cost-effective way to reach potential customers. However, presence in the social media requires time and a systematic approach from the enterprise to achieve the desired results.

An enterprise need not be present in all social media channels so the first step is to determine which channels the potential customers of the enterprise favor. The use of the different social media channels varies inter alia by age.

Presence in social media requires that you are continuously active. Furthermore, you must have the willingness and time to be in social media. So, consider with care

what you can do and increase your social media presence within these limits. Social media is primarily a communications channel and therefore one should avoid direct advertising. It is worthwhile to produce useful and/or entertaining social media contents that are pleasant to follow and easy to share. Social media offers a possibility to invest in a positive and capable image; when a customer needs products or services from the field of the enterprise, the enterprise will be the first in his/her thoughts.

Instructions and tips for social media communications are available, for example, in printed and electronic guides as well as from blogs. One way to learn more of social media usage is to follow it. By following the social media communications of other enterprises, one can learn what is working and what is not.

DIRECT MARKETING TO CONSUMERS

Direct marketing refers to marketing where a consumer is approached directly by mail, phone or email. Companies

are obligated by law to tell the consumers already when collecting their personal data whether the personal data will be used for direct marketing purposes. As a general rule, electronic direct marketing messages may only be sent to people who have given their consent to such advertising.

The consumer must be informed of from where the contact details were obtained. Consumers have the right to prohibit direct marketing.

As an exception to the rule, a company may send electronic direct marketing messages without a consumer's consent if the following prerequisites are met:

- The contact information was obtained when selling a product to the consumer and the message only advertises products similar to those that were sold by the company to the consumer.
- The same marketing means is used as was used when the product was purchased (for example, sending text messages is okay if the product was bought by sending a text message).
- The consumer was informed of the sending of the marketing messages in connection with the transaction.
- The consumer is clearly told in connection with each electronic marketing message of their right to prohibit the sending of messages.

ANSWERS BY

A BUSINESS ADVISOR



What kind of social media visibility does a new entrepreneur need?

"A new entrepreneur needs social media visibility just like any other entrepreneur and company – they need to be where their customers are. Facebook and Instagram are good environments for marketing consumer services. LinkedIn and Twitter, on the other hand, might be better for reaching out to corporate decision makers. It is recommended to start out with more familiar channels, so that you get a quick jump on things – otherwise, the visibility of the business as a whole may be overshadowed by all the haste. The most important thing is to keep your website up-to-date and encourage people to click the links to your website from social media posts for more information."

Sari Olsio, Account Director, YrityEspoo





Pricing

Before you price your products, consider whether your service is better or of higher quality than the competitors'. Thus, will you sell your products at a higher or lower price than your competitors? What added value are customers prepared to pay for? Will they pay, for instance, for the image, product quality, good customer service, a warranty/guarantee or location?

Think carefully about the price level, and set it so that it is in line with the product image. A quality, i.e. high-priced, product requires a high-quality setting. When you have started to offer a product, negotiate on its price and then sell it at a certain price, it is very difficult in the future to raise the price. Also remember that many customers will expect there to be "room for negotiation" on the price.

The pricing of expert services can be based on time required. However, the hourly rate does not tell the customer the total price, because they will not know how much time will be required for the work. Use a pricing model as an aid in which you give details of the work contents and the time used for the work.

In pricing, you can also use devices such as introductory offers, contract prices, "fast purchase" offers and special-offer periods (for example during a quiet period). With these devices, you can set your basic tariff at the level you desire. Examples of pricing models are restaurant lunch prices or early booking rewards at travel agents. There are also customers who want to pay the price specified by the tariff without any negotiations or bargaining.

Always keep your prices on view to your customers. A good price list tells the customer both the product price and what the price includes. The consumer will only be interested in the final price, including VAT. The corporate customer will be interested in the price net of VAT, because VAT on purchases can be deducted from VAT on sales.

SALES MARGIN

Carefully consider what the correct price for your product is. Your company must retain some of the product's sales price as the sales margin. If you sell products at a high price (i.e. margin), you don't have to sell a large number of products to make your business profitable, but if you sell products at a low margin, you will have to sell a lot of them. So check how large of a sales margin you will receive

for each product sold. Is the margin sufficient when taking into account the number of products sold?

Example: You sell a product that costs €28 to produce. Your competitor sells the same product to customers at a price of €55 (incl.VAT). Look what effect it has on the profit margin if you sell the product at a price that is 20% lower than your competitor's.

EXAMPLE ON PRICING	Competitor's price EUR	Price that is 20% lower EUR
Sales price	55.00	44.00
- VAT 24%	-10.65	-8.52
Price net of VAT	44.35	35.48
Purchase price (VAT 0%)	-28.00	-28.00
Profit margin	16.35	7.48

EXAMPLE OF THE CALCULATION OF SALES PRICE		
Total costs of the product	150.00	
+ Target sales margin (35%)	80.77	
= sales price net of tax	230.77	
+ VAT 24%	55.38	
= sales price including tax	286.15	

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Licensed industries



In Finland, there is freedom of trade. This means that here you may engage in business operations that are lawful and in accordance with good practice without requiring a licence from the authorities. However, for certain industries, you do need a licence for the sake of the community, the environment and consumer safety. In other fields, you must notify the authorities of your operations, even though an official licence is not required.

Licences are granted by local authorities (municipalities and cities) and regional administration offices along with government departments, local environmental-protection authorities and other licensing authorities.

Before operations are commenced, it is always important to check whether a special licence or declaration is needed for the business and what else is required from a trader in this field. To acquire a licence the applicant must generally be professionally competent and qualified

to enter into legal contracts and have a good reputation. Also, the applicant's financial situation will have an impact on whether (s)he can obtain a licence. The licences required by businesses that provide a service are shown on the webpages www.suomi.fi/company/.

A licence is generally for a fixed period, and it can be revoked if the person does not comply with the provisions of the licence. Application for a licence is usually subject to a charge. In some cases, a licence is needed from many different authorities. For example, in the catering industry, hygiene certification and licences to serve food and alcohol are required, and declarations must be made to the health inspector, the rescue services, building-regulation departments, amongst other things.

LICENCES FOR SOCIAL AND HEALTH CARE PROVIDERS

The National Supervisory Authority for Welfare and Health in Finland, Valvira (www.valvira.fi/en/) grants the right to

carry out work in the healthcare profession in Finland to healthcare professions trained abroad, subject to application. Such people include doctors, nurses, dentists, qualified chemists, midwives, speech therapists and psychologists. A healthcare professional working as an independent practitioner is required to submit a notification of his/her activity to the Regional State Administrative Agency AVI (www.avi.fi/en/).

A provider of private healthcare services must have a permit from a licensing authority.

Provision of private social welfare services requires a notification of the services and an application for a licence with regard to round-the-clock services. The licence shall be granted by AVI when the service is produced in the area of one AVI; in other cases by Valvira.

The National Supervisory Authority for Welfare and Health can grant, by application, the right to practice a social wel-

fare profession either as a certified or a licensed professional in Finland. Social welfare professionals include social workers, Bachelors of Social Services, geriatric nurses, rehabilitation instructors, practical nurses, home aids and nurses for the mentally handicapped.

FOOD ESTABLISHMENTS

Food establishments, such as restaurants, shops and kiosks must file a written notification to the local food control authority before the beginning of operations or any substantial change in operations. The beginning of operations does not require an inspection by the control authority.

However, if a facility where foodstuffs are handled is used to process animal-based foodstuffs before selling them to retail customers, an approval for the facility must be sought from the local food supervision authority before starting the business operations or making a material change in the nature of the operations. Such facilities for which an approval is necessary include meat preparation plants, dairies and egg packaging plants, for example.

The Finnish Food Authority (www.ruokavirasto.fi/en/) approves slaughterhouses and meat industry plants in connection with slaughterhouses. However, the approval of reindeer slaughterhouses and plants in connection with them is done by the Regional State Administrative Agencies (www.avi.fi/en/).

NOTIFICATION UNDER THE HEALTH PROTECTION ACT

When establishing or introducing operations which may cause health hazards to customers or residential use and the operations take place in a residential building or a residential neighbourhood, the operator shall submit a written notification in accordance with the Health Protection Act to the municipal health protection authority. The notification obligation applies to public accommodation apartments, gyms, public saunas, spas and swimming pools, schools, after-school centres, day-care centres, children's

homes, nursing homes, reception centres, solariums, tattoo businesses, and beauty salons.

The licence for the sale of tobacco products shall be granted by the municipal health inspector (www.localfinland.fi).

LICENCES FOR THE USE OF COPYRIGHT PROTECTED MATERIAL

For playing music in public places, such as business's customer premises, it is necessary to pay a statutory fee to the copyright organisations. The music licence is required if music is played, for example, on radios, televisions, CDs, a streaming service intended for public use (such as Soundtrack), or if live music is played at the company.

Acquiring the music licence ensures that authors of music and musicians themselves receive the compensation they deserve from their work. The liability to compensate starts when you start using the music, and the entrepreneur is responsible for acquiring the music licence.

The liability to compensate starts when you start using the music, and you as the entrepreneur are obligated to obtain the licence. Teosto (www.teosto.fi/en/) represents composers, arrangers and songwriters, and collects the compensation for the use of live music. Meanwhile, Gramex (www.gramex.fi/en/) represents musicians, singers, conductors and record producers. A music licence must be obtained from both organisations. Both of the licences can be obtained through a joint venture of Teosto and Gramex, GT Music Licences Ltd, at www.musiikkiluvat.fi by phone at +358 30 670 5030 (operator charge only).

A company must obtain permits for photocopying and scanning materials protected by copyright, such as books and magazines, as well as for copying and printing online materials, such as online newspaper articles, from the Finnish copyright society Kopiosto (www.kopiosto.fi). The annual sticker of Kopiosto shall be attached to the printer to indicate the licence.

A licence to use an image of a work of visual art in websites, the brochures, posters and annual reports of an enterprise must be obtained from the artist, photographer or the holder of their rights. Kuvasto (www.kuvasto.fi) grants licenses for images of the artists' work. Free image banks are available in the Internet.

In the municipality or the city, there may be different regulations concerning outdoor advertising and sales, for instance.

Import-related licences are granted by Authorization Centre of the Finnish Customs (www.tulli.fi/en/).

PLEASE NOTE!

Before establishing a company, study the following:

- Will you need a business licence, or do you have to make a notification or register the company?
- Will the business operations require an approval from an authority or special professional qualifications?

For industry-specific permits and licences and professional qualifications, please visit www.suomi.fi/company/.

INDUSTRIES REQUIRING A LICENCE OR NOTIFICATION

Industry	Licence/notification/registration	Organization/authority
Beauty parlours, hairdresser-barbershops	Notification pursuant to section 13 of the Health Protection Act	Municipal health protection authority (www.localfinland.fi)
Companies dealing with refrigeration devices	Notification of operations	Tukes (www.tukes.fi/en/)
Companies including limited liability companies and co-operatives	Notification of the company's beneficial owners	Finnish Patent and Register Office (www.prh.fi/en)
Companies installing and maintaining extinguishing equipment, and companies inspecting and maintaining handheld fire extinguishers	Notice of activity	Tukes (www.tukes.fi/en/)
Companies offering crowdfunding	Registration	Financial Supervisory Authority (www.finanssivalvonta.fi/en/)
Companies offering travel service combinations	Notification for entry into register of those under a recognisance obligation	Finnish Competition and Consumer Authority (www.kkv.fi/en/)
Creditors and peer-to-peer loan brokers	Notification for entry into the creditor and peer-to-peer loan broker register	Regional State Administrative Agency of Southern Finland (www.avi.fi/en/)
Driving schools	Driving school licence	Traficom (www.traficom.fi/en/)
Electrical works (electrical installations and repair of electrical appliances)	Notification of electrical work	Tukes (www.tukes.fi/en/)
Exploration	Reservation notification, exploration permit	Tukes (www.tukes.fi/en/)
Facilities where animal-based foodstuffs are handled before selling them to retail customers	Application for the approval of a facility where foodstuffs are handled	Municipal food control authority (www.localfinland.fi)
Food establishments (restaurants, cafés, stores, bakeries, kiosks)	Notification of a food establishment	Municipal food control authority (www.localfinland.fi)
Freight and personnel transport licence holders: starting a taxi service	Notification of taxi service operations	Finnish Transport and Communications Agency Traficom (www.traficom.fi/en/)
Gas and oil heating equipment installation companies, underground oil tank inspection companies	Application for status of approved company	Finnish Safety and Chemicals Agency Tukes (www.tukes.fi/en/)
Garage operations	Licenses and approvals	Traficom (www.traficom.fi/en/)
Gold panning	Gold panning permit	Tukes (www.tukes.fi/en/)
Grocery stores	Notification of a food establishment, retail trade license for alcohol, retail trade license for nicotine products	Municipal food control authority (www.localfinland.fi) Regional State Administrative Agencies (www.avi.fi/en/) municipal authority (www.localfinland.fi)
(Hazardous) processing and storage of chemicals and LPG (small-scale operation)	Notice	Rescue department
Import of alcoholic beverages (holders of licences for serving and retail sales of alcoholic beverages)	Import notification	Valvira (www.valvira.fi/en/)
Industrial handling and storage of (dangerous) chemicals	Licence for plants dealing in large-scale industrial handling and storage	Tukes (www.tukes.fi/en/)
Installation and maintenance of fire alarm systems	Notification of operations	Tukes (www.tukes.fi/en/)
Insurance agents and brokers	Registration as an agent, registration as an insurance broker	Financial Supervisory Authority (www.finanssivalvonta.fi/en/)
Investment service companies	Licence	Financial Supervisory Authority (www.finanssivalvonta.fi/en/)
Laboratories	Laboratory approval	Finnish Food Authority (www.ruokavirasto.fi/en/)
Land extraction	Land extraction permit, notification on the hearing of neighbours, notification pursuant to section 23 a of the Land Extraction Act (Other possible)	The municipal authority in charge (www.localfinland.fi) (www.environment.fi)
Licensed premises which have been approved in advance for operations compliant with section 20 of the Alcohol Act	Preapproved licensed premises	Regional State Administrative Agency (www.avi.fi/en/)
Lift maintenance and repairs	Notice of electrical installation and work on lifts	Finnish Safety and Chemicals Agency, Tukes (www.tukes.fi/en/)
Lost and found offices	Lost and found office licence	Regional State Administrative Agency of Western and Inland Finland (www.avi.fi/en/)
Manufacture and import of chemicals	Chemical notification, Environmental permit	Tukes (www.tukes.fi/en/), Municipal environmental protection authority (www.localfinland.fi)
Manufacturers and sellers of precious metals	Application for responsibility mark	Tukes (www.tukes.fi/en/)

Mining	Mining permit, mining safety permit Environmental permit	Tukes (www.tukes.fi/en/) Regional State Administrative Agencies (www.avi.fi/en/)
Natural gas pipework or filling station and storage of natural gas	A licence when specific limit values are exceeded. Also applies to refined biogas.	Finnish Safety and Chemicals Agency Tukes (www.tukes.fi/en/)
Notice of a freight or personnel traffic licence holder on taxi traffic business	Notice	Traficom (www.traficom.fi/en/)
Operation of debt collection (on behalf of another)	Entry into the register of debt collection companies	Regional State Administrative Agency of Southern Finland (www.avi.fi/en/)
Operation of taxi services	Taxi license	Finnish Transport and Communications Agency Traficom (www.traficom.fi/en/)
Parties providing accounting and tax consulting services, business services, legal services (e.g. lawyers), currency exchange operators, and goods and arts dealers (some)	Notification to the Anti-Money Laundering Register	Regional State Administrative Agency of Southern Finland (www.avi.fi/en/)
Pharmacies, pharmaceutical industry, pharmaceutical wholesalers	Pharmacy and subsidiary pharmacy licences, medicinal product manufacturer's licence, pharmaceutical wholesale licence	Finnish Medicines Agency Fimea (www.fimea.fi)
Private health care services	Application for licence to provide private health care services	Operations within the region of one AVI Agency: Regional State Administrative Agencies (www.avi.fi/en/), operations within the region of two or more AVI Agencies: Valvira (www.valvira.fi/en/)
Private security services (private security companies, security stewards and security officers)	Security industry business licence, approval as a responsible manager	National Police Board, supervision of the security sector (www.poliisi.fi/en/)
Private social welfare services (round-the-clock)	Licence to provide round-the-clock social welfare services	Regional State Administrative Agencies (www.avi.fi/en/)
Private social welfare services (other than round-the-clock)	Notification of the provision of social welfare services	The municipality where the service is provided (www.localfinland.fi)
Production of alcoholic beverages for commercial purposes	Licence to produce alcoholic beverages	Valvira (www.valvira.fi/en/)
Professional waste carriage and brokerage	Application for approval of activity in a waste management register	Centres for Economic Development, Transport and the Environment (www.ely-centre.fi)
Real estate and rental brokerage	Notification of the commencement	Regional State Administrative Agencies (www.avi.fi/en/)
Refrigeration and fire extinguisher operators	Notification of operations	Tukes (www.tukes.fi/en/)
Retail sale and serving of alcoholic beverages in international transport	Notification of the retail sales and serving of alcoholic beverages in international transport	National Supervisory Authority for Welfare and Health, Valvira (www.valvira.fi/en/)
Retail sales at licensed premises	Retail licence for licensed premises	Regional State Administrative
Retail sales of alcoholic beverages	Retail trade licence	Regional State Administrative Agencies (www.avi.fi/en/)
Serving of alcoholic beverages	Licence to serve alcoholic beverages	Regional State Administrative Agencies (www.avi.fi/en/)
Slaughterhouses and facilities connected thereto as well as game processing facilities	Approval of a food establishment as a facility	Finnish Food Authority (www.ruokavirasto.fi/en/), reindeer slaughter facilities: Regional State Administrative Agencies (www.avi.fi/en/)
Technical inspection of vehicles	Inspection permit	Finnish Transport and Communications Agency Traficom (www.traficom.fi/en/)
Telecommunications, programmes and pay TV services	Telecommunications notification/Program broadcasting notification/Pay TV service notification	Finnish Transport and Communications Agency Traficom (www.traficom.fi/en/)
Temporary sales activities and kiosk and café operations at lay-bys or parking areas along roads	Permit for temporary sales, Agreement on kiosk and café operations	Pirkanmaa Centre for Economic Development, Transport and the Environment (www.ely-centre.fi)
Transport of goods using a vehicle or a vehicle combination with a total weight of more than 3,500 kg	Freight transport licence	Finnish Transport and Communications Agency Traficom (www.traficom.fi/en/)
Transport of goods using a vehicle or a vehicle combination with a total weight of more than 2,000 but a maximum of 3,500 kg	Notification of freight transport operations	Finnish Transport and Communications Agency Traficom (www.traficom.fi/en/)
Transporting people by bus	Passenger traffic licence	Traficom (www.traficom.fi/en/)
Wholesale of alcoholic beverages	Alcoholic beverage wholesale licence	National Supervisory Authority for Welfare and Health, Valvira (www.valvira.fi/en/)

PROFESSIONAL APPROVALS AND QUALIFICATIONS

Person(s)	Approval/qualification	Organisation/authority
Accountants	HT examination as well as KHT and JHT qualification examinations	Accounting supervision (www.prh.fi/en/)
Driving instructors	Driving instructor permit	Traficom (www.traficom.fi/en/). Service provider Ajovarma Oy (www.ajovarma.fi/en/)
Employees of several companies working at a shared worksite	Occupational safety card	www.tyoturvallisuuskortti.fi/en
Goods inspectors (HTT)	HTT examination	Goods Inspection Board of Finland Chamber of Commerce (www.kauppakamari.fi/en/)
(Hazardous) processing and storage of chemicals and LPG (small-scale operation)	Notice	Rescue department
Hot work professionals	Hot work card	Finnish National Rescue Association SPEK (www.spek.fi)
Letting agents (LVV)	LVV examination	Board of Examiners for Real Estate Agents (www.kauppakamari.fi/en/)
Lorry and bus drivers	Applying for professional qualification of a driver (applicable education required)	Ajovarma Oy (www.ajovarma.fi/en/)
Parties providing accounting and tax consulting services, business services, legal services (e.g. lawyers), currency exchange operators, and goods and arts dealers (some)	A notification to the Anti-Money Laundering Register.	Regional State Administrative Agencies (www.avi.fi/en/)
Person acting as a responsible manager or other appointed person in licensed premises	License to service alcohol (alcohol passport)	Educational establishments offering the alcohol passport examination (www.valvira.fi/en/)
Private health care service providers	Notification of private health care service provision	Regional State Administrative Agencies (www.avi.fi/en/)
(Private) persons working in the (private) licensed security sector	Approval as a security guard (security guard card)/approval as a security system fitter (security system fitter card)/ approval as a security officer (security officer card), persons working in private licensed security companies	Municipal police department (www.poliisi.fi/en/)
Professionals in Building, HVAC and Real Estate sector	Qualification of Professionals in Building, HVAC and Real Estate sector	FISE Qualification of Professionals in Building, HVAC and Real Estate sector (www.fise.fi/en/)
Property valuers (AKA and KHK)	AKA and KHK examination	Property Valuation Board of Finland Chamber of Commerce (www.kauppakamari.fi/en/)
Real estate agents (LKV)	LKV examination	Board of Examiners for Real Estate Agents (www.kauppakamari.fi/en/)
Social welfare professionals	Application for licensing / a protected occupational title	Valvira.fi (www.valvira.fi/en/)
Supervisors of electrical work and lift work	Certificate of electrical and lift qualification	Henkilö- ja yritysarviointi SETI Oy (www.seti.fi)
Taxi drivers	Taxi driver licence – prerequisite: successful test completion	Applications to Ajovarma Oy (www.ajovarma.fi/en/) Traficom (www.traficom.fi/en/)
Transport of dangerous goods	ADR licence	ADR training organisations Traficom (www.traficom.fi/en/)
Other permits and notifications		
Abnormal transport	Abnormal transport permit	Pirkanmaa Centre for Economic Development, Transport and the Environment (www.ely-centre.fi)
Work carried in the road area	Permit for work carried in the road area	Centres for Economic Development, Transport and the Environment (www.ely-centre.fi)

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Permits and registrations of foreigners



The nationality of a foreigner decides which permits or registrations (s)he needs to engage in entrepreneurship when moving to Finland.

Anyone moving to Finland must submit a notification of the move to the Digital and Population Data Services Agency (www.dvv.fi/en/) if the stay in Finland is to exceed three months. The notification must be submitted within a week of the move. In the case of first registration, first move or permanent move, you must always personally visit a Digital and Population Data Services Agency's office.

Citizens of EU/EEA Member States must register in Finland at a service point of the Finnish Immigration Service if they will be staying in the country for more than three months. This is easy to do through the EnterFinland service at www.enterfinland.fi. Next, you must identify yourself and present original copies of your documentation at a service point of the Finnish Immigration Service. You must submit a paper copy of your application to a service

point of the Finnish Immigration Service (www.migri.fi/en/).

Those moving from outside the EU/EEA need, as a main rule, a residence permit granted by Finland in order to work or to engage in a trade in Finland. If the permanent place of residence or municipality of residence is outside the EEA, a permit of the National Board of Patents and Registration of Finland may be needed for establishing a business or for holding a managerial position in a business.

Moving from another Nordic country

Citizens of Iceland, Norway, Sweden and Denmark may reside and work in Finland without separate permits. However, a citizen of a Nordic country must be able to prove their identity and that they are residents of a Nordic country. A citizen of a Nordic country who is moving to Finland for the first time must personally visit a Digital and Population Data Services Agency's office to submit a notification of the change of address. A personal visit is also required when a person is permanently moving from another

Nordic country to Finland. If the person has previously lived in Finland and is only temporarily moving to Finland, a personal visit to the Digital and Population Data Services Agency's office is not required to file a notification of the move.

Citizens of EU/EEA Member States

A citizen of an EU Member State, Switzerland or Liechtenstein who plans to stay in Finland for more than three months to work or run a business must register at a service point of the Finnish Immigration Service. This is easy to do through the EnterFinland service at www.enterfinland.fi. Next, you must identify yourself and present original copies of your documentation at a service point of the Finnish Immigration Service. You must submit a paper copy of your application to a service point of the Finnish Immigration Service (www.migri.fi/en/). A separate residence permit is not required. Furthermore, citizens of EU/EEA Member States must register at the Digital and Population Data Services Agency's office if they will be staying in Finland for more than three months. In order to be registered a domicile, the person must have

valid registration for their EU right of residence. A person can also request a temporary registration if they plan to stay in Finland for less than twelve months and they have a justification for the registration (such as studying or working). The person must fill out and personally sign at the Digital and Population Data Services Agency's office a foreigner's registration form. An identity card (with a photo) or a passport is needed to verify your identity. As a general rule, citizens of EU/EEA Member States must demonstrate the legality of their residence by showing a valid passport or an ID with a photo that indicates their identity and citizenship.

People moving to Finland from non-EU/EEA countries

A person moving to Finland from a country that is not an EU/EEA Member State will need an entrepreneur's residence permit to do business in Finland.

A person moving to Finland from a country that is not an EU/EEA Member State will need an entrepreneur's residence permit to do business in Finland.

The following will be considered to be entrepreneurs:

- A sole proprietor (who has a proprietorship)
- A partner in a general partnerships or a general partner (but not a silent partner) in a limited partnership
- A co-operative member who has an unlimited obligation to contribute; the unlimited obligation to contribute must be entered in the Trade Register
- A partner working in a leading position in a limited liability company (a Managing Director or a board member) or a person working in a leading position in another corporation who owns at least 30% of the company's shares or who has in their possession at least 30% of the votes in the company or a person working in a leading position in another corporation who has a similar authority in the corporation.



A residence permit will not be granted solely on the basis of owning a company. Instead, a prerequisite is working in the company, and the work must take place in Finland.

As a general rule, you must apply for a residence permit before coming to Finland. The permit can be applied for online through the EnterFinland service (www.enterfinland.fi) or by submitting a paper copy of the application to the Finnish embassy of the country in which you legally reside. Those who have applied for a residence permit online must visit the embassy to identify themselves and present original copies of their documents.

The processing of an entrepreneur's residence permit application is a two-stage process. First, the Centre for Economic Development, Transport and the Environment (ELY Centre; www.ely-keskus.fi) will make a preliminary decision on the application based on an assessment of the profitability of the business and sufficient livelihood. The profitability will be assessed on the basis of a variety of reports, such as a business plan, legally binding preliminary contracts and funding reports. When the preliminary decision has been made, the Finnish Immigration Service will process the application and make the final decision.

Applying for a residence permit as a start-up entrepreneur has been possible

A residence permit will not be granted solely on the basis of owning a company.

as of 1 April 2018. A start-up entrepreneur must obtain a positive statement from Business Finland before submitting the residence permit application to the Finnish Immigration Service. A domicile or a temporary address and a Finnish social security code will be registered for a person who is moving to Finland, if specific conditions are met. The person must fill out and personally sign a foreigner's registration form at the Digital and Population Data Services Agency's office. As a general rule, you need a valid passport to prove your identity. The residence permit (permanent or temporary) may have an impact on the registration of domicile. If an employee has a temporary residence permit for twelve months, in addition to the residence permit for at least twelve months' stay, they must work for at least two years in Finland and plan to stay in Finland permanently to register a domicile.

A foreign national may also receive a Finnish personal identity number already when applying for a residence permit with Finnish diplomatic missions or the Finnish Immigration Service. A precondition is that the applicant is granted a residence permit and (s)he himself/herself requests a personal identity number. In that case, very concise personal information and postal address in Finland or abroad shall be registered on him. The registration as a permanent resident in Finland (full personal information and familial relationships) takes place only at the Digital and Population Data Services Agency's office on the basis of a personal visit. For further information, contact a Digital and Population Data Services Agency's office (www.dvv.fi/en/).

The permit requirement for permanent members and deputy members is always estimated separately.

PERMITS TO PERSONS RESIDING ABROAD

Whether a person from outside the EEA, who is establishing a business in Finland, needs a permit of the National Board of Patents and Registration of Finland (NBPR) depends on the corporate form. Also holding a managerial position in a business may require a permit of the NBPR. Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom* belong to the European Economic Area (EEA).

The permanent place of residence of a private entrepreneur must be located in the EEA; in other cases, the permit of the NBPR is required to establish a business. In practice, permits have been granted only to people who have a permanent residence in Switzerland, i.e. a country that has signed the Lugano Convention.

At least one partner of a general partnership and the general partner of a limited partnership shall have his/her place of residence or, if the partner is a legal person, its domicile, in the EEA. In other cases, the permit of the NBPR shall be applied for to all partners in a general partnership and to all general partners in a limited partnership. The silent partners of a limited partnership are not required to have their places of residence or domicile in the EEA. The founders of a limited-liability company or a co-op-

erative may also come from outside the EEA. However, at least one member of the Board of Directors of a limited-liability company or a co-operative shall have his/her place of residence in the EEA; otherwise the permit of the Finnish Patent and Registration Office is required for all permanent members of the Board. The permit requirement for permanent members and deputy members is always estimated separately. The deputy members of the Board do not require the permit if at least one deputy member has his/her place of residence in the EEA. Otherwise, all deputy members require the permit of the Finnish Patent and Registration Office.

The Managing Director of a limited liability company or a co-operative (and their deputy, if any) must have their place of residence in the EEA or else a permit of the NBPR is required. The Finnish Patent and Registration Office will only evaluate and decide on the permit issue for an individual application when processing the application, i.e. the end result of an application cannot be promised in advance. Additional information on permits to persons from outside the EEA is available at www.prh.fi/en/.

*The United Kingdom of Great Britain and Northern Ireland left the EU on 31 January 2020.

PLEASE NOTE!

- **Citizens of a Nordic country:** If you are going to stay in Finland for more than six months, you must register at the Digital and Population Data Services Agency's office. A personal visit to the Local Register Office is required and you must also file a notification of the move
- **Citizens of EU/EEA Member States:** If you are going to stay in Finland for more than three months, your EU residence permit must be registered by the Finnish Immigration Service. A personal visit to the Digital and Population Data Services Agency's office is required and you must also file a notification of the move.
- **People moving to Finland from a non-EU/EEA country:** As a general rule, apply for a residence permit before coming to Finland in electronic format from the Finnish embassy in the country you legally reside in. Residence permits are granted by the Finnish Immigration Service. You must visit to the Digital and Population Data Services Agency's office to register as a person permanently living in Finland.
- **People who permanently live outside the EEA:** in some cases, a permit from the National Board of Patents and Registration of Finland to establish a company or run one may be required. Your citizenship is not the decisive factor here, but your permanent place of residence. See www.prh.fi/en/.

A man wearing a red jacket and a blue beanie is sitting on a piece of machinery, likely a reed cutter, in a field of tall grass. The background shows a line of trees with autumn foliage. The text is overlaid on the top right of the image.

ESTABLISHING

A COMPANY

Your company will exist once it has been registered. Before registering the company, you must make a decision on the company form.

PHOTO BY: JOHANNA KINNARI

"For anyone with enough drive, I do recommend establishing a company!"

Sauli Tikka

PIKKALAN KAISLANLEIKKU OY

New business grew from experience

After years of working in the automotive industry, Sauli Tikka embarked on a totally different career in the spring of 2019, when he got into environmental issues and the condition of water. Pikkanen Kaislanleikku came about almost by accident.

Sauli got help for establishing a liability company from Novago Business Development.

Read more about Sauli Tikka's decision to become a reed cutter at www.uusyrityskeskus.fi.

Stages of establishing a company



Establishing a company starts with refining your business idea into a functional form and further writing it down on paper and completing the necessary calculations. You will need the written plan and calculations when searching for funding, subsidies or a guarantee for your company, but first and foremost, the business plan is important for yourself when you are thinking about the sales targets or development of your business.

You will also need to enclose a business plan and profitability calculations with your start-up grant application. If you apply for a start-up grant, please keep in mind that you may not start your business operations until the TE office has made a decision on your start-up grant.

Next, you must decide which company form is right for you. This depends on, for instance, whether you are establishing a business alone or with other people.

Funding needs, investments and liabilities may also influence the choice of

company form. You must come up with a name for your company at this point. You should invest in planning of the name, because a personal and unforgettable name will assist you in marketing.

You can establish a private tradership by submitting a notification to the Finnish Tax Administration. In the case of any other company form, you must register your company in the Trade Register. You can submit the company into the registers of the Tax Administration with the same notification of establishment form. Before this, you must prepare the company's establishment documents.

A new business usually starts with leased premises. Decisive factors when selecting the premises include the rent, and the location and applicability of the premises for the intended operations.

Don't forget about insurance. Even though the only mandatory insurance policy is the self-employed person's pension insurance (YEL), you should also take out accident insurance and join an

entrepreneurs' unemployment fund or take out unemployment insurance when establishing a business.

The Enterprise Agencies assist people who want to establish a company to get the best possible start for their business. The business advisory services offered by the Enterprise Agencies are offered free of charge, and it is absolutely confidential.

For the location of the closest Enterprise Agency, please visit

www.uusyrityskeskus.fi.



The Enterprise Agency's business advisors and experts will assist you in all stages of establishing a company.

PATH TO ENTREPRENEURSHIP



1 Test and record your business idea.
For more information, please see p. 16.



2 Draw up a business plan.
For more information, please see p. 18.



3 Choose the company form and trade name.
For more information, please see p. 52, 62.



4 Check whether the business is subject to a licence.
For more information, please see p. 40.



5 Arrange financing.
For more information, please see p. 28.



6 Prepare the establishment documents.
For more information, please see p. 52.



7 Register your company in the Trade Register and the Tax Administration's registers.
For more information, please see p. 62.



8 Find suitable premises for your business.
For more information, please see p. 65.



9 Take out self-employed person's pension insurance (YEL) and other necessary insurance policies.
For more information, please see p. 71.

Forms of enterprise



In Finland, it is possible to carry out business operations in the following forms of enterprise: private trader, general partnership, limited partnership, limited liability company, co-operative, branch of a foreign enterprise. The following forms of enterprise are less common: *Societas Europaea*, European co-operative society and European Economic Interest Grouping (EEIG).

When determining the most suitable form of enterprise for you, the business advisors and experts of the Finnish Enterprise Agency will help you.

Factors affecting which form of enterprise is selected:

- number of people establishing the business
- the need for capital and its availability
- responsibilities and decision making
- operational flexibility
- continuity of operations
- attitude of finance providers
- profit sharing and covering losses
- taxation.

PRIVATE TRADER (OWN FIRM)

An individual with permanent domicile in the European Economic Area (EEA) may operate as a private trader in Finland. A person who lives outside the EEA needs a licence from the National Board of Patents and Registration of Finland (www.prh.fi/en/) for establishing a business.

Operating as a private trader means that the person carries out business operations alone or together with their spouse. Even though the couple set up the business together, the business is registered only in the name of one person.

The entrepreneur him/herself makes decisions, and (s)he is fully liable for the business's commitments (concerning loans, for example) means all his/her assets are at risk. Thus, the entrepreneur is personally liable for the business's losses, but (s)he will also receive any profits made from the business's operations.

The firm will not have a Board of Directors or a Managing Director, and audits are not required.

The entrepreneur may invest money in the business, but this isn't compulsory either. The entrepreneur is not able to pay a salary to him/herself, to his/her spouse or to his/her children under the age of 14, but money may be withdrawn from the business account as so-called personal drawings. Tax is paid annually based on the business's result for the period.

Even though the entrepreneur owns the firm, his/her personal finances must be kept separate from the business's finances with the help of bookkeeping.

Private trader entrepreneurs can be divided into professionals and traders, both of whom do work on their own account. A self-employed person is an entrepreneur who can operate in his/her profession without a permanent workplace and without external manpower. A self-employed person may be, for instance, a seamstress, carpenter or interpreter. A trader is an entrepreneur who has a permanent workplace or who can employ other staff.

Establishment actions

Establishing the firm is simple. Separate documents are not necessary. However,

you must submit a notification of establishment when starting business operations.

You can submit the notification online at www.ytj.fi/en/. First you fill in your establishment notification with the Trade Register online. Then you register with the Finnish Tax Administration by filing a notification of changes online.

If you only register your company with the Tax Administration, you must submit a paper copy of the establishment notification.

However, you must register the company in the Trade Register if:

- You are practicing any business for which a permit/licence is required
- You have a permanent office for your business, i.e. business premises that are not located in your own home
- You employ people other than your spouse, minor child or grandchild.
- You want to protect your selected company name, i.e. keep the name for yourself. You can also protect your company name by making it established.
- You are applying for a business mortgage.

If you want to submit your notification of establishment as a paper copy, you must fill out the form in the YTJ online service, print it, personally sign it and send it by regular mail to the Finnish Patent and Registration Office – Tax Administration, Business Information System, PO Box 2000, FI-00231 Helsinki, Finland.

Registration of a company in the Trade Register is subject to a fee. The processing fee for an online notification is €60 and the processing fee for a paper notification is €115 (January 2020). See www.ytj.fi/en/.

Who is a firm suitable for?

A firm is easy to establish and the simplest of the forms of enterprise to establish. Often, a firm suits a small-scale entrepreneur who is just starting off.

PARTNERSHIPS: GENERAL PARTNERSHIP AND LIMITED PARTNERSHIP

To establish a partnership, you need at least two partners (i.e. people). Generally, these are natural people, but a partner can also be a legal person (an enterprise or organisation). There are two types of partnership: general partnerships and limited partnerships.

In general partnerships, at least one partner, and in limited partnerships, at least one general partner must have permanent residence, or if the partner is a legal person, domicile, in the EEA area. If they do not, for all partners that are not in the EEA area, a licence must be sought from the National Board of Patents and Registration of Finland (www.prh.fi/en/).

The partners invest a contribution in the partnership, and this will consist of money, assets or work. In a general partnership, a contribution in the form of work from partners will suffice as an investment. In a limited partnership, the silent partner invests money or other assets in the company. However, the law does not specify how large this contribution must be.

In a general partnership, all the partners are fully liable for the partnership's commitments, meaning their personal assets are at risk, and they decide together on issues relating to the partnership unless agreed otherwise.

In limited partnerships (ky), there are two kinds of partner: active and silent. In a limited partnership, there must be at least one active and one silent partner. General partners are fully liable for the partnership's commitments, meaning their personal assets are at risk, and they decide together on issues relating to the partnership.

Silent partners invest money or assets of monetary value in the partnership, and they receive agreed interest on the earnings. The silent partner does not have the right to participate in the decision-making of the company, unless otherwise agreed, nor is the silent partner responsible for the company's business, unless otherwise agreed.

Private tradership is the simplest company form and easy to establish. Separate documents are not necessary. You can submit the notification online at www.ytj.fi/en/.

Establishment actions

The partners shall draw up a written partnership agreement, which, in accordance with the law, shall specify the trade name of the partnership, the place of registered office in a Finnish municipality, the line of business and the partners. The partnership agreement of a limited partnership shall also state which partners are general partners and which are silent partners as well as the contribution of the silent partner in euros. The partnership agreement must be dated and signed. It is also possible to agree in the partnership agreement on, for example, who has the right to represent the partnership, conveyance of the partnership share, resignation from the partnership, distribution of profit as well as on the manner of termination or cancellation of the partnership agreement.

The partners may also draft a separate partner agreement in writing in connection with the founding of the partnership. The partner agreement may contain an agreement on the administration of the partnership, the decisions requiring unanimity of the partners, the non-competition clause and the handling of disputes. The agreement also aims at regulating the liabilities of the partners for the debts and commitments of the partnership. Such restriction shall not, however, be binding on a third party.

For more information on the available company forms, please see page 56.

TEN INSTRUCTIONS TO SUCCESS

1 You must be familiar with the line of business in which you intend to establish an enterprise. Don't forget to monitor changes in your industry.

2 You must study entrepreneurship. The Employment and Economic Development Offices (TE offices) and the Finnish Enterprise Agencies, for example, organise courses for entrepreneurs. Also you can get help from business advisory experts.

3 The business can only work when supported by products for which there is a big enough market.

4 Look after your image and your intellectual property rights.



5 Marketing alone is not enough: you must also know how to sell your products. Take the initiative and try to address your customers' changing needs.

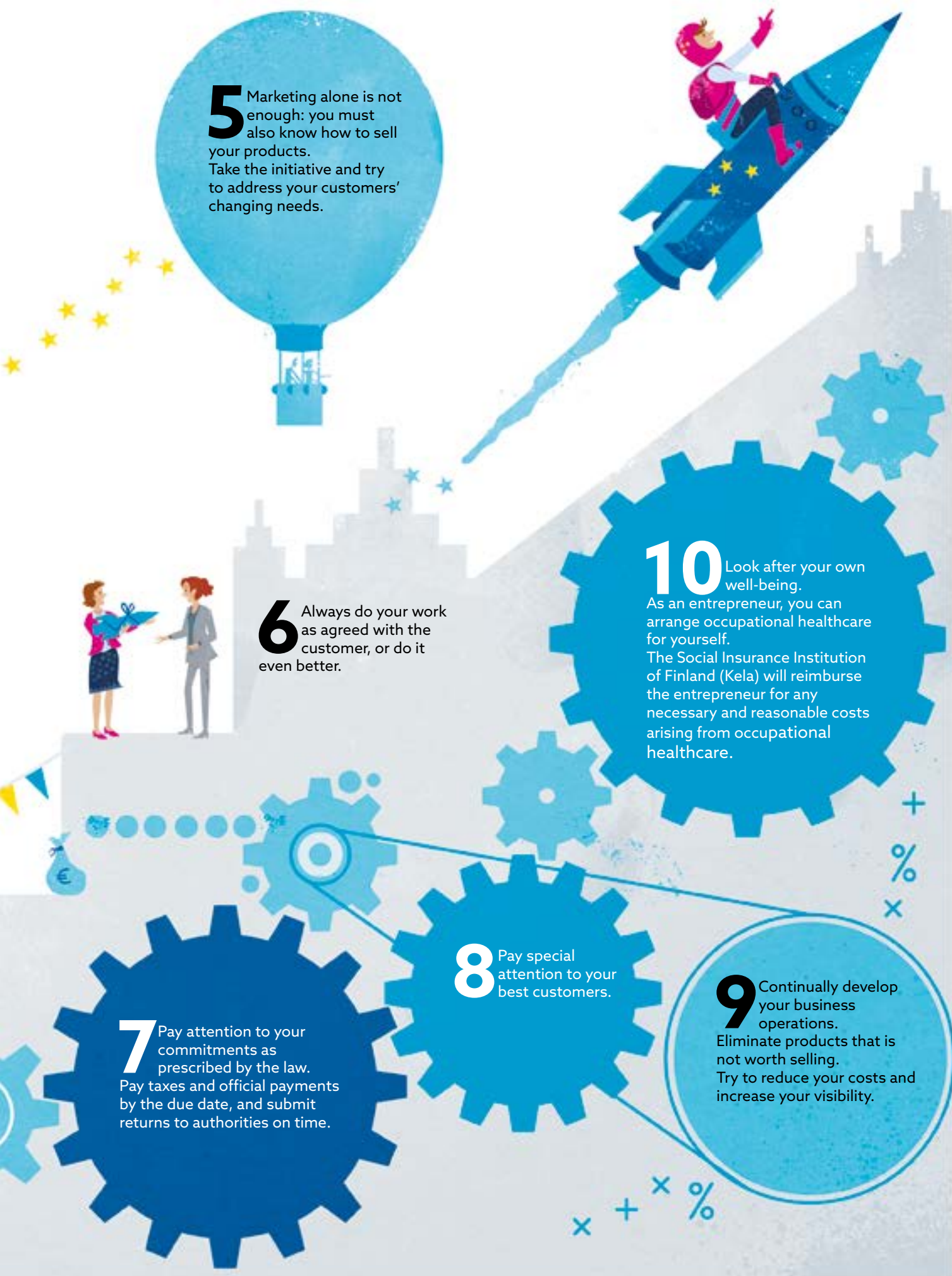
6 Always do your work as agreed with the customer, or do it even better.

10 Look after your own well-being. As an entrepreneur, you can arrange occupational healthcare for yourself. The Social Insurance Institution of Finland (Kela) will reimburse the entrepreneur for any necessary and reasonable costs arising from occupational healthcare.

7 Pay attention to your commitments as prescribed by the law. Pay taxes and official payments by the due date, and submit returns to authorities on time.

8 Pay special attention to your best customers.

9 Continually develop your business operations. Eliminate products that is not worth selling. Try to reduce your costs and increase your visibility.





The partner agreement shall not be enclosed to the start-up notification. The agreements shall be made with great care with the help of a legal expert.

You can also use a ready-made establishment package to establish a general or limited partnership. The package includes all of the document templates and notification forms you will need when establishing a company, as well as instructions on how to establish the company. The package includes a standard partnership agreement. You can find the establishment package at www.ytj.fi/en/.

The partnership agreement must be registered in the Finnish Trade Register and with the Finnish Central Tax Administration. This is done using the Y2 form. In addition, a personal data form shall be filled in. These are available from the website, www.ytj.fi/en/. Notification of the partnership must be accompanied by the original partnership agreement. There is a charge for registration, which is €240 Janu-

ary 2020. The partnership must be reported for registration within three months from signing the partnership agreement, or else the formation of the partnership expires. A partnership can be established by registering it in the Trade Register.

When are partnerships suitable?

Partnerships are suitable for family enterprises. You must remember that, in a general partnership, the partners and, in a limited partnership, the general partners are liable for the partnership's commitments together equally. If one partner makes a commitment, the others are also liable for it. Therefore, there must be a very high level of trust among the partners. However, the liability of the partners can be limited in the partnership agreement.

LIMITED LIABILITY COMPANY (OY)

A limited liability company may be established by one or more people or organisations. When the company is being set up, the founders register all the company's

shares. A private limited company can be founded without share capital. The Finnish Companies Act does not specify anything about the residence or domicile of the shareholders, i.e. the founding shareholders of a limited liability company may also be from outside the EEA area.

The shareholders are liable for the company's commitments only to the extent of the capital that they have invested in the company, unless they have guaranteed loans on behalf of the company.

Issues relating to a limited liability company are decided on by the shareholders. A person who has more shares also gets more decision-making power (and more voting power). A limited liability company may also have shares of different types, in which case some shares provide more authority/votes than others. A limited liability company must have a Board of Directors that the shareholders appoint. The board takes care of management of the company, and it

represents the company. The board may elect a Managing Director for the company, who takes care of its day-to-day management. However, the appointment of a Managing Director is optional. The Managing Director can be named at the establishment stage of a limited liability company or at a meeting of the Board of Directors at a later date.

If the board of a limited liability company comprises less than three ordinary members, at least one deputy member must also be appointed.

If the board of limited liability company includes fewer than three ordinary members, you must also choose at least one deputy member. If there are several members on the board, you must name a chairperson. At least one of the board ordinary members and one of the deputy members (calculated separately) must have permanent residence in the EEA area. If they do not, a licence must be sought from the National Board of Patents and Registration of Finland for all ordinary members or deputy members who are from outside the EEA area (www.prh.fi/en/).

Establishment actions

A limited liability company can be established by registering it in the Trade Register. To establish a company, a written memorandum of association must be prepared and all the shareholders must sign it. The articles of association must be enclosed. At a minimum, the articles of association must include three pieces of information: the company name, the company's registered office (a Finnish municipality) and the line of business.

The memorandum of association for a limited liability company must always indicate the date of the memorandum of association, all shareholders and the shares subscribed by each shareholder, the amount to be paid to the company per share (subscription price), the share payment period and members of the Board of Directors. The financial period shall be determined either in the memorandum of association or in the articles of association.

The memorandum of association shall also state, where necessary, the Managing Director, the members of the Supervisory Board and the auditors of the company. The memorandum of association may also include the names of the Board members and the Chairperson of the Supervisory Board.

You can establish a limited liability company online at www.ytj.fi/en/ if the following prerequisites are met:

- Share capital is EUR 0.
- The subscription price for the shares is EUR 0.
- The company will only need standard articles of association.
- The subscribers and board members are at least 18 years of age and they, as well as the Managing Director and auditor (if any), have Finnish social security codes and a personal online banking ID, a mobile certificate or an ID card with a chip (a HST card).
- Holders of procuration (if any) and persons entitled to represent the company have Finnish social security codes.

If one of the subscribers is a legal person, the memorandum of association cannot be submitted online.

When a limited liability company is established online, the YTJ service will automatically generate a memorandum of association and articles of association for the company. After the establishment of the company online, a bank account must be opened for the company for the payment of the share capital. Once the share capital has been paid, the board members and Managing Director (if any) must sign a declaration on payment of the share capital in the YTJ service. The auditor must also sign a separate certificate. If the company does not have an auditor, a report on the payment of the share capital must be enclosed, such as a bank statement or a receipt of the payment.

If you want to fill out the documents on paper, you can use the ready-made es-

tablishment package compiled by the Finnish Patent and Registration Office, which includes a memorandum of association template, an articles of association template, the required notification forms and instructions. The package is designed for companies that only need the standard articles of association, the shares of which will be paid in cash and the entire subscription price of which will be included in the share capital. The package can also be used for other purposes.

A paper copy of the notification must be filed with the establishment notification form Y1 and its appendix form 1.

The notification to the Trade Register must be filed within three months of the signing of the memorandum of association, or the establishment will become null and void.

The original memorandum of association and a copy of the articles of association must be enclosed with the establishment notification filed on paper, unless the articles of association are included in the memorandum of association. A personal data form must also be filled out. A receipt of the cash payment must be enclosed. For information on any other necessary documents, please see www.prh.fi/en/.

If the share capital is paid in cash, it must be paid to the bank account of the company to be established. A limited liability company cannot be registered before the share capital has been paid.

The registration is subject to a fee (€275 online at the YTJ service or €380 for a notification on paper; January 2020).

If shares are paid for using non-cash assets, there must be a term in the memorandum of association stating that the share subscriber has the right or duty to pay the subscription price using non-cash assets. Also, in the memorandum of association, there must be a description of the non-cash assets. In the Finnish Trade Register, there must be an auditor's statement on the description of the non-cash asset capital contribution and on whether the

assets had a financial value to the company that was at least equivalent to the price. This statement may be given either by a chartered accountant (KHT or HT) or a chartered auditing firm.

If the company has more than one founding member, it is worthwhile creating a written shareholders' agreement. A shareholders agreement is a contractual agreement between the shareholders of the company regulating the mutual relationships between the shareholders and their rights and obligations in the company.

The shareholders agreement may provide, for example, for the division of tasks, the restriction of the circle of shareholders or the arrangement of operations of the company. Also the redemption of shares in cases, where a shareholder conveys them to a third party, may be agreed upon if the articles of association do not contain a redemption clause. Also the distribution of profit, the non-competition clause as well as what happens to shares upon the death of a

shareholder may be agreed upon in the shareholders agreement.

A company may also be a party to the shareholders agreement; the agreement may also provide for the mutual relationships between the company and the shareholders. In that case, the company must also decide on matters subject to the shareholders agreement in its appropriate bodies.

A shareholders agreement should be prepared carefully and prudently. Amending the agreement after the commencement of operations may be very difficult if disputes have arisen, as an amendment thereto requires a unanimous decision of all the parties to the agreement.

When is a liability company suitable?

All types of business are suited to being a limited liability company.

The limited liability company can be established by a single person. In this case,

a second person is required as a deputy member of the board. An advantage of limited companies is the limited liability, which is restricted to the shareholder's capital holding, unless a guarantee has been given on behalf of the company.

For large enterprises, a public limited liability company is a suitable form of enterprise. For this, the minimum possible share capital is €80,000. With public limited companies, their shares are offered to the public and traded on the stock markets.

CO-OPERATIVE

A co-operative is an association, which has one or more members. The members may be private individuals, undertakings or other associations.

Founding of a co-operative does not require a minimum capital. A co-operative is a flexible form of business where the number of members may increase or decrease during the operations as required. The co-operative shall decide on



its participation shares in its rules. The participation share need not have a nominal value and its subscription price may vary. The payment may be made in cash or as a capital contribution if capital contributions are provided for in the rules. The co-operative shall refund the participation share if a member resigns or is dismissed from the co-operative.

The members decide on issues relating to the co-operative, and each member generally has one vote. The members elect the board of the co-operative. The board takes care of management of the co-operative, and it represents it. The co-operative may elect a Managing Director for the co-operative, who takes care of its day-to-day management. However, the appointment of a Managing Director is optional.

As an independent legal person, the co-operative is liable for its debts. The liability of a member of a co-operative is limited to the amount invested in the co-operative (participation share). When borrowing, the members may, where necessary, be required to give an absolute guarantee the same way as shareholders of a limited liability company if other collateral is not sufficient.

The net assets and the surplus belong to the co-operative. The rules may provide for its distribution and the basis for distribution. It may be, for example, a payment of interest on the co-operative capital or a refund to the members in proportion to the services used by them. However, the main goal is not to produce a surplus.

Establishment actions

To establish a co-operative, a written memorandum of association must be prepared and all the members must sign it. The rules of the co-operative must be enclosed. The rules must include at least the name of the co-operative, the registered office (a Finnish municipality) and the line of business. There is an establishment package for a co-operative at ytj.fi. It includes two templates for the rules of a co-operative.

The memorandum of association of a co-operative shall always state the date of the incorporation, all incorporators and the

A co-operative is a flexible form of business where the number of members may increase or decrease during the operations as required.

shares devolving on the incorporators, the amount payable to the co-operative of a share, the payment period of a share and the members of the Board of Directors of the co-operative. The financial period shall be provided for in the memorandum of association or in the rules.

The memorandum of association shall state the Managing Director, the members of the Supervisory Board, the auditors and the performance auditors if such an organ exist in the co-operative. The memorandum of association may name the Chairman of the Board. The memorandum of association may also include the names of the Board members and the chairperson of the Supervisory Board.

The internal affairs of a co-operative should not be included in the rules but they should be entered in a separate membership agreement. The membership agreement may provide, i.e., for the administration of the co-operative, the division of tasks, the responsibilities as well as for the handling of disputes. Use the help of a legal expert when drafting the rules and the member agreement. The member agreement shall not be enclosed to the start-up notification.

All of the document templates, notification forms and instructions related to the establishment of a co-operative are avail-

able in the establishment package of the Finnish Patent and Registration Office at www.ytj.fi/en/.

A co-operative must be filed for registration in the Trade Register within three months of the signing of the memorandum of association, or the establishment will become null and void.

The notification must be done using a Y1 form and its Appendix 2. In addition, a personal data form must be filled out. The forms are available at www.ytj.fi/en/. The original memorandum of association and a copy of the rules must be enclosed with the notification of establishment. There is a charge for registration, and this is €380 (January 2020). A co-operative can be established by registering it in the Trade Register.

For whom is a co-operative suitable?

A co-operative is at its best when the members have genuinely committed to the goals and are active actors. A co-operative is especially suitable in situations where the members change and when there is a need to ensure continuous mutual equality. A co-operative is an association of members, new members will be decided on together and the membership and the voting rights tied thereto cannot be bought or sold.

A co-operative is also a flexible form of business. Matters, rules and tasks can be defined together. Any costs arising from work and operations as well as the operating facilities may be divided and acquisitions made in a sensible manner. Each member, with his/her own input, can influence both his/her own salary and the share of the co-operative.



When a branch is established, notification of this must be sent to the Finnish Trade Register.

ANSWERS BY

A BUSINESS ADVISOR

BRANCH OF A FOREIGN ENTERPRISE

A branch of a foreign trader shall mean the part of a foreign organisation or foundation that runs a continuous business or trade from a permanent place of business in Finland in the name and for the benefit of a foreign organisation or foundation. The company name of a branch must include the company name of the non-Finnish entrepreneur with an addition which indicates that it is a branch, such as “branch in Finland”.

When a branch is established, notification of this must be sent to the Finnish Trade Register. This is done using a Y1 form and its appendix 3. In addition, a personal data form shall be filled in (www.ytj.fi/en/). In addition, a personal data form shall be filled in. The appendices to the notification cf. www.prh.fi/en/. Notification must be given before operations commence. There is a charge for registration, and this is €380 (January 2020).

If the foreign organisation or foundation is from outside the EEA area, a licence must be sought from the National Board of Patents and Registration of Finland to establish a branch in Finland (www.prh.fi/en/).



How do I commercialise my ideas or services?

"The goal of commercialising is to enter into the market with a competitive product or service that satisfies the customer's need. The better the service has been commercialised, the better it can be sold. Think about the benefits your product offers the customer and how. What is the customer willing to pay for? It is recommended to include the customer in the product development stage as early as possible and to sell the product to the customer already at the development stage. Think about the content of the product, its benefits, name, price, and the factors distinguishing your product from the competitors. Customers buy products that benefit them!"

Päivi Mustila-Mäkinen, Lahti Region Development LADEC Ltd

PLEASE NOTE !

	Minimum number of founders	Minimum capital	Supreme decision-making body	Statutory decision-making bodies	Responsible for the company's commitments
Private trader	Only the entrepreneur. The entrepreneur's spouse may also be involved in the business.	None.	The entrepreneur herself or himself.	The entrepreneur herself or himself.	The entrepreneur herself or himself.
General partnership	Two.	No monetary investment; only work input.	The partners together or in the manner laid down in the partnership agreement.	None.	The partners (also for each other's commitments).
Limited partnership	Two, of which one is the active partner and the other is the silent one.	The silent partner will have to make a monetary investment or an investment in the form of other assets.	The general partners together or in the manner laid down in the partnership agreement.	None.	The general partners (also for each other's commitments). The silent partner is only responsible to the extent of the capital invested.
Limited company	One.	A limited company can be founded without share capital.	The shareholders in the annual general meeting. The annual general meeting must be held within six months of the end of the accounting period.	Board of Directors with at least one ordinary member and one deputy member.	The shareholders in relation to the capital they have invested, unless they have given securities.
Co-operative	One. The number of members may vary.	None. Changing capital.	The members in the co-operative meeting. The annual general co-operative meeting must be held within six months of the end of the accounting period.	Board of Directors with at least one ordinary member and one deputy member.	The members with the capital they have invested (usually the co-operative payment), unless they have given securities to cover the co-operative's loans.

Registering a company and private entrepreneur



FINNISH TRADE REGISTER

The Finnish Trade Register (www.prh.fi/en/ > Trade Register) is the official, public register for information about enterprises. Generally, all businesses must enrol in the Finnish Trade Register.

Mandatory registration in the Finnish Trade Register does not apply to private entrepreneurs who do not practise any business for which a permit/licence is required, who do not have any business premises outside their own home, and who do not employ any people outside their own family apart from their spouse, underaged children or underaged grandchildren. In addition, entrepreneurs who practise agriculture or fishing do not have to register in the Trade Register.

Registration of a company in the Trade Register is subject to a charge. With the same declaration, you can also enrol in the registers of the Finnish Central Tax Administration, comprising the register for collection of tax at source, the register of employers and the register for those liable to VAT. There is no charge for enrolment in these registers.

If you file the establishment notification of a private entrepreneur in electronic format, you cannot register with the Tax Administration at the same

time, because you will not be able to include yourself in the VAT register, advance collection register and employer register, as well as submit all the other necessary information to the Tax Administration, until you have been issued a business ID. The Trade Register will send an email to the address specified as the person to provide additional information when the processing of the notification has started. Another email will be sent when the registration is complete. The registration data can be viewed in the Virre service of the Finnish Patent and Registration Office at www.virre.fi.

The registration information will also be included in the Trade Register extract to be sent later.

Business ID

A business ID is a unique ID that an authority has granted to a company, a corporation or a private entrepreneur. You will receive your business ID as soon as your notification of establishment as a private entrepreneur has been entered in the Business Information System (www.ytj.fi/en/). A business ID consists of seven numerical digits, a hyphen and a check digit, for example 1234567-8. The business ID is required on invoices and contracts, and when using the Finnish Trade Register or dealing with the Finnish Central Tax Administration, among other things.

Name of the enterprise

Registering the name of the business gives the exclusive right to that name throughout the country, i.e. no-one else may use this name.

The business name must be clearly different from all of the other business names that have already been registered. It must not be possible to confuse the business name with a protected business name, unregistered (secondary) identification or trademark. Nothing that could be construed as the last name of another person

may be used in the name without separate consent.

Furthermore, the business name must not mislead the general public. A misleading business name is a name that provides false information about the entrepreneur's name or refers to any business that is not included in the company's chosen industry, or a name that violates good manners or public order in general. Therefore, the name may not include any references to illegal activities or any expletives.

The form of enterprise is also apparent from the name of the business. A private trader may use the identifier "tmi" or "toiminimi", but this isn't mandatory. Limited partnerships use the abbreviation "ky". The company form code is mandatory. The identifier for a limited liability company is "oy" and for a public limited liability company, "oyj". The identifier for a general partnership is "avoin yhtiö" – the abbreviation "ay" may not be used. The company form can also be specified in the company name itself, such as "T Korhonen & A Virtanen". The name of a co-operative shall include the term "osuuskunta", a part of the term in a compound "osuus" or the corresponding abbreviation "osk". The company name of a branch must include the company name of the non-Finnish entrepreneur in the format in which it was registered and an addition which indicates that it is a branch.

The name is registered either in the Finnish language or the Swedish language. The name may include, in addition to the Finnish- or Swedish-language identifier for the form of enterprise, identifiers in other languages, for example, Ab Finntex Oy or Oy Finntex Ltd. The name may also include parallel business names in different languages, i.e. translations of the Finnish- or Swedish-language name. The possible parallel business names for a limited liability company must be included in the articles of association. The parallel business names for a gener-

REGISTRATION FEES FOR BUSINESS JANUARY 2020

- **Private trader**

- notification of establishment online

60 €

- notification of establishment on paper

115 €

- **General partnership and limited partnership**

240 €

- **Limited liability company, co-operative, branch, European Economic Interest Grouping (EEIG)**

380 €

- **Limited liability company, online in the Finnish Business Information System (BIS)**

275 €

al partnership or a limited partnership must be included in the articles of association, and those for a co-operative must be included in its regulations.

Auxiliary business name

An entrepreneur may carry out part of their operations using an auxiliary business name. This is convenient when the same enterprise has operations in completely different fields. The industry of the auxiliary business name must be included in the industry of the company and private entrepreneur, however, meaning that the business done under the auxiliary company name may not be the sole industry of the business. For example, an entrepreneur who has a flower shop called "Smith's Florists" can have a cleaning firm called "Always Clean". There is a charge for registration of an auxiliary business name. The processing fee for an online no-

tifications is €60 per name (only limited liability companies and private trader) and the processing fee for a paper notification is €115 per name (January 2020). This name can only be used for those activities that it is registered for. Several auxiliary business names may be used. However, an auxiliary business name cannot be used for the operations of the whole business. Thus, by using auxiliary business names, the same enterprise may comprise different operations with different business names. This can help with operations and marketing. However, there will only be one set of accounts and one business ID for all of the enterprise's operations. Contracts concluded by the enterprise cannot be signed using the auxiliary trade name alone. If the auxiliary trade name is used upon signing a contract, also the actual trade name must be mentioned.

Line of business

The line of business of an enterprise is always declared when the enterprise is registered with the Finnish Trade Register and the Finnish Central Tax Administration. It is also possible to register so-called "general commercial activities" with the Finnish Trade Register, meaning that the business may engage in all kinds of lawful business activities that are accordant with good practice. However, it is advisable to state the line of business explicitly so that the nature of the business's operations is clear.

It is also possible to include the following type of declaration in the Finnish Trade Register: "yleistoimiala" (general commercial activities), including repair, servicing and trade of motor vehicles, amongst other things. In this case, the customers will understand more easily which areas the business operates in.

However, you must notify the Finnish Central Tax Administration of your main line of business. The enterprise may have only main line of business, and this must clearly describe what field the enterprise operates in along with the form of the operations: for example, repair, servicing and trade of motor vehicles. It is not possible to record a main line of business

in the register that is too general.

REGISTERING BENEFICIAL OWNERS IN THE TRADE REGISTER

The anti-money laundering law (which came into force on 1 July 2019) obliges most companies to register their actual beneficial owners in the Trade Register. In the anti-money laundering law, a beneficial owner is a person who either owns the company or otherwise exercises control in it. A new company submits the notification after the company has been registered. Companies already registered in the Trade Register must submit the notification by 1 July 2020. All information must be kept continually up-to-date.

In the anti-money laundering law, a beneficial owner is a natural person who

- owns more than 25% of the company's shares either directly or indirectly via another company;
- holds more than 25% of the company's voting rights either directly or indirectly via another company;
- exercises effective control on some other ground over the company. This other ground might be a shareholders' agreement, for example.

The notification obligation applies to limited companies and co-operatives, for example. The notification obligation does not apply to private entrepreneurs (private traders). General partnerships and limited partnerships submit this notification only if the beneficial owner is a person other than a partner. The notification is submitted electronically via the YTJ service (www.ytj.fi). The notification is free of charge. The notification submitted by companies must include beneficial owners' personal details, as well as the ground and extent of the authority or share of ownership.

The Finnish Patent and Registration Office provides information on the beneficial owners to those parties who have the right to access this information in

accordance with the anti-money laundering law. In accordance with the anti-money laundering law, these parties include some authorities, banks, insurance companies, real estate agents, auditors, representatives of the media, and other parties who present a purpose in accordance with the anti-money laundering law for using such information.

For more information on registering beneficial owners in the Trade Register, visit the Finnish Patent and Registration Office website at www.prh.fi/en > **Trade Register**.

VAT REGISTER

Anybody who practices the sales of goods or services, rental operations or any other similar operations is liable to pay value added tax. All parties liable to pay value added tax must be included in the Tax Administration's VAT register. The registration can be done when filing the notification of establishment or at a later point in time by filing a change notification, depending on when the company starts the activities for which it is liable to pay VAT.

You do not need to register in the VAT register if the net sales of your company during one accounting period (a period of 12 months) is a maximum of €10,000. However, a company or corporation that practices such business may still be included in the VAT register at its own discretion. A company included in the VAT register may deduct VAT from purchases related to the business operations from the VAT to be paid for products or services sold.

A company included in the VAT register is also entitled to a relief if the net sales during an accounting period (of 12 months) without VAT remain below €30,000. In such a case, the company may keep part of the VAT. For more information, please see p. 82.

A foreign business is subject to VAT in Finland if it has a fixed place of business in Finland. A foreign business is recorded in the register of businesses subject to VAT in the same way as Finnish businesses are. A foreign business may also apply to be subject to VAT in Finland. In

some special situations, a foreign business is always liable to charge VAT.

If, in the opinion of the entrepreneur, the business is not subject to VAT, (s)he should mark a cross on the declaration of foundation against "Ei katso olevansa arvonlisäverovelvollinen" (I do not believe I am liable to charge VAT) and (s)he should explain the reasons for this.

PREPAYMENT REGISTER

Starting up business operations generally requires that the business enrolls in the Prepayment register maintained by the Finnish Tax Administration (www.tax.fi). A company that only sells goods is not obligated to register, but registration is recommended in case the operations will be expanded to services. You can enroll in the Prepayment register using the same form that is used for notifying the Finnish Trade Register of your new business. When a business is in the Prepayment register, the business commissioning work does not need to withhold tax from the remuneration paid by it. A business that is in the Prepayment register takes care of its taxes itself by paying tax levied in advance. Prepayment registration is available if the enterprise or its responsible persons have no history of neglect of tax.

You can check whether a company is included in the VAT register from the YTJ company search, which is available free of charge at www.ytj.fi/en/.

EMPLOYER REGISTER

The employer register is maintained by the Tax Administration (www.tax.fi).

A company must be included in the employer register of the Tax Administration if it is a regular employer, i.e. it pays wages/salaries.

1. regularly to two or more employees, or
2. to at least six temporary employees whose employment relationships are not valid for a complete calendar year.

If wages are only temporarily paid or only paid to one employee, the company does not need to be included in the employer register. All employers must handle the obligations related to the payment of salaries, however, such as submit the declarations of an employer in the Incomes Register.

PLEASE NOTE!

Registering a new company

- As a general rule, all companies must be registered in the Trade Register. Private entrepreneurs are an exception to this rule; see p. 52. The registration is subject to a charge.
- Registers of the Finnish Tax Administration: advance collection register, value added tax register and employer register (if necessary). The registration is free of charge.
- Social security codes and people's home addresses must be submitted to the Trade Register with a separate personal data form. They may not be included in the other notification forms.
- You can register your company into all the registers with the same notification of establishment form; select the form for your company form. Please fill in the forms in Finnish or in Swedish. Some of the notifications can be filed online, but others must be filed by using a paper form (see www.ytj.fi/en/).

Agreements for a new company

As a general rule, companies can enter into agreements with the terms and conditions of their choice.

However, restrictions on the freedom of contract are included, for example, in legislation on labour, consumer protection and environmental issues.

GENERAL INFORMATION ON AGREEMENTS

It is recommended that all contracts be concluded in writing although the law does not usually require written form or predetermined form. The contracts should be drafted so that the terms leave no room for interpretation or commercial practice. In conflicts of interest, the text of the contract is deemed decisive. It is worthwhile to study the contract carefully before signing and turn to a legal expert, where necessary.

Especially when starting a new business relationship, a background check of the contracting partner should be made. Credit ratings can be checked from companies selling credit rating data. Information on the entry of the service provider in the Prepayment Register is available from the BIS (Business Information System) service www.ytj.fi/en/.

Before signing, especially when concluding significant contracts and when the other contracting party is a legal entity, it is important to find out who has competence and qualifications to represent the legal entity. The persons authorized to represent the company can be checked from a Trade Register extract. An electronic Trade Register extract is available from the PRH pages www.virre.fi.

A contract should always contain a course of action for conflicts, which the parties cannot solve in negotiations. The

choices are handling in a district court or in arbitration. Arbitration is usually a quicker solution for a dispute than a general court.

LEASE OF BUSINESS PREMISES

The lease of business premises is one of the first contracts of a starting entrepreneur because usually operations are commenced in leased premises. The lease of business premises shall be governed by the Act on Lease of Business Premises. Before signing the lease agreement, it is necessary to check with the municipal building supervision that the premises may be used for the planned business. If such a check cannot be made for some reason, the lease agreement may be added with a term relating to the approval of the premises.

Inspection of business premises

The tenant should conduct a preliminary inspection in the premises together with the lessor. Any deficiencies and defects shall be recorded at the time. Also any targets requiring immediate repair and the repair schedule shall be recorded. If the tenant himself/herself wishes to make repair and alteration work, they shall also be

agreed on as any renovation as well as repair and alteration work require the permission of the property owner. The distribution of costs arising from the repair and alteration work should also be agreed on in this connection.

The inspection record shall be dated and signed and each party shall get his/her own copy which must be kept during the lease until the final inspection.

Validity of the agreement

A lease agreement may be concluded for a fixed period or until further notice. The lease agreement may be made in free form but model forms for lease agreements are also available and by using one it can be ensured that all material matters are agreed on. A lease agreement should always be made in writing.

If a lease agreement is concluded for a fixed term, it shall always be made in writing. If it is not made in writing, it shall be deemed to be in force until further notice.

Each party to the agreement may give notice to terminate a valid non-fixed-term lease upon expiry of the notice period.





The statutory notice period shall be three months when the lessor gives notice and one month when the tenant gives notice on the lease agreement. These may be derogated from by agreement.

A fixed term lease agreement shall be binding on the tenant during its validity and it can not be terminated by giving notice during the lease period but it is terminated upon the end of the duration of the lease agreement without separate measures.

Rent

The rent of business premises may be agreed upon freely between the parties in compliance with the principle of equity. Rent increase may be bound, for example, to the real estate maintenance expense index, i.e., the cost of living index. The expense indices may be checked at the website of Statistics Finland at www.stat.fi.

Usually a tenant is liable to put up a security for the lease in favor of the lessor. It is usually an amount corresponding to three months' rent, for example, a security deposit. The use of a rental guarantee is also possible.

The tenant should establish information and the right to sign of his/her contracting partner prior to concluding the agreement. It is customary that (s)he lessor acquires credit data of his/her future tenant.

LEASING AGREEMENT

Leasing is a long-term lease of movable fixed asset. A financing company buys the equipment or machine to be acquired and leases it further to an enterprise. Ownership of the target remains with the financing company. The lessee enterprise pays rent items, which are entered as expenses and are deductible. Thus the own assets and guarantees of the enterprise are saved to other acquisitions and current assets. Leasing agreements may be used by an enterprise to acquire almost all movable assets from office furniture to production equipment and vehicles.

The lease period may be optimized in accordance with the economic useful life of the lease target. Usually the duration of the leasing agreement is 2 to 5 years.

HIRE PURCHASE AGREEMENT

A hire purchase is a loan-type form of financing of a specific length. In the purchase, a deposit of approximately 30 percent is usually paid of the acquisition price including VAT. It can be paid in cash or a used machine or equipment may be given in exchange. The seller conveys the object of purchase to the buyer who pays the purchase price in two or more installments. The object of purchase functions as collateral for the loan during the financing.

The financing is arranged either by the seller himself/herself or by a financing company, to which the seller transfers the hire purchase agreement. As a rule, the seller or the financing company retains ownership of the object of purchase until the purchase price has been fully paid. It usually also has the right to repossess the goods if the buyer neglects his/her obligations referred in the agreement.

A hire purchase agreement is governed by the Act on Hire Purchase. In accordance with the Act, a hire purchase agreement shall always be made in writing.

Hire purchase is a suitable form of financing when an enterprise wants payment time for an investment and believes that the equipment to be acquired has a long use value. An enterprise may use hire purchase to finance movable

PLEASE NOTE!

Keep the following in mind before signing an agreement

- Companies have the freedom of contract, meaning that they can, as a general rule, sign agreements with the terms and conditions of their choice.
- However, the freedom of contract is limited by legislation in the case of employment contracts, agreements falling under the scope of consumer protection and environmental protection issues.
- All agreements should be made in writing. You should read them thoroughly before signing.
- The background of the contracting party, such as their credit status and right to sign agreements, should always be checked in advance.
- Disputes will be solved in arbitration proceedings or by a public court of law. The agreement text determines this.

property, such as, inter alia, transport equipment, vehicles and machinery. The object of purchase may be new or used.

The expenses, interests and depreciations relating to the acquisition are deductible in the bookkeeping of the enterprise. The VAT included in the purchase price may be deducted in one go when the acquisition has been made. The loan period varies between two and five years.



Knowledge adds security – protection brings a competitive advantage

TRADE NAME INDIVIDUALISES YOUR BUSINESS

A business is known for its name and therefore it is worthwhile to plan the name with care.

When you have decided on a suitable name, you should check before submitting the registration application to the Trade Register that the name is not already used by another company as a business name, trademark or domain name.

In the name service of the National Board of Patents and Registration of Finland (nimipalvelu.prh.fi), you can study whether the name you are thinking about for your company can be registered. The service is offered free of charge and it is open 24/7.

The National Board of Patents and Registration will not study whether the name you propose can be registered until the processing of your notification has started.

You can check from the website of the Finnish Transport and Communications Agency (www.traficom.fi/en/) whether the domain name you want is available.

PROTECT THE CORE EXPERTISE OF YOUR BUSINESS

It is easy to copy ideas. Therefore it is important to plan how to best protect your

own expertise, business idea and outcome of your product development so that the competitors cannot benefit at your cost without your permission.

The underlying idea of intellectual property rights (IPR) is to protect the results of mental work. Each business has thus possibilities to utilise the existing system and find the means of protection already when planning the business operations. A patent, trademark, utility model and design rights bring competitive advantage when used together and separately. A written plan based on the business strategy of the company for the management of the core expertise forms a good foundation for the decisions on protection.

If your business idea includes technical solutions which you want to protect, do not publish them before discussing with an expert. The publication will prevent you, for example, from obtaining patent protection. If your business involves technical solutions that you want to protect, do not publish them until having discussed the issue with an expert. Publication would prevent you from obtaining any patent protection, for example.

TRADEMARK WILL ALLOW YOUR PRODUCTS AND SERVICES TO STAND OUT

With a trademark, your customers will be able to separate your products and services from similar products and ser-

vices of your competitors. Trademarks are an important part of marketing and the basis for building a brand. A trademark can be a word, a pattern or a combination of the two. It can also be a slogan, a combination of letters, a sound or a multimedia mark.

You should protect your trademark by applying for its registration from the Finnish Patent and Registration Office. A trademark application must be submitted online (epalvelut.prh.fi/tmhakemus/en/). The registration application must include the applicant's personal details, a goods and service list with details of the applied goods and services, and clear and precise details of the trademark applied for.

When you register a trademark, you will have an exclusive right to use it as the identification of your products and services. As a trademark owner, you will be able to prohibit your competitors from using the same trademark in connection with similar products to ensure that others will not benefit from the reputation you have generated.

The basic application fee for a trademark is €225. When you have paid this sum, your registration will remain in force for the first ten years. After that period of time, you will have to renew your trademark every ten years by paying a renewal fee.

PLEASE NOTE!

Form of protection	Usage	Validity
Patent	Protects a product, equipment or method.	20 yrs, in some cases 25 yrs.
Utility model	Protects a product or equipment.	10 yrs (4+4+2).
Trademark	Distinguishability on the market.	Perpetual, renewal at 10-year intervals.
Design right	Protects the design of a product.	25 yrs (5+5+5+5+5).
Trade name	Protects the name of the business.	Perpetual if business in operation.
Copyright	Protects an intellectual work.	Lifetime + 70 yrs.
Trade secret	Protects information of economic significance.	Until published.

A trademark registered in Finland will only protect your products in Finland. If you plan to expand your business abroad, you should study the registration of patents abroad. There are a couple of options available. The correct choice depends on in which part of the world you plan to do business. For additional information on how to apply for trademarks, please visit www.prh.fi/en/.

Trademarks hold the central position in the marketing strategies of businesses because, as a result of trademarks, the businesses and their products can be distinguished from the competitors.

Trademarks are thus the basis for building a brand.

You should protect your trademarks by applying for their registration from the National Board of Patents and Registration. When you register a trademark, you will have an exclusive right to use it as the identification of your products and services.

A trademark can be a word, a pattern or a combination of the two. It can also be a slogan, a combination of letters or a sound, or any other symbol that can be represented in graphic format.

A trademark granted in Finland will protect your products only in Finland, however. If you want to protect your products abroad, you can apply for the protection using the national or international systems, such as an international registration by virtue of the Madrid Agreement or the EU trademark registration system that covers the EU. For additional infor-

mation on how to apply for trademarks, please see www.prh.fi/en/.

A DOMAIN NAME MAKES YOUR COMPANY VISIBLE ONLINE FOR CUSTOMERS

A domain name is used as the address for websites and email. A domain name is a prerequisite for electronic commerce and marketing. The Internet country code domain for Finland is .fi, and it is operated by the Finnish Transport and Communications Agency Traficom. Other Internet country codes include .com, .net and .org.

A domain name is part of the company brand online. At best, it is the same as the company's registered company name, auxiliary company name or trademark, and it cannot be confused with any other domain name. The domain name does not need to be the same as the company name. Instead, it can be an abbreviation that describes the products sold or a sales campaign which the customers will easily remember, for example. The domain name may not infringe any protected names or trademarks. It is important to ensure that your .fi domain name is lawful before registering it. The users of .fi domain names are obligated to ensure beforehand from the trade and trademark registers that there are no obstacles preventing the registration of the domain name. You can lose your domain name if it infringes someone else's protected name or trademark.

A .fi domain name can consist of 2–63 characters. It can contain letters (a–z),

numbers (0–9) or a combination of the two. A domain name can also contain a hyphen (-), but it cannot be the first or the last character. Allowed Nordic characters include å, ä and ö. For example, the domain name of the Enterprise Agency (Uusyrityskeskus in Finnish) is uusyrityskeskus.fi.

You can apply for a .fi domain name via a registrar. The registrar registers .fi domain names on your company's behalf and handles any domain name issues, such as domain name renewals. Usually, registrars also provide optional services related to your domain name, such as email, web hosting and name servers. For more information, visit www.traficom.fi/en > **Communications > Fi domains**. On the site, you can use the .fi domain name search to check whether the domain name you want is available. There is also a search for suitable registrars.

INFORMATION ON COMPETITIVE ENVIRONMENT

When planning a business, the free-of-charge databases of the National Board of Patents and Registration in Finland (www.prh.fi/en/) offer an easy and swift way to check the industrial rights of other actors: trade names, trademarks, design rights, utility models and patents. There you can check inter alia where and what has been protected, is the protection still in force, in other words, are there any obstacles for the manufacture or marketing of your product or service or is the solution invented by you brand new and possibly patentable.

STARTING THE BUSINESS

OPERATIONS

When you are starting your business operations, you must take out the statutory self-employed person's pension insurance (YEL). An entrepreneur's unemployment insurance policy is recommended but not mandatory.

PHOTO BY: SIRPA MIKKONEN

"Although I work alone, other local entrepreneurs can form a support network. You don't have to do everything yourself. It's brave to ask for help."

Jenni Koponen

KOHTEESSA.

Ready after careful consideration

Jenni Koponen already began to dream about her own company five years ago. The idea was then put on the back burner, but in the spring of 2019, an online shop selling ecological print products came about.

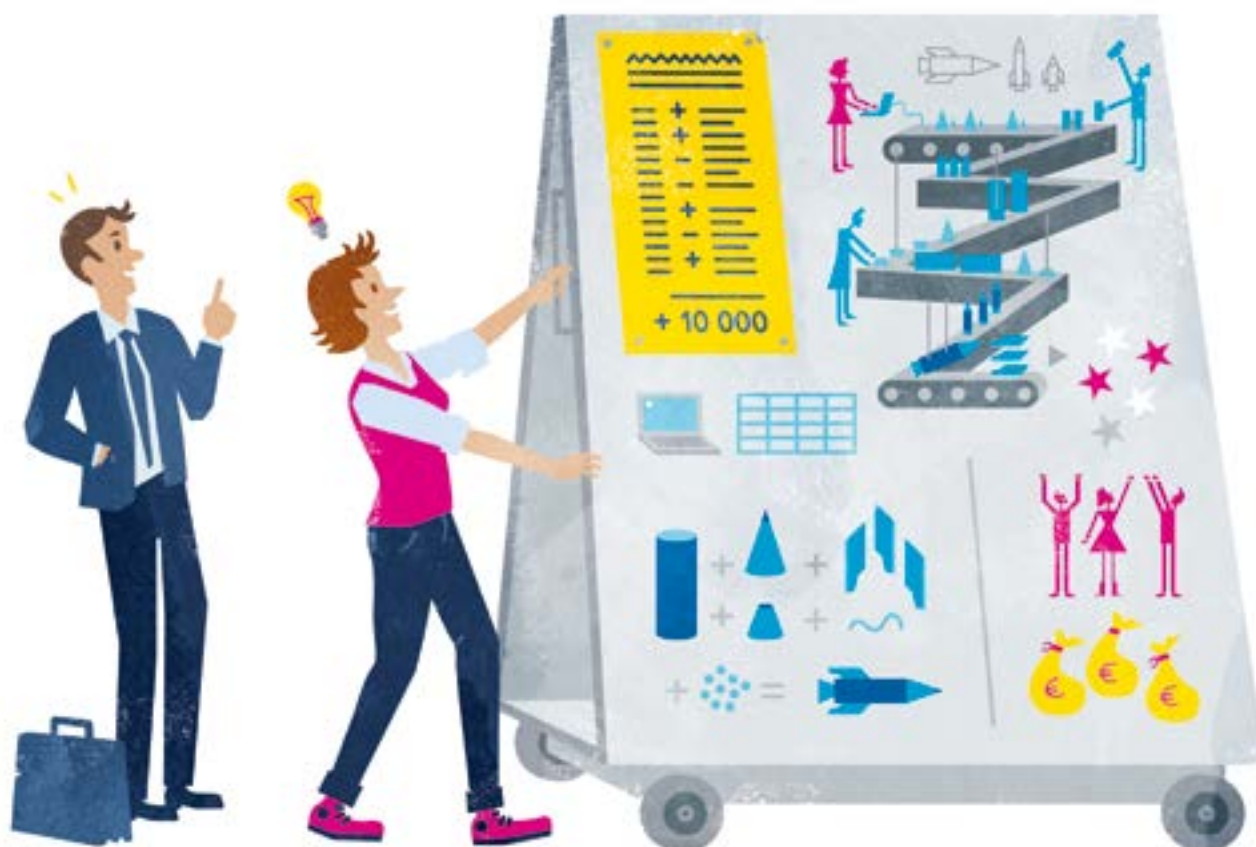
Eastern Savo Enterprise Agency helped her to establish her business.

Read more about Jenni's passion for greenery and drawing at www.uusyrittyskeskus.fi.

Starting the business operations

ACTIONS

- ✓ **Arrange the bookkeeping.**
Choose your accounting firm.
- ✓ **Take entrepreneurs' pension insurance YEL** within six months from the commencement of the business operations.
- ✓ **Join an entrepreneurs' unemployment fund** within three months from the commencement of the operations.
- ✓ **Arrange your (entrepreneurs') occupational health care** (voluntary).
- ✓ **Take the necessary optional insurances,** such as the self-employed person's voluntary insurance covering the working hours, legal expenses insurance and personal liability insurance.
- ✓ **Request prepayment in the MyTax service of the Tax Administration.**
The decision will be available in MyTax as soon as your request has been processed.



Insurance

ENTREPRENEUR'S PENSION INSURANCE (YEL)

The only form of insurance that entrepreneurs must take is entrepreneurs' pension insurance (i.e. YEL insurance). This is available from pension insurance companies. An entrepreneur shall be paid old-age pension and disability pension as well as rehabilitation allowance based on the Self-Employed Persons' Pensions Act. The entrepreneur's work income shall also form the basis for all allowances payable by Kela (the Social Insurance Institution of Finland), such as the sickness allowance and maternity and parental allowances. The YEL work income must match that salary that should be paid to professional individuals for similar work. Also, the entrepreneur's unemployment-fund membership fee and any earnings-linked daily allowance are determined on the basis of YEL work income. YEL insurance also affects dependents' pension security, which is paid to relatives after the death of an entrepreneur. YEL insurance must be taken from a pension insurance company at the latest when six months have elapsed from the commencement of the business operations.

Just owning a business does not entitle you to a self-employed person's pension. Instead, the pension insurance requires that

you actually work as an entrepreneur. Also, the status of ownership and the different forms of enterprise impact on whether the entrepreneur must take YEL insurance or employees' pension insurance.

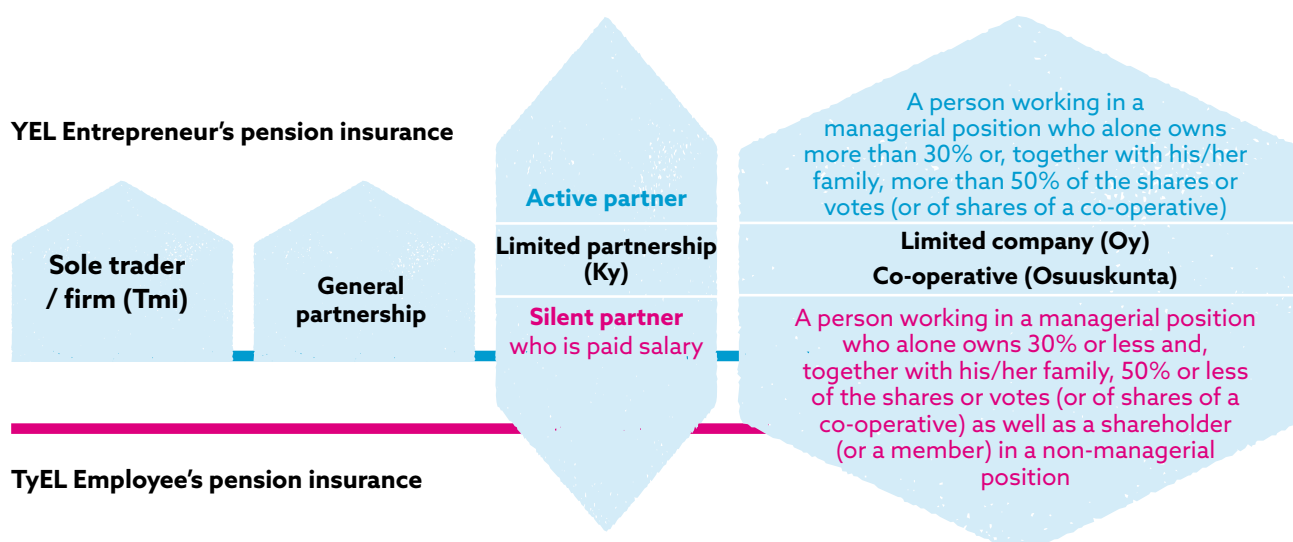
People between the ages of 18 and 67 who are entrepreneurs in Finland are included in the scope of the YEL insurance scheme. The entrepreneurship in Finland must last for an uninterrupted period of at least four months. The estimated earned income must be at least €7,958.99 per year (2020 figure). The upper limit is €180,750 per year.

An entrepreneur who receives old-age pension based on the self-employed person's pension insurance scheme (YEL) may continue their entrepreneur activities without limitations and without the need to take out YEL insurance. They may take out voluntary YEL insurance, however.

The YEL insurance premium is 24.10% of the YEL earned income for entrepreneurs between the ages of 18 and 52 or over the age of 62 and 25.60% of the YEL income for entrepreneurs between the ages of 53 and 62. A new entrepreneur will receive a discount of 22% for the first 48 months. Thus, the insurance premium for new entrepreneurs between the ages of 18 and 52 and over the age

of 62 is 18.798%, and for new entrepreneurs between the ages of 53 and 62 it is 19.968% of the YEL earned income.

The insurance premiums can be paid 1, 2, 3, 4, 6 or 12 times per year.



Business liability insurance is every company's basic insurance.

OPTIONAL INSURANCE

Optional insurance plans include:

Entrepreneur's voluntary accident insurance for working hours

- can be complemented with leisure time insurance;
- is a deductible expense for the company.

The company's sickness cover insurance

- covers the expenses resulting from sickness and an accident if they are not covered based on the law (Sickness Insurance Act, Employment Accidents Insurance Act and Motor Liability Insurance Act);
- can be complemented with a daily allowance for temporary disability due to sickness and/or injury;
- is a deductible expense in the taxation of incorporated companies.

The company's travel insurance

- complements the company's insurance cover during business trips and holidays;
- includes traveller's insurance and/or luggage insurance. The luggage insurance includes the traveller's liability insurance and legal expenses insurance.

Liability insurance

- Business liability insurance is every company's basic insurance that covers damage caused to a third party for which your company is held legally liable for compensation. The liability insurance is taken out to cover the risk that the company causes damage to third parties in its operations.
- based on the liability insurance, the insurance company establishes whether the company is held liable for compensation of damage subject to insurance cover, and either pays compensation to the injured party or defends the company against unjustified claims.
- if you manufacture products or operate in consulting, you may need additional liability insurance, such as product liability insurance or consultant liability insurance. Contact your insurance company for more information.

Legal expenses insurance

- covers lawyers' fees and legal expenses due to disputes concerning
 - » delivery, sales or works contracts;
 - » the validity of a debt or receivables;
 - » termination of employment or salary disagreements;
 - » tenancy agreements.

It is also recommended to insure property and facilities against theft, burglary, fire, and water damage. Ask for quotations from different insurance companies and carefully review the terms and conditions. Also ask what kind of services the insurance company offers for handling injury situations. Decide only after the negotiations what insurance you want.



Entrepreneur's unemployment benefit



WHO IS AN ENTREPRENEUR IN TERMS OF UNEMPLOYMENT SECURITY?

According to the Unemployment Security Act, an entrepreneur is a person who works in a company of which themselves or themselves together with their family own a share that is determined by law.

Furthermore, a person who works for but is not in an employment or service relationship with the employer company (such as a freelancer or a person who works through an invoicing community or a self-employed person) is also considered an entrepreneur. Just owning a company or a part thereof does not make anyone an entrepreneur.

An entrepreneur is considered to be included in the scope of unemployment security if they employ themselves in such a manner that the earned income on which the pension insurance scheme is based (the self-employed person's pension insurance, agricultural entrepreneur insurance or Employees Pensions Act insurance

in the case of a family member of an entrepreneur/a part owner of the company) is at least €13,076 per year.

If the person's main occupation is paid labour and the entrepreneurship is part-time, they should usually take out unemployment insurance through an unemployment fund for salaried employees.

In terms of unemployment security,

- a person who is obligated to take out YEL or MYEL is considered an entrepreneur (excluding grant recipients).

A part-owner of an enterprise and a family member of an entrepreneur insured under TyEL shall also be deemed an entrepreneur if (s)he

- works in a senior position (Managing Director or a member of the Board of Directors) for a company of which (s)he holds at least 15%

or of which his/her family members or (s)he together with his/her family members holds at least 30% or works as an employee for a company of which (s)he alone, his/her family members or them together hold at least 50% of the company.

- A spouse (including a common-law one), a child or a parent of the entrepreneur who lives in the same household as the entrepreneur is considered a family member.

Indirect ownership through another company is taken into account if the person owns, alone or together with a family member, at least 50% of the intermediary company.

EARNINGS-RELATED DAILY ALLOWANCE FOR FUND MEMBERS

An entrepreneur, who resides permanently in Finland and whose statutory pension insurance (YEL, MYEL, TyEL) is based on an annual income of at least €13,076, may join an unemployment fund for entrepreneurs.

A full-time entrepreneur should not remain in an unemployment fund for salaried employees because the membership will not accrue their right to receive unemployment benefit; furthermore, their already earned rights will expire when they have been an entrepreneur for more than 18 months.

Membership of an unemployment fund is not mandatory. In Finland, there is currently only one entrepreneurs' unemployment fund: The Finnish Entrepreneurs' Unemployment Fund (SYT).

The amount of the daily allowance of an entrepreneur shall be determined on the basis of the work income chosen upon when joining a fund in accordance with the level of insurance chosen. The insurance level of the fund may, however, not exceed the annual income for the retirement pension insurance.

The amount of the membership fee can be checked on the SYT's website (www.syt.fi). The membership fees are deductible in personal taxation.

Unemployed entrepreneurs who are not members of an unemployment fund may apply for an unemployment allowance from the Social Insurance Institution (Kela). In this case, the unemployment allowance is equal to the basic unemployment allowance (EUR 33.66 in 2020).

As a general rule, earnings-related unemployment allowance will be paid for a maximum of 400 days per one previous employment requirement, but the maximum period may also be 300 or 500 days, depending on the applicant's age and work history. The qualifying period for the unemployment allowance is five weekdays.

Possible spreading of income from sales profits may postpone the starting date of the unemployment allowance coverage.

FROM EMPLOYEE TO ENTREPRENEUR-UNINTERRUPTED UNEMPLOYMENT SECURITY AND RIGHT TO POST PROTECTION

A precondition for entitlement to earnings-related daily allowance is the fulfillment of the entrepreneur's employment condition.

A member of an employees' fund has the right to uninterrupted unemployment security if (s)he transfers into an entrepreneurs' unemployment fund within three months from the start of the entrepreneurship. Thus the entrepreneur's 15-month employment condition, which is a precondition for entitlement to earnings-related daily allowance, starts to accrue immediately.

A wage-earner who becomes an entrepreneur shall usually also have the right to post-protection time. This means entitlement to daily allowance on the basis of the earnings from employment preceding entrepreneurship if the entrepreneurial activity is terminated within the post-protection time. The post-protection time of a wage-earner transferring into entrepreneurship is usually 18 months from the commencement of entrepreneurship. The right to employee-fund based daily allowance ends when the entrepreneur's 15-month employment condition has been fulfilled.

FULFILLMENT OF THE EMPLOYMENT CONDITION

The employment condition shall be fulfilled when the entrepreneur has been a paying member of a fund for a period of at least 15 months.

In order for the period of membership to be included in the employment condition, the entrepreneurship shall, in accordance with the law, be relevant in scope. The activities shall be deemed relevant in scope when the annual income forming the basis for the statutory pension insurance of

the entrepreneur (the confirmed work income of those insured under YEL) is at least €13,076. The pension insurance contributions must also be paid.

THE RIGHT TO UNEMPLOYMENT BENEFIT

An entrepreneur is entitled to an unemployment allowance if their previous employment requirement has been met, and if it can be proven that business activities have ended. The entrepreneurial activity shall be deemed fully terminated if the enterprise has been placed in bankruptcy or liquidation or if an agreement has been concluded between the partners on the dissolution thereof or if it is otherwise clear that the production and financial activities of the enterprise have ended.

The entrepreneurial activity shall usually be deemed terminated

- when the production and financial activities of the enterprise have ended and
- the entrepreneur has given up his/her YEL or MYEL insurance as well as
- filed a notification with the Tax Authorities
 - for removing the enterprise from the prepayment register
 - for removing the enterprise from the employer register and
 - for removing the enterprise from the VAT register or interrupting its VAT liability.

An entrepreneur may receive the daily allowance even if the enterprise remained in the Trade Register as long as the preconditions referred to above are met

The business operations of a private entrepreneur shall be deemed terminated also when

- the production and financial activities have ended in accordance with a notification by a job-seeker deemed reliable or if it is otherwise clear that the activities will not continue and
- the person has given up any pension insurance under YEL or MYEL.

The amount of the daily allowance of an entrepreneur shall be determined on the basis of the work income chosen upon when joining a fund in accordance with the level of insurance chosen.

The daily allowance shall be paid without terminating the entrepreneurial activity

- if the work capacity of the person has decreased permanently and materially or
- if the activity is considered seasonal due to natural conditions or
- if the entrepreneur is a person comparable to a wage-earner and working for few clients without a fixed place of purchase or sales or a corresponding place of business for the entrepreneurial activity.

An entrepreneur who has become unemployed shall report to the Employment and Economic Development Office (TE Office) as an unemployed jobseeker. The local employment authority shall submit to the unemployment fund a statement of the unemployment of the entrepreneur. The fund may not make a decision derogating from the statement of the TE Office.

EARNINGS-RELATED UNEMPLOYMENT ALLOWANCE DURING THE FIRST MONTHS OF ENTREPRENEURSHIP

As of the beginning of 2018, the full-time/part-time nature of business op-

PLEASE NOTE!

Issues to be kept in mind about an entrepreneur's unemployment security

- You must become a member of an entrepreneurs' unemployment fund in order to start accruing the employed days that are a requirement for receiving earnings-related unemployment allowance. An entrepreneur who is a member of an unemployment fund for salaried employees will not accrue the right to receive unemployment benefit.
- Your unemployment security will remain in force without interruptions if you transfer from an unemployment fund for salaried employees to an entrepreneurs' unemployment fund within three months after having started your business.
- A member of an entrepreneurs' unemployment fund may be eligible for earnings-related unemployment allowance after having been an entrepreneur and a member of the unemployment fund for a period of 15 months.
- A person who has previously been a salaried employee usually has a "post-protection right" for a period of 18 months after having established the business.
- The amount of the earnings-related unemployment allowance for an entrepreneur will be determined based on the insurance level they choose when joining the fund, but it may not exceed the annual income used as the basis for the YEL. The income must be a minimum of €13,076 per year, however.
- As a general rule, earnings-related unemployment allowance will be paid for a maximum of 400 days per one previous employment requirement.

erations started by an unemployed person will not be assessed during the first four months, and an unemployed jobseeker will receive unemployment allowance during this period. Any income from the business will reduce the amount of the unemployment allowance in the manner laid down in the regulations on the adjustment of unemployment benefits.

If the business operations are deemed part-time work after a period of four months, the unemployment allowance payments may be continued. If the person is deemed to be a full-time entrepreneur, they will no longer be eligible for unemployment allowance. The assessment will depend on the entrepreneur's

actual workload during the first four months.

If a person who has established a business receives unemployment allowance when running the business, they must still search for a full-time job and running of the business is not considered a valid reason to refuse an offered job or an offered service to promote employment. A person cannot receive unemployment allowance if they receive a start-up grant.

For further information, please contact the local TE Office, see www.te-services.fi.

To-do list for a new entrepreneur



Business plan

- Written business plan
- Necessary calculations



Assesment of Profitability

- Fixed costs
- Variable costs
- Personal earnings
- Gross margin %
- Critical profitability point (= the sales volume at which all costs will be covered and the company will not make any profit or loss)



Surveying the markets

- Demand
- Competition and competitors
- Price level
- How unique the product/service is when compared to the competition
- Advertising



Start-up grant

- Application for a start-up grant to the TE Office
- Certificate of tax liability
- Business plan and calculations
- The statement procedure with the Enterprise Agency



Financing

- Capital requirements (investments/working capital)
- Self-financing of investments
- Finnvera/bank/other outside investor
- Support possibilities
- Guarantees





Agreements

- Memorandum of association (mandatory)
- Other agreements related to the establishment (such as partner agreement, shareholders' agreement or membership agreement)
- Any other necessary agreements (lease for business premises, delivery agreements, leasing agreement, employment contracts)
- Always read the agreements before signing to make sure that you know what you are promising.



Registration to the Trade Register

- Not before you have received the decision on your start-up grant
- If you are establishing a limited liability company, the share capital must be paid before registration.
- See www.ytj.fi/en/.



Licences

- Disclosure /registration obligation
- Requirement of licence



Business premises

- Lease or ownership
- Location, location and, once more, location
- Suitability/ possible inspections of the premises by the authorities

☐ **Money transactions**

- Opening of an account
- Payment terminal
- Invoice templates

☐ **Accounting**

- Single-entry bookkeeping
- Double-entry bookkeeping
- Buy the service e.g. from an accounting agency unless you are an accounting professional

☐ **Taxation**

- Registration at the VAT register
- Registration in Prepayment register
- Tax prepayment
- Appointment with an Enterprise Agency tax consultant

☐ **Insurance**

- Basis for the self-employment person's pension insurance (YEL)
- Accident insurance (not mandatory but recommended)
- Liability insurance/legal expenses insurance
- Property insurance
- Other insurance
- Offers from several insurance companies

☐ **Unemployment security**

- Transfer from an employees' unemployment fund to the unemployment fund for entrepreneurs as soon as possible after starting entrepreneurial activities (at the latest within three months from the start).
- SYT (www.syt.fi)

☐ **Personnel**

- Registration as a regular employer in the Tax Administration's Employer Register
- Obligations (collective agreements, Employment Contracts Act, Working Hours Act, Annual Holidays Act...)
- Costs for the company (wages + fringe benefits)
- Possibilities for a pay subsidy

☐ **Meetings with experts**

- Bank
- Insurance company
- Accounting firm
- Marketing
- Others

☐ **Entrepreneur's support network**

- Entrepreneur networks
- Entrepreneur association or organisation of your own industry

☐ **Join trade organisations**

- Entrepreneur organisations, www.yrittajat.fi/en/
- Industrial federations, www.ek.fi/en/, www.mtk.fi, www.yrittajat.fi/en/
- Chambers of commerce, www.kauppakamari.fi/en/
- Employer organizations, www.ek.fi/en/



Important links

Business Plan

Business Plan tools online:
oma.yrityssuomi.fi
www.onnistuyrittajana.fi

Establishment advice

Enterprise Agencies all around Finland offer confidential business advisor services free of charge to new entrepreneurs and people planning the establishment of a business.

www.uusyrityskeskus.fi

Suomi.fi is an online service maintained by the Population Register Centre. The section for companies offers information and services on the establishment of a company, funding and the management of finances, the development of business and products, as well as growth and internationalisation.

The **Instructions and support section of Suomi.fi** includes information about the identification and authorisation services of Suomi.fi. Several authorities, such as the Tax Administration and ELY Centres, use the Suomi.fi identification in their online services.

The **My Enterprise Finland** service (oma.yrityssuomi.fi) is an electronic workspace customised based on the user's profile for taking care of business-related matters. The service offers entrepreneur tests and a template for making a business plan, for example.

www.suomi.fi/company/

ProAgria offers services for companies operating in rural areas to improve their competitiveness, profitability and productivity in compliance with specific goals. The services cover production, finances and management. You can receive assistance in establishing a business and starting business operations in a controlled manner, the development and growth of an already established business, change management and the changeover of an entrepreneur. The offered accounting services will assist you in keeping your finances up to date. Let's succeed together!

www.proagria.fi/en/

Funding

Business Finland encourages companies to develop themselves by offering innovation funding, advice on internationalisation, networking services and expert consultation services. Business Finland provides funding especially to SMEs seeking material growth in the international markets and which have the ability and will to succeed. Business Finland provides support for the growth of the enterprise during its entire life cycle together with the Team Finland partners.

www.businessfinland.fi/en/

Finnvera is a specialized financing company owned by the State of Finland. It promotes the economic operating conditions and competitive ability of Finnish companies by offering them loans, guarantees and export credit guarantees. Finnvera shares the risk related to funding with other financiers.

www.finnvera.fi/eng/

The **experts at the local Centre for Economic Development, Transport and the Environment** (ELY Centre) will assist you in funding and development services and other public services to businesses.

www.ely-centre.fi

The **Team Finland** network brings together all state-funded actors and the services they offer to promote the internationalization of Finnish enterprises, to attract investments to Finland, and to promote Finland's country brand. Information, tools and expert assistance are available.

www.tem.fi/en/team-finland/

A person interested in entrepreneurship and an entrepreneur starting a business may, under certain conditions, receive a startup grant. With certain prerequisites, a person who is becoming an entrepreneur may receive a start-up grant during the startup and establishment stage of their full-time business. TE Offices arrange information events and themed events for people who are thinking about starting a business. The TE office can grant an employer a wage subsidy that covers part of the costs of hiring an unemployed jobseeker.

www.te-services.fi

Registrations and notifications

The **National Board of Patents and Registration of Finland** serves you in all issues pertaining to the Trade Register, Legal Entity Identifiers (LEI), housing companies, business mortgages, auditing regulation, associations and the register of associations. The National Board of Patents and Registration studies and grants trademarks, design copyrights, patents and utility patents. Furthermore, it offers advice, information, research and training services for the different stages of a company's lifecycle.

www.prh.fi/en/

In the **Virre service of the Finnish Patent and Registration Office**, you can search for a company's financial statements, electronic extracts from the Trade Register, articles of association and electronic abstracts from the register of mortgages. The basic information is available free of charge, but information service products are subject to a charge.

www.virre.fi

The **Business Information System** (YTJ) is a service maintained by the Finnish Patent and Registration Office and the Tax Administration. At YTJ.fi, you can do the following, for example:

- Establish a company or corporation
- Change the information concerning your company/corporation
- Search for basic information about any company based on its business ID or name

When you submit information to YTJ, it will be mediated to the Trade Register maintained by the Finnish Patent and Registration Office and the Tax Administration's VAT register, advance collection register and employer register. You can file some of the notifications online, but others must still be filed using a paper form that you can fill out and print at YTJ.fi. You must download the form on your own computer and then fill it out or print it and fill it out by hand. You must personally sign the form.

www.ytj.fi/en/

The **Tax Administration** has a new website for new entrepreneurs at www.vero.fi/uusyritys. The site includes information on registration to the registers maintained by the Tax Administration and links to instructional videos, for example. You can also order a new entrepreneur's newsletter, which offers basic information about business taxation. You can submit tax notifications in the MyTax service (www.vero.fi/omavero). Employers must submit a notification of their employees' earnings to the Incomes Register (www.vero.fi/en/incomes-register/).

www.tax.fi

Financial difficulties

Enterprise Finland Financial Aid is a confidential telephone service offered free of charge to small and medium-sized enterprises faced with financial difficulties, tel. +358 2950 24880. Experts in business development and reorganisation are there to serve you.

www.suomi.fi/company/

RUNNING A COMPANY

To successfully run a company, you must properly arrange invoicing and bookkeeping, and take care of all the statutory obligations.

PHOTO BY:
SAMI PULKKINEN

KAPKEM OY

Boost with a company acquisition

Mika Kultti and Sakari Rahtu have been soap sellers since early 2017. Their company Kapkem sells sanitary and hygiene materials, equipment, papers and machines for professional use.

Vaasa Region Development Company VASEK assisted them with company acquisition.

Read more about Kultti's and Rahtu's decision to start a company at www.uusyrityskeskus.fi.

"A business plan is the key. Make sure you lay it down as carefully as possible."

Mika Kultti

Invoicing and debt collection

Unless your company will do business with cash only, you must decide how you will arrange the invoicing. You must also take care of debt collection, unless you decide to sell your invoices to a financing company.

It is customary in some industries that the buyer prepares the invoice on the seller's behalf (e.g. scrapyard, sale of grain).

INVOICING

When a customer orders a product, it may take 1–5 days, depending on the company, before the product is delivered to the customer. Often the invoice for the product is sent 1–5 days from the delivery.

In business-to-business sales, the payment period may be agreed on. Usually payment periods from 14 to 30 days are applied. In accordance with legislation, the payment period may exceed 30 days only if expressly agreed upon. In other words, even in the best-case scenario, it will take several weeks, even over a month from the order, before the money reaches the bank account of the company.

Try to invoice ready products or services as soon as possible.

For invoicing, enter the invoice in bookkeeping as an offer, a sales order or a draft invoice as soon as possible. A one-week delay in invoicing may result in a one-week delay in getting the payment. Swift invoicing gives the customer a positive indication of professionalism. In goods and services sales within the EU, the invoice must be issued by the 15th

day of the month following that in which the goods or services have been supplied.

Send the invoice in the form requested by the customer.

As an electronic invoice, if the customer so wishes, by e-mail, if so agreed upon, or as a traditional paper invoice, if you are not sure how the customer wishes to be invoiced. Remember to send also invoice appendices. As per the law regarding electronic invoicing that came into force on the 1st of April 2019, the orderer has the right to demand an electronic invoice.

Before sending an invoice, you must check that all the requirements included in the Value Added Tax Act on invoice markings are met, and that the customer information and the invoice data are correct. The customer is not obliged to pay the invoice if the information is faulty.

Remember to file the invoices.

The entrepreneur is liable for the keeping and storing of the accounting records. The accounting records shall be stored for six years from the end of the calendar year during which the financial period ends. If the financial period has ended, for example, on 30 April 2017, the records must be stored until 31 December 2023.

Never alter an invoice already sent.

If a mistake is detected in an invoice already sent to the customer, the invoice shall be credited and a new invoice drafted to replace it. You may alter the invoice up to the moment when you forward it to

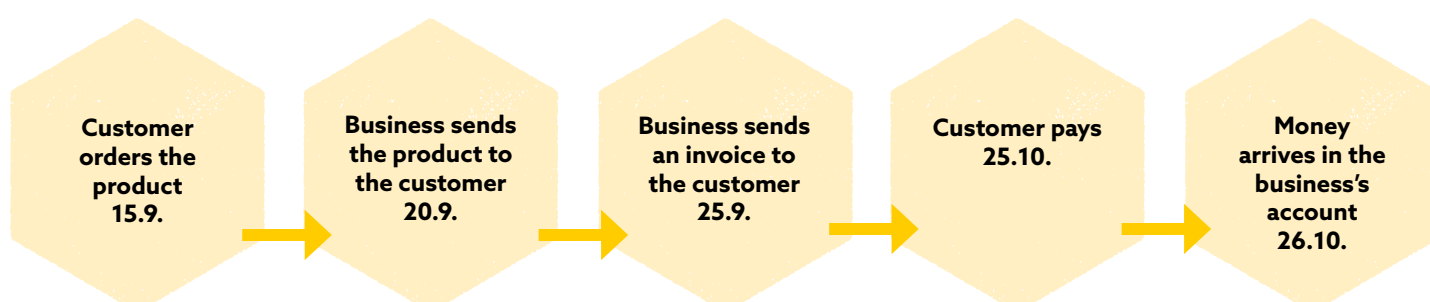
your customer and your bookkeeping. If the invoice is drafted well, the customer can easily check that (s)he has been invoiced as agreed upon.

Information that must be included on invoices according to the Value Added Tax Act are the following:

- Invoice date
- Consecutive identification number
- Seller's VAT number (business ID)
- Buyer's VAT number in the case of reverse charge procedure or intra-community supply
- Names and addresses of seller and buyer
- Number and type of goods or scope and nature of services
- Delivery date of the goods, date on which the service was performed or advance payment date
- Tax base for each tax rate, unit prices without VAT, refunds and discounts unless included in the unit price
- Tax rate
- VAT to be paid
- Note of exemption from taxes or a reference (VAT)
- Note of the buyer's tax liability ("reverse charge procedure")
- Note for the invoice issued by the buyer ("self-invoicing")
- Information about new modes of transport
- Notes "Margin scheme – Second-hand goods", "Margin scheme – Works of art" or "Margin scheme – Collector's items and antiques"

EXAMPLE

Example of the schedule according to which the business gets money from its sales:



- Note "Margin scheme – Travel agencies"
- Note of the sales of taxable investment gold
- in the case of an amended invoice, a reference to the previous invoice.

Less information is required if

- In domestic trade, the total sum of the invoice, including VAT, is a maximum of EUR 400.

The simplified requirements also concern retail sales and other similar sales where

- almost all the buyers are private individuals.
- The invoice refers to catering service or passenger transport, but not any services to be resold
- It is a receipt printed by a parking meter or a similar device.

Less information

- Invoice date
- Seller's VAT number and business ID
- Number and type of goods or scope and nature of services
- VAT to be paid for each tax rate or tax base for each tax rate.

DEBT COLLECTION

Debt collection is a means to obtain amounts due to the company.

Determining invoice due date

The invoice must be paid, at the latest, by the due date printed on the invoice or defined in the agreement. If the due date has not been agreed, the invoice must be paid within a month of the date it was sent.

If your customer fails to pay their invoice, you must send them a payment reminder. If the recipient of the invoice is a consumer, there must be a period of a minimum of 14 days between the date the invoice is sent and the due date. If the invoice has not been paid, a reminder subject to a charge may be sent to a consumer at the earliest 14 days after the original due date.

Payment reminders

Usually, businesses send one or two payment reminders before transferring the invoice to a debt collection company.

In cases where the debtor is a compa-

ny, the Debt Collection Act only determines the times of debt collection with regard to unaccepted bills of exchange. However, according to the regulation of good debt collection practices, unnecessary costs cannot be accrued to the debtor. Unnecessary costs include costs that are accrued due to sending constant payment reminders to the debtor at short intervals and without due cause.

If the debtor is a company, payment reminders can be sent more frequently than to consumer debtors, and the payment can be due immediately. However, the debtor must have a realistic possibility of paying the amount due before the next reminder is sent to them.

Penalty interest

The Consumer Protection Act states that it is sufficient if the consumer pays the invoice on the due date.

According to the Interest Act, penalty interest may be charged from a debtor starting from the due date of the invoice.

If the debtor is a consumer customer, the penalty interest may be at the most the reference rate that is set by the Bank of Finland every six months plus 7% and if the debtor is a company, the penalty interest may be the reference rate plus 8%.

The reference rate defined in the Interest Act from 1 January – 30 June 2020 is 0%, which means an annual 7% rate of penalty interest.

The annual penalty interest applied to commercial contracts is 8% during this period. This penalty interest will be applied to payments from business to business and from authority to business.

Using a debt collection agency

If your customer has not paid their invoice even after you have sent them a reminder, you should transfer the invoice to a debt collection agency.

You can sell your receivables to a financing company, in which case you will no longer have to send payment reminders and collect your receivables. If you do this, the financing company will pay you

the total sum of your receivables minus a financing provision, usually in one to two days. This will also reduce your credit risk and improve your liquidity.

Professional debt collection

Only a private trader or a legal person listed in the debt collector register maintained by the Regional State Administrative Agency of Southern Finland is allowed to practise debt collection operations.

A prerequisite for being registered is that the party submitting the register notification be reliable and solvent. The party submitting the register notification must have a person in their service who is in charge of the debt collection operations, and who has the necessary legal knowledge for debt collection operations, proven by an applicable degree or qualification.

The Regional State Administrative Agency of Southern Finland supervises the operations of debt collectors in cases where the debtor is a company. Reliable debt collection agencies are also listed on the website of the Association of Finnish Debt Collection Agencies at www.suomenperimistoimistojenliitto.fi.

PLEASE NOTE!

Don't forget debt collection

- Follow the regulations of the Consumer Protection Act and the Debt Collection Act when sending invoices and collecting your receivables from consumer customers.
- Sign an agreement with a debt collection agency early on, unless your company will be only doing business on cash.
- Compare the prices and services of several debt collection agencies.

Bookkeeping and financial statements for the company

According to the Finnish Accounting Act, all businesses have a legal obligation to keep accounts. It is worthwhile for entrepreneurs to outsource their bookkeeping, i.e. to pay for a service from an accounting firm, so that they can concentrate on earning their income. When choosing an accounting firm, you should also keep in mind the fact that you carry the ultimate responsibility for the correctness of the books, even if they were done by an accounting firm. Therefore, you must understand at least the basic concepts of the financial management of a company.

In the Accounting Act, enterprises are divided into micro enterprises, small enterprises, medium-sized enterprises and large enterprises. Here we handle mostly micro enterprises and small enterprises. The amended Accounting Act contains the financial statement regulations drawn up for them. The following thresholds apply to the categories:

Small enterprise

- Balance sheet €6,000,000
- Annual turnover €12,000,000
- On the average, 50 employees (during the accounting period).

If a maximum of one of the above-mentioned limits is exceeded in two consecutive financial statements, the company is a small enterprise. If no more than one of the thresholds is exceeded in two consecutive financial statements, the enterprise is deemed a small enterprise in accounting.

Micro enterprise

- Balance sheet €350,000
- Annual turnover €700,000
- On the average, 10 employees.

If a maximum of one of the above-mentioned limits is exceeded in two consecutive financial statements, the company is a microenterprise. A micro enterprise is always also a small enterprise, and thus, the regulations governing small enterprises can be applied.

An entrepreneur carry the ultimate responsibility for the correctness of the books, even if they were done by an accounting firm.

DAY-TO-DAY BOOKKEEPING

Day-to-day bookkeeping (monthly bookkeeping), which is dealt with during the accounting period, is based on corroborative documents. These include sales invoices, purchase invoices, payslips and bank statements. The accounting records may be either paper or electronic records.

The firm of accountants usually attends to bookkeeping and payroll management. The tasks of the entrepreneur shall include the writing of the sales invoices and the payment of the purchase invoices as well as the monitoring of the accounts receivable. Even these tasks are more and more often outsourced to an accounting firm. The entrepreneur shall be liable for the legality of the vouchers.

Financial management systems provide good help for the entrepreneur for drawing up the accounting records. At its simplest, the financial management solution is software for writing invoices. In addition to the traditional paper invoices, the software should enable the sending of invoices also in electronic form. At its best, the financial management solution produces the bookkeeping documents directly to the firm of accountants as a report or as records to a compatible system.

You should agree with your accountant as clearly as possible on which tasks will be done by you and which by the accountant as well as on the manner in which you must deliver the bookkeeping materials. You should always demand an agreement in writing; the TAL-2018 contractual terms are often used in the industry. Delivery of the bookkeeping materials to the accountant should be easy or even automatic. If the entrepreneur and the accountant use the same software, the information need not be separately sent and the bookkeeping receipts need not be re-entered separately. In that case, the bookkeeping is continuously up-to-date and the work of the accountant is made easier. If the entrepreneur and the firm of accountants use their own softwares, the bookkeeping material shall be sent as receipt copies or as summary reports. The chosen manner shall also define the responsibilities of the entrepreneur and the accounting firm of the final bookkeeping.

A self-employed person and a private trader shall not be liable to apply double entry bookkeeping if no more than one of the preconditions is met during both the financial period last ended and the preceding financial period:

- Balance sheet total exceeds €100,000
- Turnover or corresponding income exceeds €200,000
- On the average, more than three employees.

Single-entry bookkeeping basically just means entering your income and expenses to create an income statement.

Double-entry bookkeeping means that each business transaction is entered into two accounts, i.e. the debit account (charges) and the credit account (income). This will create the income statement and the balance sheet. This will create the income statement and the balance sheet.

ACCOUNTING PERIOD

A business's accounting period is normally 12 months. The first accounting period may be longer than 12 months but can never exceed 18 months. Also, the first accounting period may be shorter than 12 months. Also, a business's accounting period does not have to be a calendar year (for example, 1 April – 31 March). This kind of accounting period is called a fiscal year. The accounting period may be changed during the operations, in which case its length will deviate from the 12-month period.

The financial period of a self-employed person and a private trader is, however, always a calendar year (1 January – 31 December) if (s)he does not apply double entry bookkeeping and prepare a financial statement at least in accordance with the provisions on micro enterprises.

FIRMS OF ACCOUNTANTS

It is always worth entrepreneurs using a firm of accountants or an accountant to deal with the bookkeeping, so that they can use their own time for earning income. Generally, firms of accountants are experts in statutory bookkeeping, VAT and business taxation. A firm of accountants may also, when necessary, take care of payroll computation and payroll accounting. Expertise in cash-flow planning is also important for small businesses. In choosing a firm of accountants, it is worth paying attention to all of these matters. Further information on pages www.taloushallintoliitto.fi.

FINANCIAL STATEMENTS

Financial statements must be prepared within four months of the end of the company's accounting period, or earlier if the submission of the tax return requires. Large enterprises must draw up an annual report.

The financial statement of a small enterprise shall include an income statement, a balance sheet and notes to the financial statement as well as a list of books and records.

When the accounting period has ended, the financial statements and annu-

al report are created. The financial statements for a small business comprise a profit and loss account, a balance sheet and the notes to the financial statements. All these documents should comply with the specific formal requirements of the Finnish Accounting Act (KPL), the Finnish Accounting Decree and community law (KPA) or the Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking (PMA) and the specific format requirements in the community law.

The Board of Directors and Managing Director of a company or co-operative, the general partners of a partnership and a private entrepreneur must approve the financial statements with their signature. In the case of large enterprises, the annual report must also be approved by signing it.

If the business has an auditor, (s)he will check the bookkeeping and the governance of the company, and (s)he will write an auditor's report.

In a limited liability company, the shareholders ratify the financial statements and annual report in the general meeting or with a written document. In a co-operative, the members ratify the financial statements and annual report in the general meeting or with a written document. In a partnership, a formal meeting is not required, as the financial statements are signed by the general partners. The same applies to private traders.

An entrepreneur shall not have to prepare a financial statement if, during the last ended financial period and the preceding financial period, no more than one of the thresholds is exceeded:

- Balance sheet total exceeds €350,000
- Turnover exceeds €700,000
- On the average, 10 employees employed during the financial period.

However, most those exempted still prepare financial statements, because it makes filling out the tax return easier

and it can be needed at the bank or in the Social Insurance Institution.

AUDITS

The requirement to have a regular audit applies to general partnerships, limited partnerships, limited companies and co-operatives. Private traders, i.e. firms and entrepreneur professionals do not need to appoint an auditor. However, when required, it is still possible to appoint an auditor.

However, according to the Finnish Audit Act, an auditor does not need to be appointed in small businesses, if no more than one of the following has been fulfilled in the last accounting period and the period that immediately preceded it:

- Total sum of the balance sheet exceeds €100,000
- Net sales or the corresponding income figure exceeds €200,000 or
- On average, there are more than three employees.

Thus, an audit is mandatory in those companies and co-operatives where the limit(s) given above are exceeded.

A provision concerning the use of an auditor can be included in the articles of association, regulations or memorandum of association for a new enterprise, even when the law does not require the use of an auditor. However, if you do not wish to appoint an auditor, there is no point in including provisions about the use of an auditor. You can still appoint an auditor if you like.

If an auditor is appointed by virtue of the law or voluntarily, an approved auditor must be appointed, i.e. a chartered accountant (KHT or HT) or a chartered auditing firm. Information is available at www.prh.fi/en/ > **Auditor Oversight** and www.suomentilintarkastajat.fi.

If a co-operative has not appointed an auditor, it must have a performance auditor appointed by the Co-operative Meeting. The rules may provide otherwise.

If a company has appointed an auditor, the auditor must add a note about the audit to the financial statements after having reviewed the financial statements. Furthermore, the auditor must prepare a dated and signed auditor's report about the financial statements. Furthermore, the auditor must prepare a dated and signed auditor's report.

REGISTERING FINANCIAL STATEMENTS

The obligation of a company to submit its financial statements to be published in the Trade Register depends on the company form. Limited liability companies and co-operatives must submit their financial statements to the Trade Register either with their tax return or by sending them directly to National Board of Patents and Registration of Finland. The notification to the Trade Register must be submitted within two months of the ratification of the financial statements, and the financial statements must be ratified within six months of the end of the accounting period.

Other parties with a legal obligation to keep books, such as private entrepreneurs and partnerships and limited partnerships, must register their financial statements if two of the following limits were exceeded during the accounting period or the previous accounting period:

- Net sales at least €12,000,000
- Balance sheet total €6,000,000
- Average number of employees 50 people.

A general partnership and a limited partnership must also submit their financial statements for registration in the following cases:

- when a limited company functions as a partner (general partnership)/working partner (limited partnership);
- when the abovementioned company (= general partnership or limited partnership with a limited company as a working partner) functions as a partner/working partner.

The notification must be submitted within six months of the end of the accounting period.

The registration of the financial statement is free of charge when you submit the financial statement within eight months of the end of the accounting period. If you submit the financial statement for registration later, the processing fee is EUR 85. The payment is applied for the first time to those accounting periods for which the obligation to submit the financial statement started on 1 January 2019.

For further information on registering financial statements, please see www.prh.fi/en/ > Trade Register > How to file financial statements.

PLEASE NOTE!

After the end of the accounting period

- Prepare financial statements that consist of an income statement, a balance sheet and notes, as well as a list of the accounting books and materials. The financial statements must be completed within four months of the end of the accounting period.
- The financial statements of a limited liability company or a co-operative must be ratified in an annual general meeting, a meeting of the co-operative or with a written document. The financial statements must be ratified within six months of the end of the accounting period. In the case of a partnership or a private entrepreneur, the financial statements may simply be signed without a separate meeting.

Registering financial statements in the Trade Register

- Limited liability companies and co-operatives must always submit their financial statements to the Trade Register. The notification must be submitted within two months of the ratification of the financial statements. Most of the financial statements of limited liability companies are submitted to the Trade Register via the Tax Administration.
- A private entrepreneur, a general partnership and a limited partnership that have a legal obligation to submit their financial statements to the Trade Register must submit their financial statements for registration within six months of the end of the accounting period.
- If an auditor has been appointed to the company, the auditor must review the financial statements and prepare an auditor's report.

Income taxation

The taxation of a company is based on its bookkeeping. Financial statements are prepared in accordance with the Accounting Act, and an income tax return in accordance with the tax laws is submitted to the Tax Administration based on the books. The company pays income tax on the basis of its taxable income. As a general rule, income tax is paid as an advance tax. Back taxes are collected, if necessary. The form of the enterprises impacts on the taxation of income.

TAXATION OF INCOME IN DIFFERENT FORMS OF ENTERPRISE

Private trader (firm)

The income earned from a private trader's business is taxed as his/her own income. The business's income is divided into earned income and capital income on the basis of the net assets of the enterprise (net assets = assets relating to the business and trade - liabilities of the enterprise). The share of capital income is calculated using the formula = $20\% \times (\text{net assets during the previous accounting period} + 30\% \times \text{wages subject to withholding tax during the past 12 months})$.

The rest of the business income is earned income. Alternatively, the entrepreneur can decide that capital income will only be 10% of net assets or that all of the business income will be earned income. In the lower income classes, the taxation of earned income is lighter than the taxation of capital income. Before dividing the income from business operations into capital income and earned income, a 5% entrepreneur deduction will be made.

In the year of foundation of the business, the capital-income share is calculated according to net assets on the last day of the first accounting period. In many cases, the earned income of the entrepreneur is taxed lighter than capital income.

If spouses work in the business together, the business income is divided between them. The earned-income share of the business's income is divided between the spouses in proportion to their work contribution, and the capital-income share according to their share of net assets. The tax on the capital-income share of the business's income is 30%, if the total of the capital income of the entrepreneur does not exceed €30,000, and 34% for the share exceeding €30,000.

The earned-income share is added to other earned income of the entrepreneur, and the entrepreneur pays tax on the total earned income figure according to the progressive tax scale.

General partnership and limited partnership

A general partnership and a limited partnership are not regarded as separate taxpayers for the taxation of income. They do submit their own tax return, according to which the taxable income of the partnership (the income on which tax must be paid) is calculated. This income is split amongst the partners, and the partners pay tax on this. However, the partners are

not taxed on the personal drawings made by them or the share of profit belonging to them according to the accounts. Partners of a partnership will receive a 5% entrepreneur deduction from their entrepreneur income in their taxation.

Part of each partner's income share is capital income and part is earned income. The income share is divided into earned income and capital income using the formula presented above in the section on private entrepreneurs and based on the net assets belonging to the partner.

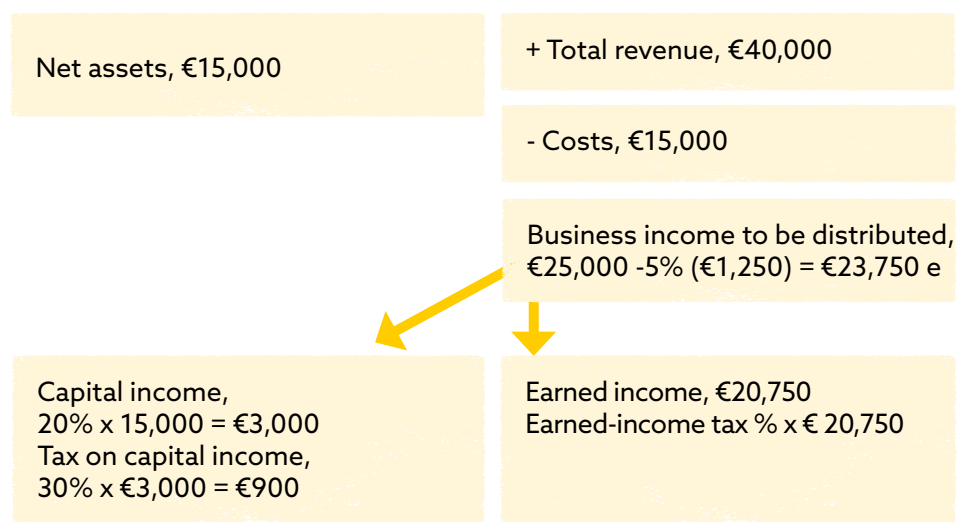
Before dividing the income from business operations into capital income and earned income, a 5% entrepreneur deduction will be made. The general partner in a partnership cannot choose whether they want 0%, 10% or 20% of their net assets as capital income; instead, the capital income share is always 20%.

The tax rate for the capital income share is 30% if the partner's total capital income per year is a maximum of €30,000 and 34% for the share exceeding €30,000.

EXAMPLE

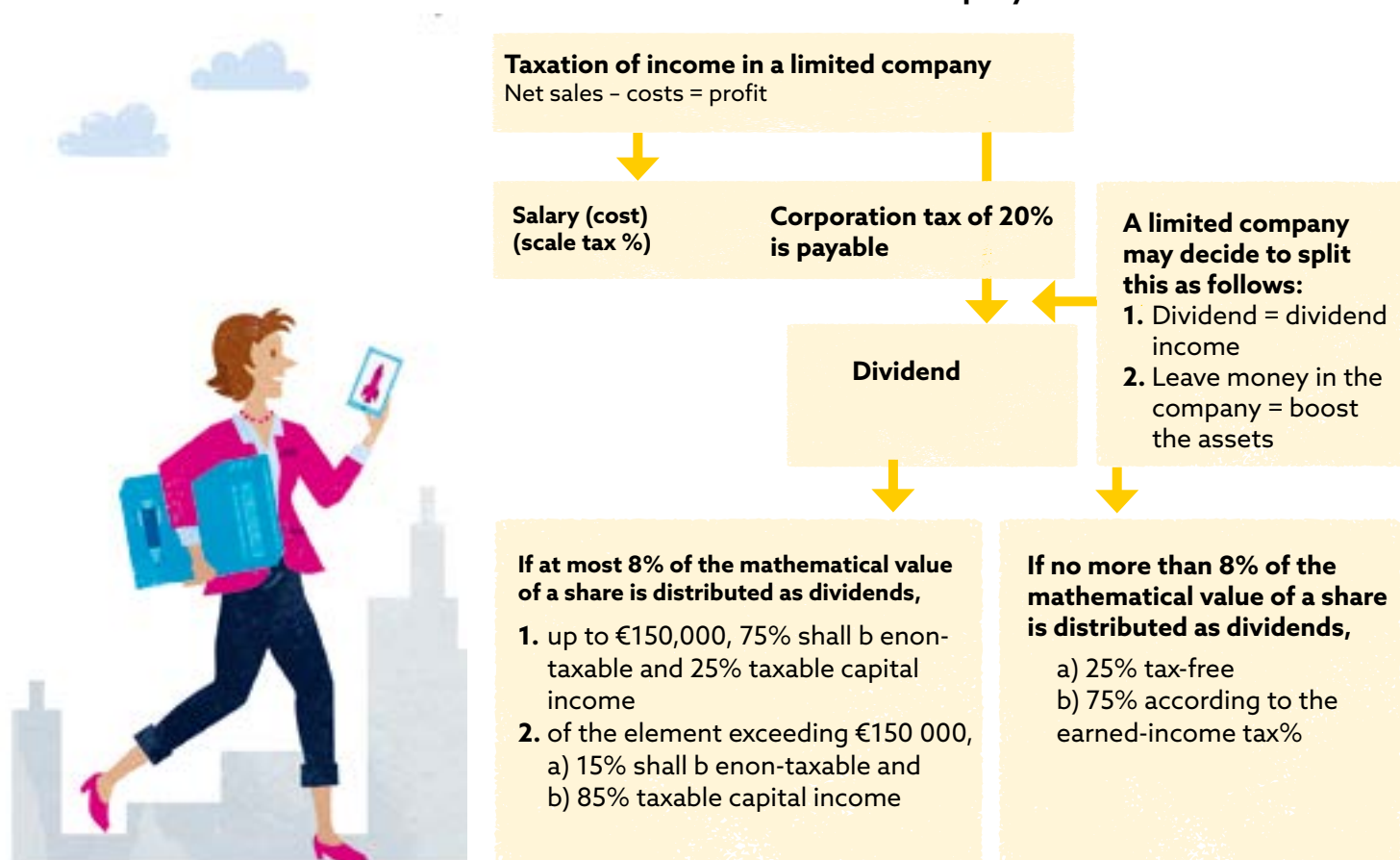
Taxation on income of private traders, example

(All capital income of the private trader per year is not more than €30, 000)



Entrepreneurs, self-employed persons and partners of a partnership will receive a 5% entrepreneur deduction from their entrepreneur income in their taxation.

Taxation of income in a limited company



The earned-income share is added to the partner's other earned income, and the partner pays tax on the total earned income figure according to the progressive tax scale.

A silent partner in a limited partnership generally receives interest from the partnership on the capital invested by him/her. This kind of income is capital income for the silent partner. A silent partner may also get a salary from the partnership or the partnership agreement may determine the share of the profits of the partnership payable to him.

Limited liability company

A limited liability company is regarded as an independent taxpayer. This means that the limited liability company's income is taxed as the company's own income, and the company's income does not affect the taxation of individual shareholders. At present, a limited liability company must pay tax at 20% of its taxable income.

A limited liability company's shareholders can withdraw funds from the limited liability company either as a salary or as dividends. Tax-free drawings are not possible in a limited liability company.

A company may distribute its profit to its shareholders as dividend. The taxation of dividends depends on how much dividend is paid and what is the value of the company's shares. The mathematical share value is calculated based on the net assets in the financial statements preceding the year in which the dividend is paid.

The net assets of a limited liability company include all of the company's assets, including those other than the assets laid down in the Act on Business Income Taxation. "Assets laid down in the Act on Business Income Taxation" refers to the company's assets that serve the business.

Other assets may include shares in housing companies or savings that are not required to fund the business operations.

If the dividend falls within 8% in its entirety, 25% thereof shall be regarded as taxable capital income for the shareholder, and 75% thereof as non-taxable. If the dividend exceeds EUR 150,000 per partner, 85% of the part in excess of EUR 150,000 is taxable capital income and 15% is tax-free income. If a company distributes more than 8% of the mathematical value of a share as dividends, of the element exceeding 8 percent, 75% shall be deemed taxable earned income and 25% non-taxable income.

The tax withheld in advance from dividends must be reported and paid to the Tax Administration for the tax period during which the dividend is payable at the earliest, according to a decision of the annual general meeting.

The actual date on which the dividend was paid does not matter.

TAX PREPAYMENT

A company must pay tax in advance based on the income from business operations. Private entrepreneurs and partnerships can submit an estimate of their result in connection with the establishment notification or through the MyTax service. In the case of a general or limited partnership, prepayments are paid by the partners. Limited liability companies and co-operatives must also apply for their prepayments through the MyTax service. Payment instructions will be sent in connection with the prepayment decision. The due date for prepayments is the 23rd of each month.

Monitoring the development of the result is important to establish whether the prepayment level is correct. If the prepayment seems too low, an increase, i.e. greater prepayments, should be applied for the remaining accounting period, so that the company will not be forced to repay taxes later. If the prepayment seems to be too high, an application can also be submitted. The change applications can be submitted through MyTax.

The prepayments paid, including any additional prepayments paid, will be taken into account in the final taxation for the accounting period. If the company has been unprofitable, it usually does not need to pay any prepayments. In such a case, submitting a change application is wise.

Entrepreneur's customer is entitled to receive tax credit for domestic help only if the entrepreneur is included in the advance collection register.

SUBMITTING INCOME TAX RETURNS

A limited liability company and a co-operative must file an income tax return within four months of the end of the accounting period. General partnerships, limited partnerships and private traders must submit their tax returns during the spring (early April) following the tax year, regardless of their accounting period.

An income tax return for limited companies must be filed in electronic format through MyTax (www.vero.fi/omavero). Private traders, general partnerships and limited partnerships can also file their tax returns in electronic format. An identification is required to file the tax return online.

PLEASE NOTE!

- **Limited liability companies and co-operatives** are independent taxpayers, and their profit is taxed as the company's income.
- **General and limited partnerships** are not independent taxpayers. Instead, the taxable income of the company is divided according to the partnership agreement into the partners' income shares, and each partner is obligated to pay tax for their share.
- **A private entrepreneur's** income as a company is considered personal income (and the personal income of their entrepreneur spouse, if any) in taxation.

Value added tax (VAT)

VAT is a tax on consumption, which the seller adds to the sales price of goods or services. Almost all businesses who sell goods or services are obligated to pay value added tax. Service sales include selling waiting, construction, consulting or transport services, for example.

BUSINESS OPERATIONS NOT SUBJECT TO VALUE ADDED TAXATION

Operations to which the value added taxation is not applied are separately listed in the Value Added Tax Act. The share of VAT may not be deducted for any related acquisitions either.

THE GENERAL RATE

24%

- **Most goods and services**

14%

- **Foodstuffs**
- **Animal feed**
- **Restaurant and catering services**

However, alcoholic beverages and tobacco products 24%.

10%

- **On subscriptions of newspapers and periodicals** (including eBooks, audiobooks, electronic newspapers and newsstand copies as of 1 July 2019)
- **Books**
- **Pharmaceutical products**
- **Physical exercise services**
- **Film showings**
- **Entrance to cultural and entertainment events**
- **Passenger transport services**
- **Accommodation services**
- **Operations relating to TV and public broadcasting against a fee**

Such operations include, for example:

- Sales and rental of properties and apartments
- Healthcare and social welfare services
- Training services separately named in the Value Added Tax Act
- Financing and insurance services
- Copyright and performance fees separately named in the Value Added Tax Act
- General postal services.

If a company only sells these goods or services, it is not obligated to pay value added tax and it does not have to register in the value added tax register. However, if the conditions are met, a company renting real estate or apartments can register in the VAT register and become a company liable to pay VAT. That is why the VAT in a new lease should always be checked. Performing artists or event agencies have also been able to register in the VAT register since 15 January 2019.

For more information on the liability to pay value added tax, please visit the Tax Administration website at www.tax.fi.

The sales of goods subject to value added taxation between EU Member States is called “intra-community supply of goods”. Selling goods to another company as intra-community supply is usually tax-free. The tax paid for intra-community purchases by the buyer can be deducted with a VAT return, provided that the goods were purchased for a deductible purpose.

The tax paid for intra-community purchases can be deducted with a VAT return, provided that the goods were purchased for a deductible purpose.

Selling of goods to a non-EU country is tax-free if the goods are transported directly to outside the EU. Tax must be paid for the import of goods in connection with the customs clearance. In the case of imports, companies included in the VAT register must declare and pay the VAT by submitting a VAT return to the Tax Administration. Companies that are not included in the VAT register must handle VAT in connection with the import of goods with the Finnish Customs.

As a general rule, the Value Added Tax Act requires a performance-based approach, i.e. the value added tax is linked to the time when the transaction actually takes place.

Companies whose net sales during an accounting period is a maximum of €500,000 have the opportunity to pay the VAT for their sales and deduct the VAT for their purchases based on the payments made. This way, companies can allocate the VAT to be paid and the VAT to be deducted based on purchases to the month during which the company receives the payment for the goods or services sold or pays the goods or services bought.

On the other hand, entrepreneurs and self-employed persons with a microenterprise can pay value added tax based on the payments made, as the Accounting Act does not require any financial statements from them.

This way, entrepreneurs and self-employed persons can apply a cash basis to either sales or purchases, or one or the other.

This means that such a small enterprise may choose whether it wants to pay VAT based on performance or based on payments. The selected option will influence the deduction savings and the way

in which the financial statements are processed.

If the net sales of a business for an accounting period of 12 months do not exceed €10,000, it does not need to register itself as liable for VAT. It is worth the entrepreneur being realistic when (s) he estimates the level of the business's net sales. If the €10,000 limit is exceeded, even though the entrepreneur has estimated that net sales would be lower, (s)he must pay VAT backdated from the start of the accounting period. In addition, delayed-payment fees will be charged. The VAT included in purchased products or services cannot be deducted either if the company is not liable to pay VAT. The entrepreneur can also apply to be subject to VAT even though net sales will remain below €10,000 for an accounting period of 12 months.

MINIMUM LIMIT RELIEF

A company will receive a minimum limit VAT relief if its net sales during an accounting period remain below €30,000. In such a case, the company will be returned some of the value added tax it paid. If the net sales are €10,000 at the maximum, the company will receive a relief that amounts to the entire value added tax to be paid for the accounting period. Tax to be paid refers to the difference between the tax for the accounting period and the tax paid for purchases.

When calculating the sales qualifying for VAT relief, the share of the VAT shall not be included. If net sales exceed €10,000 but fall below €30,000 the relief is calculated as follows:

$$\text{Tax - } \frac{(\text{net sales} - 10,000) \times \text{tax}}{20,000}$$

For example:

Net sales are €19,000, and the VAT that should be paid is €3,426.

$$\text{The relief is calculated as } 3,426 - \frac{(19,000 - 10,000) \times 3,426}{20,000}$$

So, the relief is €1,884.30.

The minimum limit VAT relief information is submitted through a VAT notification. The tax period of the value added tax will determine whether the information should be submitted based on a calendar year or with a VAT notification of the financial year's last tax period. If the tax period for VAT is one calendar month, the information is submitted with the VAT notification of the financial year's last tax period, i.e. its last calendar month.

Information concerning the minimum limit VAT relief must be submitted within three years of the end of the financial year to which the relief applies. The infor-

mation must be submitted with the VAT notification of the same tax period after which they would have been submitted in any case.

DEDUCTING VALUE ADDED TAX FROM ACQUISITIONS

If an entrepreneur who is liable to VAT buys goods or services from another who is liable to VAT and VAT is included in the price, (s)he may deduct this VAT from the tax that (s)he pays to the state. This can be done providing these goods or services are used in business operations subject to VAT.

In that case, the entrepreneur must have an invoice or a purchase receipt that shows the tax included in the price itemised in accordance with the different tax rates.

There are separate regulations about VAT for imports, exports and other international business. In these cases, it is worth clarifying matters with your tax office or an accountant.

The so-called reserve charge system is applied in Finland in the sales of construction services and scrap metal. No VAT is added to the seller's invoice and the buyer adds the VAT in the VAT payable by him/her and deducts it in the deductible VAT if the acquisition is used for a purpose entitling to a deduction.

FILING AND PAYING VALUE ADDED TAX

Value added tax is a self assessment tax, which means that the taxpayer must calculate, file and pay the tax for the tax period to the Tax Administration. Other self assessment taxes include employer contributions, for instance.

A tax return must be submitted and the tax must be paid based on the company's tax period. The tax period is usually a calendar month, unless the company has applied for a longer tax period.

The due date for filing and paying VAT is the 12th day of each month. VAT must be filed during the second month following the tax period: for example, the VAT for January must be filed in March.



Calculating the amount of VAT

Monthly	Including tax EUR	Net of tax EUR	VAT 24% EUR
Sales	6,200	5,000	1,200 = tax due
Purchases	1,860	1,500	360 = deductible tax
VAT payable			840 = payable tax

The notification must be filed if the company is included in the value added tax register, even if there are no payments for the tax period because the company has not been active, for example. Self assessment tax notifications must be filed in electronic format. You can file tax notifications in the MyTax service. You can also use the service to pay taxes. In addition to MyTax, you can file notifications directly from specific financial administration software programs or by sending a notification file to the Tax Administration at Ilmoitin.fi.

A company may apply for a longer tax period if the following criteria are met:

1. The company liable to pay VAT has a turnover or comparable income of a maximum of EUR 30,000 in a calendar year. In this case, it is possible to apply for a tax period of a calendar year or one quarter of a calendar year. Thus, VAT must be filed and paid annually or quarterly.
2. The company liable to pay VAT and regular employer payments or other payments has a turnover or comparable income of a maximum of EUR 100,000 in a calendar year. In this case, it is possible to apply for a tax period of one quarter of a calendar year. Thus, VAT must be filed and paid quarterly. Salaries and other employer payments must be reported to the Incomes Register, regardless of the tax period. The employer payments are paid quarterly.
3. The customer has not neglected their notification obligation or left taxes unpaid.

You can apply for an optional tax period when filing the notification of establishment or later via the MyTax service.

Payments made using the reference number for unprompted taxes are primarily used to cover overdue unprompted taxes. If some payments or returned taxes are not used, they can be used to cover other overdue taxes or statutory outstanding payments to other authorities (such as recovery proceedings or payments to the Customs). Any unused payments or returns will be returned to the customer, depending on how the customer has announced that they want unused payments to be processed. This is done by determining a return limit or a return procedure in MyTax.

MY TAX ESERVICE

MyTax is the electronic service of the Tax Administration, where you can take care of almost all of your tax business. You can use the service to

- Order a tax card or apply for a prepayment
- Submit your personal tax return or company tax return
- Pay taxes
- Submit your bank account number
- View your personal information and the information of your company

You must identify yourself to take care of your tax business through the online services of the Tax Administration. A natural person can log into MyTax with their online banking ID or a mobile certificate. Logging in with a Katso ID as a representative of a company is possible until the end of 2020. Foreign citizens and companies must use also a Kat-

so ID for logging in. To act on someone else's behalf (such as an accounting firm), authorisation through [Suomi.fi > e-Authorizations](https://www.suomi.fi/en/e-authorizations) is required. A company or a private person can authorise a company or private person to take care of their tax business on their behalf.

TAX DEBT REGISTER

The Tax Debt Register is a public service from which you can check the tax debt of any company or private entrepreneur and whether they have neglected to pay any unprompted taxes.

The information in the Tax Debt Register can be found at the Business Information System (BIS) site (www.ytj.fi/en/). Information on businesses is available to everyone. However, tax-debt information on self-employed persons (trade names) is available only to registered users. Logging in takes place with the Katso user ID. Until the end of 2020, the identification will take place with a Katso ID. Search using a name or a company ID. The limit for publishing a tax debt in the Tax Debt Register is €10,000.

Becoming an employer

In an employment relationship, an employee performs work under the employer's direction and supervision in return for pay or some other remuneration. An employment relationship arises when the employer and the employee agree on the performance of the work.

CONCLUSION OF AN EMPLOYMENT CONTRACT

As a rule, employment contracts are free of form. An employment contract may be written, oral or electronic. It is, however, recommended always to conclude a written contract.

The employment contract may be made for a fixed term or with an indefinite validity. A fixed-term employment contract must always have justifiable grounds for it. Such may be, for example, acting as a substitute, seasonal work or one-time work or training period.

However, the signing of a temporary employment contract does not require any justified reason if the person to be hired has, according to a report by the TE Office, been unemployed and seeking for work for a continuous period of twelve months before the signing of the employment contract. A fixed-term employment contract may be valid for a maximum of twelve months.

An employment relationship is subject to minimum terms based on legislation (inter alia the Employment Contracts Act, the Working Hours Act and the Annual Holidays Act) and collective agreements. An employer belonging to an employers' federation must comply with the collective agreement concluded by his/her employers' federation. Even an unregistered employer is liable to comply with the generally applicable collective agreement if one is concluded for the sector. Prior to concluding an employment contract, it is therefore necessary to find out if a generally applicable collective agreement has been concluded for the main business sector of the enterprise (cf. www.finlex.fi/en/).

RECRUITING EMPLOYEES AND EMPLOYER OBLIGATIONS

- ✓ **1. Define the criteria for the task** (know-how, experience and motivation). Decide on the form and duration of the employment relationship.
- ✓ **2. Be prepared to submit further information** and study the applications.
- ✓ **3. Arrange job interviews and make the decision.**
- ✓ **4. Sign the employment contract.** Check for a collective agreement, see www.finlex.fi/en/. Show the tasks to the employee.
- ✓ **5. Seek registration in the Tax Administration's Employer Register** if your company will begin to pay out wages regularly and if you will pay wages on a regular basis to at least two permanent employees or at least six temporary employees. The notification is filed using the start-up notification or the notification of changes.
- ✓ **6. Take out statutory Workers' Compensation Insurance** as well as Employees' Group Life Assurance prior to the start of the work if the estimated wages exceed €1,300 per calendar year.
- ✓ **7. Take out Employees' Pension Insurance TyEL**
A pension insurance policy must be taken out before paying salaries and at the latest before submitting a salary information declaration to the Incomes Register.
- ✓ **8. Arrange occupational healthcare** if you hire an employee in an employment relationship, see www.kela.fi.
- ✓ **9. Organise your working hour records.**

A trial period starting from the beginning of the work may be agreed on in the employment contract. The trial period may usually be a maximum of six months. In the case of a fixed-term employment contract, the trial period may be a maximum of half of the fixed term and always a maximum of six months.

During the trial period, the employment contract may be cancelled by either party. The cancellation may not, however, take place on grounds that are inappropriate with regard to the purpose of the trial period.

WRITTEN INFORMATION ON TERMS OF WORK

If no written contract has been drawn up, the employer shall, without a separate request, present written information on the principal terms of work, which have not been agreed on in a written contract. The information shall be presented to the employee at the latest by the end of the first pay period.

The duty to provide information applies to all employment contracts valid indefinitely or for a term exceeding one month. The duty to provide information applies also to the employer if the employee is repeatedly in employment relationships of less than one month on the same terms with the same employer.

If the terms of the employment relationship change, the new terms must be presented in writing at the latest by the end of the pay period following the change.

The information may consist of one or several documents or it may be presented by referring to the Act or collective agreement applicable to the employment relationship. In temporary work, the information shall be provided upon request of the temporary agency employee even if the employment contract has been concluded for a fixed period of less than one month.

The employment contract or information shall include at least the following information:

- the domicile or business location of the employer and the employee
- the date of commencement of the work
- Duration of the fixed-term employment contract, ending date or estimated ending date of the employment, justification for the employment contract being a fixed-term one or a notification that it is a fixed-term employment contract with a long-term unemployed person as laid down in chapter 1, section 3 a of the Employment Contracts Act.
- the trial period (if any agreed upon)
- the place where the work is performed or, if the employee has no primary fixed workplace, an explanation of the principles according to which the employee will work in various work locations
- the employee's principal duties;
- the collective agreement applicable to the work
- the grounds for the determination of the pay or other remuneration as well as the pay period
- working hours to be followed: With regard to variable working hours, when agreed on the employer's initiative, a description of which situations and the extent to which the employer will need labour must also be included.
- the manner for determining annual holiday
- the period of notice or the grounds for its determination.

In the case of work performed abroad for a minimum period of one month, the information must include the duration of the work, the currency in which the monetary pay is to be paid, the monetary remunerations and fringe benefits applicable abroad as well as the terms for the repatriation of the employee.



EMPLOY WITH COMPETENCE SERVICE

Employ with Competence is a service by the TE office that provides entrepreneurs with advice on recruiting and acting as an employer. The aim is to help entrepreneurs to proceed in acquiring a workforce, so that any possible employment or other contractual relationships have a good start. The service is tailored to each company's needs, focusing on the most suitable and effective ways to acquire a workforce in its current situation.

The themes of the service include recruiting, buying workforce, hiring workforce, employment contracts or other contractual agreements on acquiring a workforce, employer's rights and obligations, as well as public and private employment services.

The service includes the mapping of the entrepreneur's current situation and 2–5 hours of personalised advice based on the company's needs.

The Employ with Competence service is intended for solo entrepreneurs and small businesses who are currently in need of an employee or workforce and who wish to get concrete advice on being an employer. For more information, contact the TE office at tyollista.taidolla@te-toimisto.fi. A registration link for the service is available at www.te-palvelut.fi/te/en > **For employers/entrepreneurs** > **For entrepreneurs** > **The Employ with Competence Service.**

TEMPORARY AGENCY WORKERS

At the start of operations, the need for employees may be unclear or unstable. It is also uncertain whether the operations continue or not. Instead of hiring your own employee, a more flexible way to acquire a workforce is to purchase human resources from another company. This is called personnel hire. This is a flexible and easy way to acquire the first employee for your company.

The company hiring personnel (i.e. the user company) has management and supervisory rights over the temporary worker, and one of its duties is to provide initial training for the worker. Other obligations of an employer, such as payroll, organising occupational health-care, or records of working hours and annual leave, are handled by the temporary work agency that acts as the employer for the temporary worker. The collective agreement that binds the user company is usually applied in determining the conditions of employment for the temporary worker.

The temporary work agency is a professional in recruitment. The hiring company can get to know the employee and his or her ways of working without immediately committing to employment. Many companies use personnel hire as their recruiting method. In such cases, the company employs the temporary worker directly after hiring.

PROCESSING PERSONAL DATA DURING RECRUITMENT

During the recruitment process, an employer can collect and save any information about the jobseeker that could be necessary during the potential future employment. The necessity must be assessed on a case-by-case basis.

As a general rule, the personal data should be obtained directly from the jobseeker. If this is not the case, the jobseeker's consent must be obtained.

No information about a jobseeker that could violate anti-discrimination laws or statutes may be collected, nor may any questions regarding such information be

INDIRECT STAFF COSTS

(in 2020)

- **For salaried employees,** employees' pension insurance (as specified by the Finnish Employees' Pensions Act) must be taken, if a salary of €60.57 a month or more is paid to them. The pension contribution of small employers paid to the pension insurance company is 25.30% of the employee's salary. In the case of **temporary employers***, the pension contribution is 25.30% of the wages. The employee's **part of the employee pension insurance** contribution that the employer withholds from the wages is 7.15% for employees between the ages of 17 and 52 or 63 and 67, and 8.65% of the wages for employees between the ages of 53 and 62.
* A temporary employer does not have permanent employees, and the wages they pay must not exceed €8,676 within six months.
- **The unemployment insurance** contribution is 0.45% of the salary when the employer pays no more than €2,125 500 in wages and salaries in a year. The insurance contribution is 1.70% of that part of wages and salaries that exceeds this. The employee's unemployment insurance contribution is 1.25%. The unemployment insurance contribution shall be paid to the Unemployment Insurance Fund (www.tyollisyyssraha.fi/en/).
- **The occupational accident insurance** premium is 0.1–7.0% of the salary depending on the line of business. The average is 0.70%.
- **The group life assurance premium** is on average 0.07% of the salary.
- **The employer's health insurance** contribution is 1.34% of the wages.

asked from the jobseeker. No sensitive information about the jobseeker, such as information about their health, religion or sexual orientation, may be saved or asked, unless such information is absolutely necessary due to the rights and obligations of the employment relationship. However, in specific situations separately prescribed by law, the jobseeker's permission is not required (such as obtaining credit information to determine whether the jobseeker is reliable). In such a case, the jobseeker must be informed that information has been collected from other sources, though.

Information regarding the recruitment process must be saved for a period of twelve months after the hiring of an employee (the period of time specified for

the filing of claims in the Non-discrimination Act). The information must be destroyed after this period of time.

INCOMES REGISTER

The Incomes Register is a national database for income data. Salaries, fringe benefits, fees, compensation paid for work, as well as tax-free and taxable expense allowances, must be declared to the Incomes Register. The data must be submitted separately for each salary earner by filing a salary information declaration after each payment. The declaration must be filed by the fifth calendar day following the payment date. Furthermore, a separate employer's declaration on the total amount of employer's health insurance contributions paid must be submitted by the fifth day of the calendar month follow-

EXAMPLE CALCULATION LABOUR COSTS	EUR
Monthly wages	3,000.00
Employer's social security contribution 1.34%	40.20
Small employer with insurance contract, pension contribution 25.30%, of which the share of the employer is 18.15% (employees under 53 years)	544.50
Occupational accidents, injuries and diseases insurance premium, on the average 0.70%	21.00
The employer's unemployment insurance contribution 0.45%	13.50
The group life insurance premium in the private sector on the average 0.07%	2.10
TOTAL	3,621.30

ing the month during which the contributions were paid. A separate declaration must be filed if the employer is included in the employer register, even if no salary was paid during the month.

PAYMENT OF THE PAY

The minimum pay payable to an employee shall be indicated in the generally applicable collective agreement. In the absence thereof, the pay shall always be a reasonable remuneration for work considered normal in the sector with regard to the nature of the work. Salary must be specified in the employment contract, which should always be made in writing. A minimum pay is not provided by law. A pay meeting the employee's work requirement, available at the website of Kela (www.kela.fi), may be considered a type of minimum pay.

You must also pay salary during an employee's annual holiday. The annual holiday accrual is two days per month during the first year of employment and then 2.5 days per month. An employee is entitled to a holiday allow-

ance if they have accrued no annual holiday.

There may be a separate agreement on holiday pay in the collective labour agreement. The employer must also pay an employee's salary during an employee's sick leave in the manner laid down in legislation and the collective labour agreement. Furthermore, the collective labour agreement may include agreements on the payment of salary during an employee's maternity leave or a short-term absence due to the illness of a child.

The wages must be paid on the last day of the pay period unless otherwise agreed. The holiday pay must be paid before the employee starts their holiday. The employer must ensure that the employees receive a payslip in connection with each salary payment. The wages must always be paid to a bank account; payments in cash are only possible in very rare exceptional cases.

Palkka.fi salary payment service

It is usually worth while to let an accounting firm take care of the calculation of wages and the submission of employer notifications.

If you want to handle your salary payments yourself, you can use the Palkka.fi service for small employer companies. The service is maintained by the Tax Administration, employee pension companies and the Employment Fund. You can use the service to calculate the salaries of employees and add-on costs, and to print payslips. Palkka.fi will also calculate the employer contributions: the withholding tax, the tax at source, as well as the employer's health insurance contribution, pension insurance contribution and unemployment insurance contribution. You will also get the receipts required for bookkeeping from the service.

Declarations to the Incomes Register can be sent through the Palkka.fi service. Corporate users can select whether they want Palkka.fi to automatically generate the Incomes Register declarations. If you do this, you do not have to worry about sending the salary declarations

or the separate employer declarations to the Incomes Register.

If you want to generate the declarations yourself, you should note that the salary declarations to the Incomes Register must be sent by the fifth calendar day following the salary payment date. Then, you must file the separate monthly employer's declaration by the fifth day of the following month. See www.palkka.fi.

STATUTORY OBLIGATIONS RELATED TO SALARY PAYMENTS

There are statutory obligations related to the payment of salaries. An employer is always obligated to subtract the withholding tax from the salaries and work compensation paid, unless the recipient is included in the prepayment register. In addition to the withholding tax, the employer must deduct from the salary the employee's share of the employment pension insurance and unemployment insurance contribution.

The employer will pay a health insurance contribution based on the total amount of salaries paid. The health insurance contribution does not apply to employees under the age of 16 or over the age of 68, however.

A declaration on salary and earned income paid must be submitted to the Tax Administration's Incomes Register within five days of the payment date.

The due date for employer contributions to the Tax Administration is the 12th day of the month following the salary payment month. If this date is a Saturday, Sunday or bank holiday, the payment must be made on the next weekday. The employer contributions can be paid through the MyTax service (www.tax.fi).

The employer must also pay the health insurance contribution based on the total amount of salaries paid at the same time. Before that, the employer must submit a separate declaration on the health insurance contribution at the latest on the fifth day of the calendar month following the salary payment month.



Insurance companies (authorised pension company, accident insurance company and Employment Fund) receive the salary information directly from the Incomes Register and send insurance contribution invoices based on the data submitted to the Incomes Register.

OCCUPATIONAL HEALTH CARE

An employer shall be liable to arrange preventive occupational health care for his/her employees in an employment relationship. In addition, the employer may organize medical treatment of general-practitioner level. The Occupational Health Care Act applies to work which is governed by the Occupational Safety and Health Act and performed in Finland. Occupational health care services may be acquired, for example, from a municipal health care centre or from a private medical centre. The employer shall draw up a written agreement as well as a plan of action with the service provider. The plan of action must be based on the workplace investigation performed.

An entrepreneur who is an employer may, based on the Health Insurance Act, apply for compensation from the Social Insurance Institution (Kela) for necessary, reasonable costs from the arrangement of occupational healthcare services. The occupational healthcare services are offered free of charge to the employee.

INSURING AN EMPLOYEE

TyEL Insurance

According to the Employees Pensions Act, an employer must take out an insurance policy that covers their employees between the ages of 17 and 67 if the employer pays as salary to the employees for the employment relationship a minimum of EUR 60.57 per month (in 2020).

The employment pension contribution (TyEL) consists of the employer's share and the employee's share. The employer pays to the authorised pension company a total sum that includes both of these shares. The employer's TyEL contribution is based on the actual amount of salaries paid. The authorised pension company receives the salary information directly from the Tax Administration's Incomes Register (www.incomesregister.fi) and sends an invoice to the employer.

A pension insurance policy must be taken out before paying salaries and at the latest before submitting a salary information declaration to the Incomes Register.

Statutory workers' compensation insurance

An employer has a statutory obligation to insure his/her employees against occupational injuries and occupational diseases if the wages paid or agreed to be paid for work performed during a calendar year exceed €1,300. The insurance must be taken prior to the commencement of the work.

Group life insurance

The employees' group life insurance is based on a mutual agreement between labour market organisations. With certain exceptions, it applies to all employees in employment relationships governed by the Employees Pensions Act. The insurance shall be taken in connection with the statutory workers' compensation insurance through a non-life insurance company.

Unemployment insurance

The contribution consists of the employer's share and the employee's share. The employer deducts the employee's share of the insurance contribution from each salary paid. The employer is obligated to make the payment to the Employment Fund if the wages paid or agreed to be paid for work performed during a calendar year exceed €1,300. The Employment Fund receives the information on the employer's salaries subject to the insurance contribution directly from the Incomes Register. See www.tyollisyysraha.fi/en/.

WORKING HOUR RECORDS

An employer must keep records of the working hours and the compensation paid for the work done by each employee.

The records must include regular working hours, additional work, overtime, emergency work and work done on Sundays and the compensation paid for these, or all working hours and overtime, emergency work and work done



on Sundays and the increased compensation paid for them. Salary records cannot always be used to compensate for the working hour records.

The working hour records and a written agreement between a representative of the employer and the employee must be shown to a person carrying out an occupational health and safety inspection and the employee representative, if necessary. The employee or a person authorised by the employee has the right to receive upon request a written report of all markings regarding the employee in the shift roster and the working hour records.

OCCUPATIONAL HEALTH AND SAFETY

An employer is obligated to ensure the safety and health of its employees at the workplace. The employer must plan, select, design and implement all the measures needed to improve the working conditions. Employees must be provided with sufficient information about

risks and hazards at the workplace and the employer must ensure that the employees have the necessary professional competence and work experience.

The Occupational Safety and Health Act and other regulations regarding the workplace must be available to the employees at the workplace in print or in electronic format in an online service to which the employees have free access.

Occupational health and safety manager

The employer and employees must cooperate to improve and develop occupational health and safety at the workplace. An occupational health and safety manager is in charge of the cooperation in terms of occupational health and safety issues. The employer can act as the occupational health and safety manager, or its representative can be appointed for the task.

The occupational health and safety manager must know the conditions at the

workplace and be sufficiently qualified to perform the task. They must familiarise themselves with the legislation governing occupational health and safety. The occupational health and safety manager must have the means to organise cooperation in occupational health and safety issues in practice.

Occupational health and safety representative

The occupational health and safety representative represents the employees at the workplace in cooperation in occupational health and safety issues. The employees must select the occupational health and safety representative, as well as two deputy representatives, if at least ten employees work regularly at the workplace. In a smaller company, the employees can also select the representatives. Clerical employees can select their own representatives.

In the cooperation in occupational health and safety issues at the workplace, occupational health and safety ombudsmen can be selected to represent the employees in addition to the occupational health and safety representative. The ombudsmen represent a restricted group of personnel, such as a certain office, division, or occupational group.

Occupational health and safety ombudsman

In the cooperation in occupational health and safety issues at the workplace, occupational health and safety ombudsmen can be selected to represent the employees in addition to the occupational health and safety representative. The ombudsmen represent a restricted group of personnel, such as a certain office, division, or occupational group.

Occupational health and safety committee

An occupational health and safety committee must be established at all workplaces where at least twenty employees work regularly. The committee is established based on the employer's initiative. The occupational health and safety committee represents the employer and the employees at the workplace.

The occupational health and safety manager is responsible for organising and developing the cooperation in occupational health and safety issues at the workplace. The occupational health and safety manager is not necessarily a member of the occupational health and safety committee, but he or she participates in the meetings.

Register of occupational health and safety personnel

The contact details of those appointed and selected to perform occupational health and safety cooperation tasks are registered in the register of occupational health and safety personnel. The register is maintained by the Centre for Occupational Health (TTK). The employer is legally obliged to submit the information to the register of occupational health and safety personnel.

The contact details and dates of birth of the following selected or appointed persons at the workplace must be registered to the register of occupational health and safety personnel by the employer:

- occupational health and safety manager;
- occupational health and safety representatives;
- occupational health and safety deputy representatives;
- members of the occupational health and safety committee or a similar committee (a company or organisation with at least 20 employees);
- occupational health and safety ombudsmen (if selected at the workplace).

In addition, the information on the employer and the workplace, as well as the provider of occupational healthcare, must be registered. The notification to the register of occupational health and safety personnel is made by the occupational health and safety manager or another person appointed by the employer. The notification is submitted online at www.ttkrekisteri.fi.

ENTREPRENEUR'S KEY DATES

12TH DAY

Finnish Central Tax Administration

- pay VAT, tax deducted at source and social security contributions.

23RD DAY

Finnish Central Tax Administration

- pay the business's tax prepayments.



Pay taxes and pension contributions on time.
This way, you will avoid any late payment penalties.

PLEASE NOTE!

Employer obligations

- Follow the working hour legislation and the industry's collective labour agreement.
- Pay the wages on time into the bank account of the employee.
- Withhold the tax from the wages. Don't forget to withhold the employee's share of the employee pension insurance contribution and the employee's unemployment insurance contribution.
- Give the employee a payslip after each payment.
- Declare salaries paid with a salary information declaration to the Incomes Register within five days of the salary payment date.
- Declare health insurance contributions paid with a separate declaration at the latest on the fifth day of the month following the salary payment month. If the company is included in the employer register, also submit a separate declaration for any months during which no salaries were paid.
- Suomi.fi authorisation is used in the MyTax service and the Incomes Register. If you want your accounting firm to take care of your taxes, you must authorise

the accounting firm in Suomi.fi > **e-Authorizations**.

- Pay the employer contributions (withholding tax and health insurance contribution) to the Tax Administration by the 12th day of the month following the salary payment month in MyTax (www.tax.fi).
- Pay the statutory insurance premiums, including the shares withheld from the employees, as agreed to the employee pension company, the Employment Insurance Fund or your insurance company. Don't forget to pay any labour union membership fees or enforcement fees.
- Submit the annual report on wages paid and employer payments to the Tax Administration by the end of January the following year.
- Apply for compensation from Kela for the costs arising from the occupational healthcare services within six months of the end of the company's accounting period.
- Arrange your working hour records.
- Take care of occupational health and safety.

Environmental responsibility of the business

When you decide on the line of business for your company and begin operations, you should take environmental matters into account. All operations will have an impact on the environment. Laws, Government decrees and other regulations obligate companies to take into account environmental issues in their business operations. In addition, monitoring of electricity consumption, for example, and sorting of waste also save business costs.

Environmentally responsible operations are also a marketing tool and a competitive factor for small businesses. Nowadays, consumers are very informed, and they respect enterprises that take account of environmental matters in their operations. Everyday purchasing decisions may be made in accordance with these values.

TAKE CARE OF THE ENVIRONMENT

Establish what environmental legislation there is concerning your business.

As an EU country, Finland has a lot of environmental legislation and regulations that concern businesses and various industries. For example, does it impact on your business's operations that a manufacturer and importer of products is responsible for organising and paying for the waste disposal of products when products are taken out of use? Further information is available from the environmental authority for your own municipality and from www.environment.fi and www.suomi.fi/company > **Companies and organisations > Responsibilities and obligations: Corporate environmental responsibility.**

Fulfil the producer responsibility of your enterprise also with regard to packaging.

Producer responsibility refers to the producer's responsibility to arrange the re-

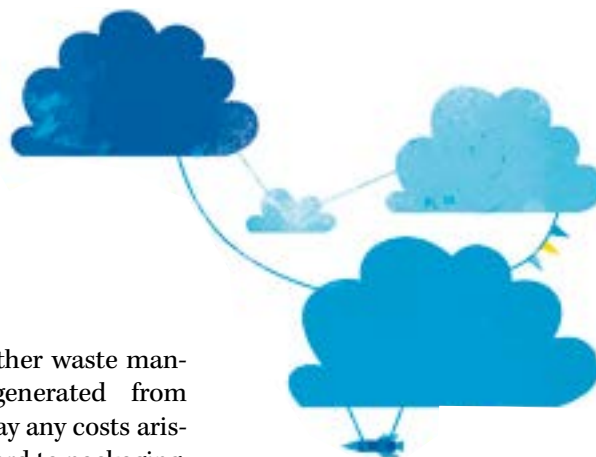
covery, recycling and other waste management of waste generated from products as well as to pay any costs arising therefrom. With regard to packaging, producers mean enterprises which pack or import packaged products to Finnish markets and whose turnover exceeds €1 million. The product responsibility applies to all packagings as well as the packaging waste generated from their use. For further information, contact Suomen Pakkauskierrätys RINKI Oy, rinkiin.fi.

Identify harmful environmental impacts. Establish how they can be reduced.

A business does not necessarily have to make large investments. Instead, it can just implement changes to existing practices to create the desired impact. For example, electrical appliances consume a lot of energy while on standby: a computer's electricity consumption may reduce by as much as 60% when energy-saving measures are introduced (source: Motiva). Monitor energy consumption in your business systematically, so that you notice any areas of unnecessary consumption.

Familiarise yourself with waste-disposal regulations in your business's area.

The sorting and reduction of waste generated by business operations is really important. Waste that has been well sorted and delivered to the waste collection point can be used again. Generally speaking, the same sorting regulations apply to businesses operating in a residential building as they do to residents. If a business operates in its own business premises or property, it will create an independent waste-disposal agreement.



The best solution for the environment is the reduction of waste; mixed waste that has not been sorted is money that is pointlessly carried to a waste tip. More guidance on recycling is available from www.kierratys.info.

Respect the environment if you use dangerous materials.

Hazardous waste contains substances which, already in small quantities, may be harmful or hazardous both to people and the environment www.vaarallinjate.fi. A list of different types of hazardous waste and their collection points can be found in kierratys.info.

Chemicals and other hazardous materials must be used and stored as provided for. For further information on chemicals, see www.tukes.fi/en/.

Think about the environment when you make purchases.

Use eco-label products that have been produced nearby, and try to use Fair-trade or organic products. Buy products that are in economy-size packs or that are recycled. You can also buy green (environmentally friendly) electricity. New fridges, freezers and dishwashers are more energy efficient than old ones. Savings can also arise by using less electricity, water or even detergent. Familiarise yourself with the eco-friendly labels such as the Swan mark, the Flower mark, the Energy mark, as well as "Luomu" (Organic), the EU organic mark, Demeter, Ekogenergia and the "Reilu kauppa" (Fair-trade) marks.

Business culture in Finland

To succeed in business it is important to know Finnish business culture, attitudes and customs. Then it is possible to serve customers better and also understand what your customers expect.

The Finns like to use their time effectively. They happily plan timetables and stick to the times agreed. In written Finnish, the 24-hour clock is used. It is still good to check agreed meeting times by e-mail for instance.

The working day generally starts in the morning around 8 a.m. and ends in the afternoon around 4 p.m. Lunchtime is around 11 a.m. – 1 p.m.

All people are valued as equal regardless of age, gender, profession and religion. Women are equally involved both in corporate life and as public servants. Addressing people using the familiar form of “you” in Finnish is very common. It is good to remember to be polite when talking to people in meetings, phone conversations and e-mails.

It is good to thoroughly prepare yourself for meetings and to arrive on time. On arriving at a meeting, a firm handshake while looking at your colleague’s eyes creates a trustworthy first impression. Finns drink a lot of coffee, and it is also often provided in business meetings. At the end of a meeting, people shake hands.

In Finland, businesses encounter little bureaucracy. Decisions are made quickly, and businesses act efficiently after careful planning and preparation.

Finland is among the world’s least corrupt countries, so gifts, of either goods or money, must never be offered to officials or business partners. However, a small reminder of a good acquaintance is allowed, such as giving a card or a small gift of minor value, for example at Christmas.

**All people are
valued as equal
regardless of age,
gender, profession
and religion.**



Business dictionary

ACCOUNTING PERIOD (Tilikausi) is a period of time (usually 12 months) for which the company's result (= profit or loss) is calculated. In some (exceptional) circumstances, the business's financial period may be shorter or longer than 12 months (but no more than 18 months), when operations are commenced or terminated or the date of the financial statements is changed (Finnish Accounting Act). The financial period of a self-employed person and a private trader must be a calendar year unless (s)he prepares a financial statement and applies double entry bookkeeping.

ACCRUAL-BASIS ACCOUNTING

(Suoriteperusteinen kirjanpito) In accrual-basis accounting, in addition to the items processed in cash-basis accounting, receivable and payable items are recorded, even if no invoices have been sent or no payments have been made. In monthly bookkeeping, the performance principle can be applied to selected expense items only, but in financial statements, the performance principle must be applied to the entire financial statement. For example, in day-to-day bookkeeping, labour costs and social security costs can be reported based on actual work

performed, even though the payment is transferred to the following month. This is mandatory for a financial statement, as is recording the accrued holiday pay debts, inventory changes and depreciations, as well as accrued interest expenses.

BALANCE (Saldo) is the difference between the debit and credit accounts of a company. The balance of the accounts payable and receivable states the amount of receivables or payables and the bank statement shows the amount of cash in the account or the credit used of the credit account.

BALANCE SHEET (Tase) This is a statement of account forming part the financial statements of a business. It shows the assets and debts of the business at a certain point in time. In the balance sheet, the assets owned by the business are listed under the Assets heading (debit) while the shareholders' equity and the business's debts are listed under the Liabilities heading (credit), the same as the accumulation of appropriations and the provisions.

BANKRUPTCY (Konkurssi) is where the business's operations end and all distrainable assets are converted into cash to pay debts that have arisen from the business's operations. Bankruptcy proceedings may be initiated by the debtor itself or the creditor.

BENEFIT (Etuus) This is generally money to which an individual has a right on the basis of legislation, for example. Benefits include pension benefits, amongst other things.

BOOKKEEPING (Kirjanpito) - Double-entry bookkeeping means that each business transaction is entered into two accounts, i.e. the debit account (charges) and the credit account (income). The entries in double-entry bookkeeping explain why money is moving, and from which account it has been taken (such as a cash debit or a sales credit). Financial statements are prepared on the basis of the reception or hand-over of goods and services according to the entries in double-entry bookkeeping (the performance-based approach). These include the income statement and balance sheet for the accounting period, notes to these, as well as a list of the accounting books and materials. Details relating to the notes and details of the balance sheet items must be enclosed with the financial statements.

- Single-entry bookkeeping In single-entry bookkeeping, expenditure, income, interest, taxes and personal use of goods and services are recorded on the basis of movement of cash (the cash-payment basis). This describes the business's income and expenditure.

BREAK-EVEN POINT (Kriittinen piste) means the theoretical level of net sales where the business has a zero result, i.e. it makes no profit and no loss.

BUDGET (Budjetti) is a company's plan of action in euros. It is to be completed during a specific period of time. In this, the profit and cost targets are presented numerically, in euros, for instance.

BUSINESS ACTIVITY (Elinkeinoitoiminta) refers to independent, systematic and continuous activity that involves risks and that is practiced in order to make a profit.

BUSINESS ANGEL (Bisnesenkeli) This is an individual who invests his/her own money in growth enterprises. A business angel may, in addition to making capital investments, act, for instance, as a member of the Board of Directors or as a business mentor or help in finding contacts and creating collaborative relationships.

BUSINESS IDEA (Liikeidea) A business's operations are based on a business idea, which is a description of the benefit of a product or service, its marketing and the line of business, along with how the idea will be commercialized.

BUSINESS INCUBATOR (Yrityshautomo) This helps a new business so that it can grow and develop. A business incubator provides an enterprise with, for example, premises, advisory and expert services, mentoring, training and networking opportunities. The entrepreneur creates an agreement with the business incubator for a fixed period, usually two years.

BUSINESS OPERATING MODEL (Liiketoimintamalli) This shows what happens in a business, so that a product or service can be delivered. It is a description of the different functions in the business and how they interact.

BUSINESS PLAN (Liiketoimintasuunnitelma) This is a written plan of the implementation of the business idea in practice. It includes an assessment of the factors affecting profitability as well as estimates of sales, investment requirements and sources of finance.

BUSINESS-TO-BUSINESS (Business-To-Business) means between businesses. For example, a marketing campaign may be just directed at businesses, i.e. business-to-business.

CAPACITY (Kapasiteetti) means ability to perform or produce. For example, how many goods a business is able to produce in a certain time period.

CAPITAL (Pääoma) Money or assets (property given as a capital contribution) that the entrepreneur him/herself or another investor transfers to a business. Capital can be divided into shareholders' equity and liabilities. In addition to equity that has been invested in the business, shareholders' equity comprises capital that has accumulated from operational income or valuation of the balance sheet assets at a value higher than the acquisition cost. Liabilities comprise



capital which an external party has invested in the business and which must be paid back. Depending on the terms of the loan, a subordinated loan may be either equity or liabilities.

CAPITAL INCOME (Pääomatulot) of a natural person refers to proceeds from property, capital gains and other income that can be considered to have accrued from the company's assets, such as interest income, rent income, profit on sale and dividends from listed companies. Part of the business income of a private entrepreneur, a partner's share of the business income of a general or limited partnership and the dividends paid by a limited liability company can be considered capital income.

How large a part this is depends on the net assets of the entrepreneur or partner. The tax rate for capital income is 30% up to €30,000 and 34% for any share exceeding €30,000.

CASH-BASIS ACCOUNTING (Maksu- ja tulo- perusteinen kirjanpito) In cash-basis accounting, the company's transactions and financial transactions are recorded based on their date of payment. Cash-basis accounting does not include accounts receivable or accounts payable.

CASH FLOW (Kassavirta) refers to money that comes into the company when it sells goods or services and money that goes out of the company. Other monetary income, such as investments, loans and dividends, are also included in the cash flow.

COMMITMENT (Sitoumus) This is a binding promise. It means that the person must do what (s)he has committed to do or what (s)he promised to do.

COMPETITION (Kilpailu) In its marketing, a business can use various means by which it differentiates itself from other similar enterprises. These may be, for instance, location, products, quality, price and availability. The opposite of competition is a monopoly where only one enterprise engages in a specific activity and thus it is able to set prices for its products at the level it wishes because there is no competition. Economic competition is regulated by competition legislation. See also Direct and indirect competition.

COST (Kulu) An expense or part of an expense allocated to a certain accounting period, most often for a financial period.

CROWDFUNDING (Joukkorahoitus) is a practice for collecting funding for entrepreneurial activity via crowdfunding platforms in the Internet.

CUSTOMS CLEARANCE (Tullaus) When goods are imported or exported, tax-related and administrative procedures are associated with this. Customs clearance is taken care of by the customs authority (www.tulli.fi/en > Businesses). For customs clearance, a declaration form is completed, where the authority is provided with information about the goods, such as their value and quantity.

CUT-RATE PRICE (Polkuhinta) means an unreasonably low price level compared to production costs and current market prices.

DAILY CONSUMER GOODS (Päivittäistavarat) are consumer goods used on a daily basis, such as all food products, soap and toilet paper.

DEBIT (and CREDIT) (Debet ja Kredit) In bookkeeping, transactions are entered into different accounts on the account scheme/account classification. Income is entered on the credit side and increases the profit, while expenditure is entered under debits. An increase in assets is recorded on the debit side and an increase in debt is entered on the credit side.

DEGREE OF SOLVENCY (Vakavaraisuus) The more equity an enterprise has in relation to loan debt, the more solvent the enterprise is.

DEPRECIATION (Poistot) The acquisition costs of fixed assets subject to wear and tear (such as buildings and equipment) are entered on the balance sheet (i.e. activated) as assets and deducted in accounting as depreciations during the time the asset is of financial value (during the commodity's depreciable lifetime).

DIRECT AND INDIRECT COMPETITION (Suora ja epäsuora kilpailu) Direct competition means that another business competes openly with your business and offers the same products and services. Indirect competition means that another business offers different products and services from your business, but they can fulfill the same needs. For example, a pizzeria will compete indirectly with a fast-food outlet selling hamburgers but directly with another pizzeria.

DISTRIBUTION OF PROFITS (Voitonjako) refers to the share of the distributable assets of a company decided to be distributed. The amount of the distributable assets in the balance sheet may be distributed to the shareholders of a limited liability company.

DOUBLE-ENTRY BOOKKEEPING (Kahdenkertainen kirjanpito) See Bookkeeping.

DUE DATE (Eräpäivä) is, for example, the last date of payment on an invoice.

EARNED INCOME (Ansiotulo) For example, salary, pension and benefits (such as study grant, child home care allowance or unemployment allowance). The taxation for earned income in Finland is progressive, i.e. the tax rate increases as the income increases. This means that people who earn a lot have a higher tax rate than people who earn less. The tax paid on your earned income includes the state tax, the municipal tax and the church tax (if any). Depending on the municipality, the municipal tax rate is between 16.75% and 23.50%. The church tax rate varies between one and two per cent.

E-COMMERCE (Verkkokauppa) is commerce conducted via internet. Purchases by consumers shall be governed by the provisions on distance selling; it is worth while to examine them carefully before establishing an online store.

EEA AREA (Eta-alue) This includes Iceland, Liechtenstein and Norway, plus the member states of the European Union. EEA means European Economic Area.

E-INVOICE (E-lasku) means an invoice in electronic form which the consumer has ordered in his/her Netbank from the invoicer and which may also be placed in direct debiting.

ELECTRONIC BILLING (Verkkolasku) means the sending and receipt of an invoice in electronic form. The invoice data is transmitted directly from the system of the invoicer to the data system and accounts ledger of the recipient's financial management solution, where the invoice may transfer directly to approval, payment, accounting and finally to archiving. Electronic billing in different forms may be sent with most of the financial management and invoicing solutions. Public administration has, for the most part, transferred to electronic billing. You can send e-invoices also by using free invoicing applications or electronic billing forms provided by operators as well as through netbank. The transfer of an e-invoice is always subject to an invoice-specific charge but nowadays no starting or monthly debiting is made. Public administration has, for the most part, transferred to electronic billing.

ELECTRONIC INVOICE (Sähköinen lasku) is the general term for an invoice in electronic form. The electronic invoice may be the consumer's E-invoice, electronic billing between companies or even a PDF invoice transmitted via E-mail.

EMPLOYEES' PENSION INSURANCE (TyEL Insurance) (Työntekijän eläkevakuutus TyEL) is obtained from pension insurance companies. The entrepreneur must take out such a policy when an employee's wages and salaries exceed €60.57 a month (2020 figure).

ENTREPRENEUR (Yrittäjä) This is an individual, who alone or together with others, engages in business operations via an enterprise. The aim of the operations is to make a business opportunity profitable whilst being subject to various risks. Entrepreneurs are divided into self-employed persons and traders.

EUROPEAN UNION MEMBER STATES (Euroopan Unionin jäsenvaltiot) (in 2020): The Netherlands, Belgium, Bulgaria, Spain, Ireland, Great Britain (the United Kingdom of Great Britain and Northern Ireland, and Gibraltar)*, Italy, Austria, Greece, Cyprus, Croatia, Latvia, Lithuania, Luxembourg, Malta, Portugal, Poland, France, Romania, Sweden, Germany, Slovakia, Slovenia, Finland, Denmark, the Czech Republic, Hungary and Estonia. *Left the EU on 31 January 2020.

EXPENDITURE (Kulu) An expense for a specific calculation period, usually an accounting period, or part of an amortized cost.

FAMILY BUSINESS (Perheyrittäjä) This is that type of business where mainly family members or close relatives work in the business either as shareholders, active partners or as individuals assisting the entrepreneur.

FINANCE (Rahoitus) Starting up a new business always requires money. Finance may include the entrepreneur's own money, operational income, loans or state subsidies.

FINANCIAL PERIOD (Tilikausi) This is an accounting period (usually 12 months) for which the business's result (profit or loss) is determined. In some (exceptional) circumstances, the business's financial period may be shorter or longer than 12 months (but no more than 18 months), when operations are commenced or terminated or the date of the financial statements is changed (Finnish Accounting Act). The financial period of a self-employed person and a private trader must be a calendar year unless (s)he prepares a financial statement and applies double entry bookkeeping.

FINANCIAL STATEMENTS (Tilinpäätös) cover an accounting period. They show the result of the company for the accounting period and the company's financial position. They show the financial result for the business and its financial position at the end of the accounting period. It includes the income statement and the balance sheet for the financial period as well as their notes and the list of books and records. It shall be prepared at the close of each financial period. The financial statements will be audited by an auditor if the company falls under the scope of the audit obligation or if the company voluntarily wishes to perform an audit.



FIXED COSTS, i.e. ONCOSTS (Kiinteät eli välilliset kulut) are the costs of a business that are not dependent on the level of production over a short time period and instead remain constant. Typically, fixed costs include, amongst other things, rental of premises, monthly wages and salaries, bookkeeping and costs arising from the use of machines.

FORM OF ENTERPRISE (Yritysmuoto) The forms of enterprise that can be registered in Finland are a private trader (firm), general partnership, limited partnership, limited company and co-operative, as well as the less common forms, public limited company and Societas Europaea. The form of enterprise affects limitation of the entrepreneur's liability, the minimum number of people founding the enterprise, taxation and distribution of profits as well as registration payments in the initial stages and the minimum capital required.

GAINFUL EMPLOYMENT (Ansiotoiminta) Any activity that aims to generate cash income or other income of monetary value.

GENERAL COMMERCIAL ACTIVITIES (Yleinen kaupallinen toiminta) means that the enterprise engages in, or that it is able to engage in, all kinds of lawful business activity. General commercial activities can be recorded in the foundation documents for an enterprise and they are declared in the Finnish Trade Register. (Thus, no particular line of business is specified, such as construction or cleaning.)

GOODS (Hyödyke) Bread, milk and other products that are used directly are consumer non-durables. Consumer durables include, for example, washing machines and televisions whose operating life is long. With the help of capital goods, these consumer goods are produced, or new capital goods. Capital goods include, for example, raw materials, machines and fuel.

GRAPEVINE (Puskaradio) is a term for unofficial information that people pass on to each other. The grapevine may be, for example, chit-chat in the workplace or writing in an internet discussion forum. Some people may spread false information on purpose.

GROSS PRICE (Bruttohinta) The total price without any discounts and including tax.

GUARANTEE (Takaus) This means that another person (the guarantor) promises to pay a person's debts to the creditor, if the debtor is not able to pay his/her debts. The guarantee may be, for example, a personal guarantee, a joint guarantee, a blanket guarantee or a conditional guarantee.

INCOME STATEMENT (Tuloslaskelma) is part of a company's financial statements. The other parts are balance sheet, notes and a list of the accounting books and materials. The profit and loss statement presents the profits and losses of the financial year as a subtraction statement. The profit and loss statement shows the net income for the financial year (profit or loss).

INCOMES REGISTER (Tulorekisteri) is a national database that was launched at the beginning of 2019. The Incomes Register replaces the salary declarations submitted to the Tax Administration, the authorised pension company, the Social Insurance Institution (Kela) and the Employment Fund. All employers must declare the salaries they have paid to the Incomes Register as of 1 January 2019. Suomi.fi identification and authorisations are used in the electronic Incomes Register service.

INCORPOREAL RIGHTS (Immateriaali-oikeudet) protect immaterial rights, such as technology, design, trademarks and other characteristics. An incorporeal right is an exclusive right, i.e. only the holder of the right or someone licensed by him/her may use, for instance, a patented invention or a utility model in commercial operations. Incorporeal rights can be generally divided into copyrights (written or artistic works) and industrial property rights (for example, patent rights, utility models, design rights, trademarks and rights to use a business name).

INDIRECT PERSONNEL COSTS (Palkan sivukulut) are statutory payments that a business must make to the Finnish Tax Administration and to the pension and accident insurance company as well as to the Employment Fund in addition to the gross salaries payable to employees. Indirect personnel costs include social security, employee pension insurance, worker's compensation insurance, unemployment insurance and group life assurance contributions.

INNOVATIVE (Innovatiivinen) means new, novel or fresh.

INTEREST (Korko) is income, presented as a percentage, that is charged for use of money given as a loan. As a borrower and payer, it is worth choosing as low an interest rate as possible, while as a depositor, it is worth searching for as high an income as possible for your money. A fixed interest rate stays the same for the whole loan period, but a variable interest rate is linked to the reference rate of interest so that it is reviewed at specific time intervals. The reference rate of interest may be, for example, the Euribor rate. Euribor is a reference rate of interest that is published daily and that the banks use when they offer unsecured loans to other banks on the euro money market. In practice, Euribor is the interest rate used when a bank receives loans from other banks, and the bank then lends these funds to others using an interest rate that is higher than Euribor (Euribor + margin).

INVESTMENT (Investointi) is an acquisition or an expenditure with long-term effects for which the company expects to receive income during the course of several accounting periods. An intangible investment may be targeted at training, research, or environmental protection, among others. Tangible investments may include machines and equipment.

INVOICE-BASED ACCOUNTING (Laskuperusteinen kirjanpito) In invoice-based accounting, invoices which have arrived or been sent are recorded in addition to the items in-

cluded in payments-based accounting, even if they have not been paid yet. In such a case, the bookkeeping must include trade receivables and accounts payable.

LEASING FINANCE (Leasing-rahoitus) refers to long-term rental of fixed assets, i.e. a machine or appliance that is acquired is not transferred into the user's assets. Instead the user pays for its use, and then it is returned to its owner. With leasing finance, you are able to use a machine or appliance without committing a lot of money to it at the time of acquisition, i.e. it is cheaper than buying it.

LEI An LEI (Legal Entity Identifier) (Lei-tunnus LEI) is a global identifier that is meant to be used to identify companies and corporations doing business on the financial market. A company or corporation needs an LEI if it deals in listed securities, such as stocks, exchange-traded funds (ETF) or derivatives. In Finland, the LEI must be applied for through the LEI service of the Finnish Patent and Registration Office.

LINE OF BUSINESS (Toimiala) This indicates what kind of business operations an enterprise engages in, for example, catering activities or retailing of textiles.

LIQUIDITY (Likviditeetti) means the ability of the business to meet payments when they become due.

LOGO (Liikemerkki) This is the registered or established symbol for a business, via which customers distinguish the enterprise from its competitors.

MANAGING DIRECTOR or CHIEF EXECUTIVE OFFICER (CEO) (Toimitusjohtaja) This person manages the day-to-day administration of an enterprise in accordance with the directions and regulations given by the Board of Directors. (S)he is responsible for ensuring that the accounting is in accordance with legislation and that the financial management is organised in a reliable way. The Managing Director or CEO must provide the board and its members with the information that is necessary for them to take care of their duties on the board.

MARGIN (Kate) refers to the funds available in the bank. Also see "sales margin".

MISSION STATEMENT (Toiminta-ajatus) This is a description of the aim of the business's operations, i.e. why the enterprise exists. The business idea is an operational plan that explains how the mission statement will be implemented in practice.

NET CASH FLOW FROM OPERATIONS (Tulorahoitus) This refers to the difference between income receivable from day-to-day business income to be used to cover the expenses of the enterprise.

NET OPERATING PROFIT (Liikevoitto) is an item on the profit and loss account that is calculated by deducting variable costs, fixed costs and depreciation and write-downs from net sales. Net operating profit is the profit on

the business's operations before distribution of profits. The distribution of profit shall here mean interests, taxes and dividends.

NET PRICE (Nettohinta) The price of a product from which all discounts have been deducted. Refers to the price without value added tax.

NET PROFIT (Nettotulos) (result of the financial period) is the company's result after taxes but before appropriations and extraordinary items. In other words, it is the company's net sales minus variable costs, fixed costs, depreciation, write-downs, interest costs and taxes.

NET SALES OR TURNOVER (Liikevaihto) refers to the proceeds (without VAT) a company receives from its business, such as from the sales of services or goods, during a specific period of time, such as a month or a year. Variable and fixed costs caused by sales are not deducted when calculating the turnover, but offered discounts are deducted.

NETWORKING (Verkostoituminen) A network refers to collaborative partners who bring added value to an enterprise. You can also collaborate with competitors, and create, for example, a joint newspaper advertisement.

NOTES (Liiketiedot) Notes are a mandatory part of a company's financial statements where the figures on the income statement or balance sheet are supplemented with verbal information to provide a correct view of the company's operations and financial status during the period under review.

There is a separate decree for small enterprises and microenterprises (the Government Decree on the information presented in the financial statements of a small undertaking and micro undertaking), which explains which notes are mandatory and which income statement and balance sheet formulae are to be used in the financial statements.

OFFER (Tarjous) This is a binding proposal made to another party (vendor or purchaser) to work out an agreement or deal, with the proposal containing the terms of the deal (such as price and time of delivery).

PENALTY INTEREST ON LATE PAYMENTS (Viivästyskorko) The interest payable after the invoice payment date, i.e. the due date. This is an additional charge that is levied if the initial sum has not been paid on the due date, at the latest. According to the Finnish Interest Rate Act, the consumer must not be charged a penalty interest rate that is higher than the general, statutory penalty interest rate. The penalty interest rate is the reference rate specified every six months by the European Central Bank + 7% points. This is the highest rate of interest that a business may charge its consumers. Between 1 January and 30 June 2020, the said penalty interest rate may be 7%. In commercial contracts, the penalty interest rate is the reference rate + 8 points. Between 1 January and 30 June 2020, the said penalty interest rate may be 8 percent. The interest on arrears for any taxes (unprompted tax, advance tax) paid after the due date is 7% (in 2020).

PREPAYMENT OF TAX (Ennakkoperintä) can happen when tax is withheld from an employee in accordance with the personal withholding rate shown on the tax card, or it may be an advance payment made on receipt of an advance-tax bill.

PRICE (Hinta) Compensation payable in money for goods themselves, for use of them or for a service.

PRODUCT LIFE-CYCLE (Elinkaari) A business's products have a life cycle which begins with development work and ends when sales of the product fall and keeping it as part of the range of products becomes unprofitable.

PROFIT (Voitto) is the lowermost row of the income statement.

PROFITABILITY (Kannattavuus) A business is profitable when the difference between the business income and expenses is positive, i.e. the company makes a profit.

PROMISSORY NOTE (Velkakirja) A document issued for a loan that shows the parties involved, the amount lent, the payment schedule and the interest payable on the loan.



PROPERTY GIVEN AS A CAPITAL CONTRIBUTION (Apporttiomaisuus)

means assets put into a business as a non-monetary investment. Property given as a capital contribution may only be assets that have a financial value to the enterprise. A commitment to perform work for the enterprise can not be regarded as property given as a capital contribution. The subscription price of shares can be paid as property given as a capital contribution when a limited company is established. Valuable work tools and a car to be used in the business, for example, can also be property given as a capital contribution.

PUBLIC RELATIONS (Suhdetoiminta) A continuous activity via which an enterprise tries to gain the understanding and support of important groups, such as collaborative partners and customers. This is abbreviated as PR.

PUBLIC SECTOR (Julkinen sektori) Municipal and state bodies that are responsible for tasks relating to management of the country as well as teaching, national defense and health-care, amongst other things.

REFERENCE (Referenssi) This gives details of the results of one's previous work and of former or current customers as evidence of one's competency.

RETAILER (Jälleenmyyjä) This is an importer of goods or a business that handles retail sales of products of industrial enterprises.

SALES MARGIN (Myyntikate) Sales margin is that quantity of money that the vendor has left when the direct (variable) costs relating to creating the product or service have been deducted from the price paid by the customer. The sales margin does not take account of the fixed costs of the business. The lower the sales margin percentage, the higher the net sales required by the enterprise, so that operations are profitable.

SECURITY (Vakuus) By obtaining a security, a lender tries to ensure that it will receive a balance owed to it. An example is a two- or three-month security deposit paid on a lease of premises. Securities can be divided into real securities and personal guarantees. A real security relates to an object-specific liability for debts where specific property has been entered as assets.

A specific asset is assigned to cover the debt. A personal guarantee means that a specific person becomes liable for the debt of another.

SEGMENT (Segmentti) This is a part of a specific entity. For example, customers can be grouped into different segments according to age, education and income level. Using segments, services or products and the marketing of these can be focused on a specific customer group, and thus a competitive advantage can be gained.

SELF-EMPLOYED PERSON (Ammattinharjoittaja) is an entrepreneur who operates in his/her profession without a fixed workplace and without external manpower. Examples of people who might operate as a self-employed person are a masseur/masseuse, a seamstress or a carpenter (NB: See definition of trader and double-entry-bookkeeping).

SELF-EMPLOYED PERSONS' PENSION INSURANCE (YEL insurance) (YEL-vakuutus) is a mandatory form of pension insurance for entrepreneurs, according to which an old-age pension is paid to entrepreneurs, as well as sickness benefit from the Social Insurance Institution of Finland (Kela, www.kela.fi), and maternity, special maternity and paternity allowances and parental benefit or rehabilitation allowance. The entrepreneur's YEL insurance contribution is based on his/her YEL work income. The YEL work income must at least match that salary that would be payable to an individual possessing similar professional skills, if (s)he were employed in that work. Thus, the YEL work income is not taxable income for the entrepreneur or earnings generated by the business. The minimum limit for YEL insurance work income is €7,958.99 per year (2020 figure). Guidelines on the determination of the entrepreneur's work income are available from the website of

Työeläkelakipalvelu: www.tyoelakelakipalvelu.fi > Vakuuttaminen > Yrittäjän vakuuttaminen > Yrittäjän työtulo. The website is in Finnish.

SHARE (Osake) This is a part of a limited company's share capital. The shareholders own a certain number of shares, i.e. a part of the business. They have voting rights in the company according to their ownership, and they can receive a dividend consistent with their shareholding, i.e. compensation for the capital invested by them in the company. The articles of association of a limited company may specify what the voting rights of the shares are or the right to a dividend.

SINGLE-ENTRY BOOKKEEPING (Yhdenkertainen kirjanpito) See Bookkeeping.

SME (PK-yritys) means small- or medium-sized enterprises.

START-UP MONEY (Starttiraha) is discretionary support for new full-time entrepreneurs. The support can be applied for in Employment and Economic Development Offices. The application must be made before commencement of the new business's operations.

STATUTORY (Lakisääteinen) There is legislation that relates to specific matters and explains how you should act. For example, there are forms of voluntary insurance where the individual can decide for him/herself whether he/she takes out a policy, but statutory insurance is compulsory for everyone.

STREAMLINING (Saneeraus) means reorganization of an enterprise. When a business is streamlined, costs are cut back, for example, by reducing the labour force and trying to increase earnings and improving the flow of capital. Corporate restructuring is a measure sanctioned by a court, via which the operations of a legal person that is overburdened with debts are reorganized. Reorganization proceedings may concern a private trader, a general partnership, a limited partnership, a limited company or a co-operative.

SUBCONTRACTING (Alihankinta) is work procured from an independent manufacturer or supplier outside the business.

TAX DEDUCTED AT SOURCE (Ennakonpidätys) is a deduction of tax made from a salary or work remuneration. Tax that is withheld from salaries that the employer must declare in the Incomes Register (www.tulorekisteri.fi) and pay to the Tax Administration. The tax withheld in advance from dividends and interest is reported in the MyTax service.

TERMS OF PAYMENT (Maksuehto) establish in an agreement when and how the sales price is paid to the vendor.

TERMS OF SALE (Myyntiehdot) These concern the details to be arranged for a deal, such as price, quality and time of delivery.



THE FORCE OF LAW (Lainvoima) means that some decision – a verdict of a court or some other resolution of an authority – will become final and normally it is not possible to appeal against this.

TRADER (Liikkeenharjoittaja) This is an entrepreneur who has a fixed workplace or who employs other staff. A trader must use double-entry bookkeeping (NB: compare with a self-employed person). See Double-entry bookkeeping.

UNEMPLOYMENT BENEFIT (Työttömyysetuus) Unemployed jobseekers can be paid unemployment assistance, a basic daily allowance or an unemployment-fund earnings-linked daily allowance by the Social Insurance Institution of Finland (Kela).

UNEMPLOYMENT FUND (Työttömyyskassa) This pays its unemployed members an earnings-linked daily allowance. It means that the size of the daily allowance depends on the previous salary earned. Joining an unemployment fund is voluntary. In Finland, there are separate unemployment funds for employees and entrepreneurs.

VALUE ADDED TAX (VAT) (Arvonlisävero) is a tax on consumption which the consumer pays to a business as part of the price for a product or service. The VAT is paid by the business to the Finnish Central Tax Administration. The entrepreneur adds the VAT to the sales price of the product or service. The general rate of tax (tax percentage) is 24% in Finland. Companies may deduct the value added tax of a product or service they bought in their own accounting, provided that the Value Added Tax allows it. Businesses can deduct the VAT on products or services bought by them in their own accounting if the acquisition is deductible in accordance with the legislation. Only businesses listed in the register of those liable to VAT can make the deduction mentioned above.

VARIABLE OR DIRECT COSTS (Muuttuvat eli välittömät kulut) are costs arising from purchased materials and services that depend on the product or service sold. The direct costs of a product include all the costs that would not have occurred if the product had not been purchased or manufactured.

WARRANTY (Takuu) During the warranty period, the seller shall be liable for any defects or flaws in the goods. Generally, the vendor gives the customer a new product in place of the faulty one or it returns to the customer the amount paid for the product. Warranty is not statutory but giving a warranty is a voluntary benefit. If no warranty is given or if the warranty period has lapsed, the seller shall be liable for defects in accordance with the provisions on the liability for defects of the Consumer Protection Act.

WITHHOLDING TAX (Ennakonpidätys) refers to a tax deducted from an employee's salary or work compensation that the employer must declare in the Incomes Register (www.vero.fi/en/incomes-register/) and pay to the Tax Administration. The tax withheld in advance from dividends and interest is reported in the MyTax service.

WORKING CAPITAL (Käyttöpääoma) A business needs working capital, because expenses usually occur before income. The working capital must be enough to cover the difference. Usually, current receivables and current assets minus current liabilities (excluding loan repayments for the next accounting period) are processed as working capital.



Enterprise Agencies in Finland at your service

Business Joensuu Oy (www.businessjoensuu.fi)
Business Service Centre Potkuri (www.turkubusinessregion.com)
Central Uusimaa Business Development Centre (www.keuke.fi)
Cursor Oy (www.cursor.fi)
Eastern Finland Enterprise Agency (www.isuyk.fi)
Ensimetri Tampereen kaupunkiseudun yrityspalvelut Oy (www.ensimetri.fi)
EnterpriseEspoo (www.yritysespool.fi)
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Posintra Oy (www.posintra.fi)
Prizztech Ltd's Enterprise Agency Enter (www.prizz.fi)
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Vaasa Region Development Company (www.vasek.fi)
Wirma Lappeenranta (www.wirma.fi)
Wäläky Keski-Savon Uusyrityskeskus ry (www.walakky.fi)
Yrityssalo Ltd (www.yrityssalo.fi)
YritysVantaa (www.yritysvantaa.fi)
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THERE ARE 30 ENTERPRISE AGENCIES IN FINLAND

WITH ALTOGETHER MORE THAN 80 SERVICE LOCATIONS.

People contemplating or starting entrepreneurship may turn to 150 business advisors and 1 500 experts for help. The network is supported by 1 000 undertakings and 270 associations. The advisory services have achieved ISO 9001:2015 quality certification. The quality criteria of the Enterprise Agencies requires that of the enterprises that have started through Enterprise Agencies over 90 percent are still in operation after two years and 80 percent after five years.



NOTES

This image shows a single page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

OPERATING MODEL OF

ENTERPRISE AGENCIES



Enterprise Agency
will assist you in creating
sustainable and profitable business!