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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

The population in Finland is ageing. The median age is 43.5 years old in 2022. The population growth rate is 0.1%, with 27.4% of the population being under 25 years old and 35.3% 55 years old or over (CIA, 2022). On average, there are 2 people per household and 44.7% are people living alone and 47.3% are couples with or without children (Eurostat, 2020). The male/ female ratio is 97 men for every 100 women. It is estimated that 85.7% of the population lives in urban areas. The majority of the population lives in the south, while the population is more scattered in the north. The main city is Helsinki, with 1.328 million inhabitants. The level of education in Finland is relatively high, 91% of adults aged 25 to 64 have completed upper secondary education and 45.9% have attended university (OECD). In the active population, 26.8% are professionals, 19.2% are technicians, 18.6% are trade or service employees, 10.1% are craftsmen and manual workers, 7.6% are machine operators and assemblers, 6.7% are in intermediate professions, 4.9% are clerks, 2.8% are farmers, 2.5% are managers, and 0.2% are in the military (Eurostat, 2021).

Purchasing Power

The GDP per capita PPP is around USD 50,517 in 2020 (World Bank). In 2020, the median monthly salary was EUR 3,228 (Statistics Finland). In the same year, men were paid on average 21.1% more than women.

Statistics Finland's income distribution statistics indicate that 594,000 or 10.9% of the household population belonged to households at risk of poverty in 2020 (latest data available).

The Actual Individual Consumption index, which is a measure of material welfare of households published by the statistical office of the European Union, places Finnish households at the sixth place, with a value around 14% above the EU average.

Consumer Behaviour

Finland is a consumer society where the main determinant of purchase is quality. Security, the origin of the product, the brand image are other important factors. Compliance with European standards is considered a guarantee of quality and the places of purchase may vary. Consumers will go on the internet to make quick purchases. The popularity of shopping centres is growing (351 million visitors in 2020, Finnish Council of Shopping Centers) with specialty stores still being frequented. Prices being high in Finland, the average basket of a Finn is higher than in the rest of Europe. After decreasing drastically in 2020 due to the COVID-19 pandemic, consumer confidence started to recover in 2021, but plunged again in the context of the war in Ukraine. In March 2022, consumer confidence fell to its lowest level since the early stages of the coronavirus pandemic (Statistics Finland). Online shopping accounts for 7 to 10% of total purchases from retailers and e-commerce accounts for around 3% of the country's overall grocery trade (Finnish Commerce Federation). The sector continues to grow and in 2021, the market generated USD 7 billion revenues (ecommerceDB). Finnish consumers are generally comfortable with technology, whether for a purchase on a computer, tablet or smartphone. The Internet can also search for product information and compare it. Finns generally favour domestic products, but international brands also attract a growing market share. However, foreign products are

mainly purchased when they target a specific segment.

To retain Finnish consumers, it is often necessary to focus on customer service and the buying experience. There were 4.7 million social media users in January 2022, the equivalent of 85.2% of the total population (Data Reportal). Even though access to information and user opinions influences consumption these are not the main drivers for explaining inscriptions to social networking sites. Data protection is an important issue for the population and data access and protection is desired.

Emerging consumer trends in Finland are related to environmental protection or progressive values. Consumers are increasingly moving towards non-gender fashion and are more and more interested in quality and ecological foods. The consumption of prepared meals that are good for health is increasing. Products that are simple, practical, with minimal packaging and respectful of the environment are increasingly consumed. Sales of organic grocery products increased by 9.7% in 2020, to reach EUR 409 million (Finnish Organic Food Association). Always linked to a respectful mode of consumption, the circular economy is developed in the country. The second-hand market is growing thanks to stores but also on the internet. The sharing economy (Airbnb, Uber, etc.) is developing, particularly in Helsinki, in the transport, housing and food sectors.

Consumer Recourse to Credit

Finnish feel confident regarding their financial situation and have increased their level of debt in recent years. The ratio of household indebtedness to gross disposable income has remained relatively low as compared to the majority of other countries in Europe, being estimated at 136% as of the fourth quarter of 2019 (Statista). Consumer credit accounts for a significant share (around 12%) of aggregate household debt. The majority of Finnish households' consumer credit is granted by credit institutions operating in Finland.

Mortgages represent the largest share of household debt. However, consumer credit volumes and especially housing company loans have grown rapidly (10% per year on average in the last decade - Bank of Finland). Overall, consumer credit accounts for 14% of the total loan debt of Finnish households, with a total stock of EUR 21.7 billion (Bank of Finland).

In Finland, credit and debit cards are widespread. In total, 32% of Finns have used consumer credit over the last 5 years and consumer credit is used to finance cars and consumer durables.

Growing Sectors

Accommodation and food services, telephones, audio-visual, photographic equipment, holidays, transportation, vehicles, household appliances, home maintenance and repair, education, non-alcoholic beverages, leisure and garden equipment, recreational and cultural services.

Consumers Associations

BEUC , European Consumer Organisation

IMPORTING & DISTRIBUTING

Import Procedures

Exporting to Finland is subject to EU standards. The EU's Union Customs Code (Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 setting forth the Union Customs Code) aims to complete the shift by Customs to a paperless and fully electronic and interoperable environment. The Union Customs Code came into force on 1 May 2016. The [transition period for Authorised Economic Operators \(AEO\)](#) lasted until 1 May 2019.

Import restrictions apply to certain items such as alcoholic beverages, foodstuff, pharmaceuticals, firearms and other articles that could pose a potential threat to health, welfare, or spread of animal and plant diseases. These import/export items need to meet special requirements and certifications set by the EU or Finnish standards. The [TARIC](#) (Tarif Intégré de la Communauté) is available to help determine if a licence is required for a particular product.

It is the responsibility of the importer or the authorised agent to declare imported goods to Finnish Customs. This can be done through the [Single Administrative Document](#) (SAD). The SAD form is an import declaration form for all EU Member States.

The following documents are required for customs clearance:

- A customs declaration form endorsed by the National Board of Customs in Finland
- A valuation declaration for imports exceeding the value of EUR 20,000
- A copy of the commercial invoice

[Several procedural changes](#) were introduced in 2021.

For further information, please visit [Finnish Customs](#).

For information on the EU Union Customs Code, please visit the [website](#) of the European Commission.

Specific Import Procedures

The Åland Islands have a special status in terms of customs and taxation. Taxation provisions on taxation within Finland cannot be applied when delivering goods from the Åland Islands to mainland Finland, but provisions on import from outside the EU must be applied. The [Finnish Customs](#) provide more information.

Distribution channels

Finland is a prosperous Northern European country. It has a strategic location as the interface between the markets of Russia, the Baltic and Nordic countries. Indeed most of the transit trade from the EU to Russia already passes through Finland. The Finnish retail market can be characterised as a stable market, relatively small with 5.55 million inhabitants but highly urbanised: 85.7% live in towns or urban areas (Data Reportal, 2022). According to the Finnish Grocery Trade Association (PTY), the total sales of Finnish grocery trade groups amounted to EUR 20.2 billion in 2020. Finnish food and beverage consumption per capita account for 17.8% of total household expenditure, and clothing and footwear 3.4% (Eurostat, 2021).

The grocery retail sector is dominated by S Group and K Group, which counted 1,056 and 1,230 stores respectively in 2020 (in the form of hypermarkets, supermarkets, smaller local supermarkets and convenience stores), followed by German chain Lidl (193), and Tokmanni (192) (Finnish Grocery Trade Association). Finland is not well known for its high streets, as consumers tend to prefer doing their shopping in shopping centres, especially in northern cities. According to the Finnish Council for Shopping Centres, there are 112 shopping centres in Finland. The majority of high street shopping locations can be found in the largest cities. Due to the sparsity of high street locations in Finland, retail units are highly sought after.

Finland has several retail outlet areas located all over the country, typically just outside city centres, with just under 700 outlet stores in total. Traditionally, retail outlet areas in Finland consist of big box stores that are located in close proximity to one another. The retail park segment, however, consists mostly of furniture retailers and other home or household-related retailers, as well as sport equipment retailers.

According to recent figures, e-commerce has witnessed rapid growth and has become a viable option for Finns, whether it is for retail, groceries or other products. Online retail trade grew by a record pace of 22% in 2021 (Finnish Commerce Federation). The increasing interest in e-shopping has forced offline retailers to develop their own e-shopping platforms in order to maintain customer satisfaction. Additionally, the increasing use of e-shopping has fostered more price-conscious shopping behaviour by customers who now have the option of choosing between online and traditional retail. According to the Finnish Commerce Federation, domestic online sales amount to approximately 9-10% share of the total retail sales. However, the overall share of e-commerce is much larger as approximately 36% of online purchases are from foreign online stores.

Finally, consumers are becoming more environmentally conscious, with retailers increasingly adapting to this trend.

Distribution market players

The Finnish grocery trade is largely dominated by two retail trade groups: S Group and K Group. According to the latest figures from Statista, in 2021 the S Group (brands Prisma, S-Market, Alepa) held the largest market share with around 46% of Finnish grocery retail, closely followed by K Group (also known as Kesko, active with the K-citymarket, K-market, and K-Supermarket brands) who recorded a market share of 36.9%. The third largest player in the Finnish grocery sector is the German chain Lidl, who had a share of 9.5%. Other players included: Tokmanni Group 3.2%; Minimani 0.6%; M-ketju 0.3%, others 3.4%. As of 2020, S Group counts 1,056 stores, while K Group had 1,230.

Retail Sector Organisations

Finnish Commerce Federation

OPERATING A BUSINESS

Type of companies

Toiminimi (The Sole Proprietorship)

Number of partners: 1 partner

Capital (max/min): No minimum capital required

Shareholders and liability: Undefined

Osaakeyhtiö ou Oy (Private Limited Company)

Number of partners: Minimum 1 person

Capital (max/min): No minimum capital required

Shareholders and liability: Liability is limited to the amount contributed.

Julkinen osakeyhtiö, Oyj (Public Limited Company)

Number of partners: Minimum 1 person

Capital (max/min): EUR 80,000

Shareholders and liability: Liability is limited to the amount contributed.

Co-operative

Number of partners: Minimum 3 founders

Capital (max/min): Decided by the founders, no minimum capital. Participation shares must be of equal value.

Shareholders and liability: Undefined

Avoin yhtiö, Ay (General Partnership)

Number of partners: Minimum 2 general partners

Capital (max/min): No minimum capital

Shareholders and liability: General Partner is personally liable and without limitation for the company's debts and obligations.

Kommandiittiyhtiö, Ky (Limited Partnership)

Number of partners: Minimum 1 general partner + 1 limited partner

Capital (max/min): No minimum capital. At least 1 limited partner with financial input.

Shareholders and liability: At least 1 of the general partners is liable for the debts and obligations of the company.

Setting Up a Company	Finland	OECD
Procedures (number)	3.0	5.2
Time (days)	13.0	9.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

There is no standard minimum wage in Finland. Minimum wages are based on collective agreements. Employer organisations to which employers are members, work together to conclude a collective agreement applicable in the sector. An employer who is not a member of the employer organisation is also required to follow the generally binding collective agreement applicable in the sector.

Average Wage

The median gross monthly salary in 2020 was EUR 3,228 (Statistics Finland, latest available data).

Social Contributions

Social Security Contributions Paid By Employers: Pension insurance: 7.15% (8.65% for employees aged 53 to 62)

Unemployment insurance: 1.51%

Health insurance contribution: 0.53% (1.71% for employees earning at least EUR 15,128 per annum)

Social Security Contributions Paid By Employees: Disease and maternity contribution: 1.71%; occupational pensions: between 7.15% and 8.65% depending on the age ; unemployment: 1.40%.

Intellectual Property

National Organisations

Ministry of Education and Culture

National Board of Patents and Registration of Finland (NBPR)

Regional Organisations

For the protection of patents: the [European Patent Office \(EPO\)](#). To control trademarks, designs and models: the European Union Intellectual Property Office (EUIPO).

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

TAX RATES

Consumption Taxes

Nature of the Tax

Value-Added Tax (VAT)

Tax Rate

24%

Reduced Tax Rate

A 14% reduced rate applies to most foodstuff, animal feed, restaurants and catering services, and drinking water.

A 10% reduced rate applies to books, newspapers and periodicals, pharmaceutical products, physical exercise services, film screenings, entrance fees to cultural and entertainment events, passenger transport, accommodation services, and royalties for television and public radio activities.

Click [here](#) for more info.

Other Consumption Taxes

Product-specific, EU-harmonised excise duties are levied on tobacco products, liquid fuels, and alcohol, as well as electricity and certain other fuels. Furthermore, Finland levies national excise duties on soft drinks, beverage containers, oil waste on lubrication oils and other oil-based lubrication preparations, oil transported through or imported into Finland, waste to landfill deposits, and tall oil, as well as electricity, coal and natural gas, and liquid fuels.

Click [here](#) for more information.

Corporate Taxes

Company Tax

20%

Tax Rate For Foreign Companies

A company is deemed to be resident in Finland if it is incorporated in the country or if its place of effective management is located in Finland (i.e. a place where the corporation's highest-level decisions concerning the daily management are made).

Capital Gains Taxation

Capital gains derived by a company generally are taxed as ordinary business income at a rate of 20% (and,

correspondingly, capital losses are generally deductible). A participation exemption is available for gains derived from the disposal of shares treated as fixed assets (corresponding capital losses are not tax deductible, conditions apply).

Main Allowable Deductions and Tax Credits

Deductions are allowed for ordinary business expenses such as payments of interest and royalties, entertainment costs (capped at 50%), fees for establishing an organization and reorganization costs, R&D expenses, and employers' social contributions. As a general rule, interest expenses are fully deductible. However, the deductibility of interest expenses for intra-group loans is restricted to 25% of fiscal EBITDA. Goodwill obtained can be amortized for tax purposes during its useful life, with a maximum of ten years. In the determination of taxable income, start-up expenses are normally treated as deductible expenses. Qualifying group contributions to affiliated companies may also be deducted. Donations are deductible in certain cases (with limits varying according to the type of charitable organization). Employers are allowed to make an additional tax deduction for certain education costs of their employees. Employers are required to provide for a qualifying education plan and the education relates to the current or future tasks of the employee. Bad debts are in general tax-deductible.

Normally, the maximum annual rates of depreciation calculated on the remaining acquisition cost for tax purposes (declining-balance method) are 25% for machinery and equipment and from 4% to 20% for buildings and other constructions, according to the type and estimated life of the asset. Nevertheless, accelerated depreciation on machinery and equipment is permitted for tax years 2020-2025, so that a taxable person engaged in agriculture or a business may annually deduct up to 50% (instead of 25%) of the tax-carrying value of newly acquired machinery or equipment.

Losses may be carried forward for ten years, whereas loss carrybacks are not allowed.

Other Corporate Taxes

Municipalities impose an annual real estate tax on the taxable value of buildings and land. The municipal council determines the applicable tax rates (ranging from 0.41% to 6%).

A transfer tax of 4% of the sales price is payable on the transfer of real estate situated in Finland. The transfer of shares of Finnish companies (other than housing companies and real estate companies) and other domestic securities is subject to a transfer tax of 1.6%. The transfer of shares in Finnish housing companies and real estate companies is subject to a transfer tax of 2%.

Finland does not levy stamp taxes.

Compulsory social security contributions payable by the employer include health insurance (1.53%, no cap); pension insurance (17.39% on average, no cap); unemployment insurance (0.52% for the first 2,251,500 of gross salaries and 2.06% for the portion of the gross salaries exceeding that amount, no cap); group life insurance premium (0.06% on average, no cap); accident insurance premium (0.57% on average, no cap).

Other company taxes include the public broadcasting tax (between EUR 140 and EUR 3,000) and tonnage tax for shipping companies.

Other Domestic Resources

[Finnish Tax Administration](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Finnish Tax Administration](#)

Withholding Taxes

Dividends: 0 (resident corporation)/20% (non-resident corporation)/7.5% (resident individual; 25.5% when paid from a listed company)/30% (non-resident individual)

Interest: 0/30% (resident individual)

Royalties: 0/20% (non-resident corporation)/30% (non-resident individual)/If a resident individual does not provide a tax card to the payer, the applicable withholding tax rate is 60%.

Such rates may be reduced under a tax treaty.
