



Tax and Compliance News in Finland for 2026

Newsletter December

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Dear Readers,

As turn of year to 2026 approaches, Finnish businesses are facing several important updates in taxation and reporting. Coming year-end will reduce administrative burden in Intrastat arrivals reporting and decrease reduced VAT rate from 14% to 13.5%.

The OECD has updated its Model Tax Convention to clarify when a remote worker's home office abroad constitutes a Permanent Establishment (PE) and corporate income tax liability for the employing company. The OECD 2025 Model Tax Convention update makes it easier for companies to allow cross-border remote work without automatically triggering a permanent establishment—and thus additional tax obligations—in the employee's country of residence. The new guidance introduces clear thresholds and practical criteria, helping companies assess and manage their PE risk more confidently.

Regards,

Mikko

Mikko Siika-aho

Tax Director

Forvis Mazars
Siltasaarekatu 12
00530 Helsinki
Finland

Mobile: +358 50 5367565

mikko.siika-aho@forvismazars.com

Summary

This document provides an overview of key tax and reporting changes that Finnish businesses should anticipate for 2026. It highlights significant updates, including the reduction of the reduced VAT rate, modifications to Intrastat reporting, and adjustments in the Corporate Income Tax Reporting (CITR) framework. The editorial stresses the importance of staying informed to ensure compliance and effective financial management as these changes approach.

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The reduced VAT rate drops from 14% to 13.5%

Finland’s VAT Rate Reduction in 2026: Business Implications and Actions

Overview of the VAT Rate Change

From 1 January 2026, Finland will reduce the reduced VAT rate from 14% to 13.5%. This adjustment will impact a broad spectrum of goods and services. The sectors affected include groceries, restaurant and catering services, books, pharmaceuticals, passenger transport, accommodation services, and cultural and sports activities. Additionally, public broadcasting services will be subject to the new VAT rate.

Key Considerations for Businesses

- **Timing of VAT Application:** The VAT rate applicable to a transaction is determined by the delivery date of goods or the completion date of services. Advance payments made prior to 1 January 2026 will remain subject to the current 14% rate.
- **Accounting and Invoicing:** Businesses are required to update their billing systems, accounting software, and pricing strategies to reflect the new 13.5% VAT rate.
- **Impact on Cross-Border Trade:** Companies involved in EU transactions should be aware that changes to the reduced VAT rate may influence invoicing, reporting, and compliance obligations.

Significance of the Change

The reduction forms part of Finland’s wider strategy to provide relief to consumers and to streamline VAT compliance processes. Although the rate change is relatively modest, businesses must prepare in advance to ensure operational continuity and minimise the risk of errors once the new rate is implemented.

Recommended Actions for Businesses

1. Review all products and services currently subject to the 14% reduced VAT rate.
2. Update accounting and invoicing systems to incorporate the new 13.5% rate.
3. Train staff on the timing rules for VAT application, with particular attention to advance payments.
4. Regularly consult Vero.fi for detailed guidance as the implementation date approaches.

Affected Goods and Services

Category	Current VAT Rate	New VAT Rate (from 2026)
Groceries and food items	14%	13.5%
Restaurant and catering services	14%	13.5%
Books (printed and electronic)	14%	13.5%
Pharmaceuticals	14%	13.5%
Passenger transport	14%	13.5%
Accommodation services	14%	13.5%
Sports and cultural services	14%	13.5%
Public broadcasting services	10% → 14%	13.5%

FINLAND VAT RATE REDUCTION
EFFECTIVE 1 JAN 2026

VAT RATE
14% - 13,5%

Affected goods and services

- Groceries
- Restaurant services
- Books
- Pharmaceuticals
- Passenger transport
- Accommodation
- Sports & cultural services

Mandatory Online Trade Register Filing in Finland from 2026

Starting 1 January 2026, all companies registered in the Finnish Trade Register will be required to submit filings **online**. This change applies to corporations, limited liability companies, and other registered entities—**excluding private traders, associations, and foundations**.

Mandatory Online Filing for Finnish Companies from 2026

Starting on 1 January 2026, it will become mandatory for all companies registered in the Finnish Trade Register to submit their filings online. This requirement covers a range of business entities, including corporations, limited liability companies, and other registered organisations. However, private traders, associations, and foundations are not subject to this new online filing obligation.

What Must Be Filed Online

Filing Type	Description
Start-up notifications	Registering a new company with PRH
Change notifications	Updates to board, addresses, or other official details
Termination notifications	Deregistration or closure of business
Applications to the Register	New registrations or special requests
Financial statements	Annual or supplementary financial reports
Corrections and additions	Amendments to previously submitted filings

Why Online Filing Matters

- **Faster processing:** Online submissions are processed **more quickly** than paper forms.
- **Improved accuracy:** The digital system provides guidance to **reduce errors**.
- **Better accessibility:** Updated register information becomes **available to the public faster**.

How to File

- The primary platform for online filing is the **ytj.fi portal**, which serves both PRH and the Finnish Tax Administration.
- Some filings may require PRH's **specific online forms** or attachments.

Key Takeaways

1. All companies subject to the Trade Register must **switch to online filing by 1 January 2026**.
2. Prepare internal processes and staff to **handle digital submissions efficiently**.
3. Monitor PRH updates for guidance and avoid **late or incorrect filings**, which may incur penalties.

Intrastat Changes in 2026: Streamlined Reporting for Finnish Businesses

Overview of the Intrastat Change

From 1 January 2026, Finnish companies will experience a major simplification in their Intrastat reporting obligations. As a result of the European Business Statistics Regulation (EU 2019/2152), the requirement to submit Intrastat arrivals (imports) declarations will be discontinued. Only dispatches (exports to other EU Member States) will remain subject to reporting, provided the annual threshold is exceeded.

Key Considerations for Businesses

- **Arrivals (Imports) Reporting Ends:**
 - The final arrivals declaration will be for December 2025, due by 16 January 2026.
 - Corrections for 2025 data can be made until 14 August 2026.
 - After these dates, arrivals reporting will be fully discontinued.
- **Dispatches (Exports) Reporting Continues:**
 - Only dispatches above the annual threshold (€800,000, reviewed yearly by Finnish Customs) must be reported monthly.
- **Reason for the Change:**
 - Import statistics will be compiled using export data from other EU Member States, reducing duplicate reporting and administrative burden.

Significance of the Change

This update marks a significant reduction in compliance workload for many Finnish companies. By eliminating arrivals reporting, businesses can focus resources on core activities and streamline their internal processes. However, companies exceeding the dispatch threshold must continue to ensure timely and accurate reporting of exports.

Recommended Actions for Businesses

- Review your company's 2025 Intrastat arrivals reporting to ensure all obligations are met before the deadline.
- Update internal compliance routines and ERP systems to remove arrivals reporting from 2026 onwards.
- Communicate the change to accounting, logistics, and compliance teams.
- Continue to monitor dispatch volumes to determine if monthly reporting remains required.

Quick Reference Table

Intrastat Reporting	2025	2026
Arrivals (Imports)	Required	Not required
Dispatches (Exports)	Required if > €800,000	Required if > €800,000

CITR 2026 and Corporate Tax Projects: Key Updates for Finnish Businesses

Overview of CITR Changes and Projects

From 2026, Finnish businesses will see important developments in corporate income tax rules and reporting. These changes are part of the government's ongoing efforts to modernize the tax system, enhance international alignment, and provide greater flexibility for companies operating in Finland and abroad.

Key Considerations for Businesses

- **Current CIT Rate:**
 - The statutory corporate income tax (CIT) rate remains at **20% for 2026**.
- **Planned CIT Rate Reduction:**
 - The government has proposed reducing the CIT rate to **18% from 2027** (pending parliamentary approval).
- **Loss Carryforward Extension:**
 - The maximum carryforward period for tax losses will be **extended from 10 years to 25 years** for losses incurred from the 2026 tax year onward.
- **Permanent Establishment (PE) and Branch Profit Attribution:**
 - New rules will clarify how profits are attributed to PEs and branches, including recognition of internal transactions and updated foreign tax credit calculations. These changes are expected to take effect from 2027.
- **International Compliance:**

Large multinational groups should continue to monitor global tax developments and ensure their reporting and systems are up to date.

For details on OECD Pillar II minimum tax, see our dedicated article in this issue.

Significance of the Change

These updates are designed to:

- Enhance Finland's competitiveness as a business location.
- Align Finnish tax rules with OECD and EU standards.
- Provide companies with more flexibility in managing tax losses and cross-border operations.
- Reduce the risk of double taxation and disputes for international groups.

Recommended Actions for Businesses

- **Model the impact** of the planned CIT rate reduction and extended loss carryforward on your company's tax position and deferred tax calculations.
- **Prepare for new documentation requirements** for profit attribution to PEs and branches.
- **Review group structures and reporting systems to ensure compliance with evolving international tax obligations.**
- **Monitor legislative updates** and guidance from the Finnish Tax Administration (Verohallinto) as the implementation dates approach.

Quick Reference Table

Change/Project	2025	2026	2027 (planned)
CIT statutory rate	20%	20%	18% (proposed)
Loss carryforward period	10 years	25 years*	25 years
PE/Branch profit attribution rules	Current rules	Current rules	New rules

OECD Pillar II in Finland

Implementation of the OECD Pillar II Global Minimum Tax in Finland

Finland is implementing the OECD's Pillar II global minimum tax framework through the Minimum Tax Act (1308/2023), applying from 2024 or later fiscal years depending on each group's year-end. The rules ensure that large multinational and domestic groups are taxed at an effective tax rate (ETR) of at least 15% across all jurisdictions.

These requirements introduce new filings, notifications, safe harbours, and automatic information exchange procedures that large groups must prepare for during 2025–2026. The Finnish Tax Administration has clarified the national reporting model, deadlines, and transitional reliefs.

Who Is in Scope?

The minimum tax applies to:

- **Multinational enterprise (MNE) groups and large domestic groups**
- **Threshold:** Consolidated revenues of €750 million or more in at least two of the previous four fiscal years
- **Scope:** Groups with entities in Finland or operating solely domestically

How Does It Work?

- Each year, groups must check their effective tax rate (ETR) per jurisdiction.
- If ETR < 15%, a top-up tax is due.
- Three mechanisms:
 - **QDMTT:** Top-up tax paid locally in the low-tax country
 - **IIR:** Parent pays top-up tax on low-taxed subsidiaries
 - **UTPR:** Other countries may collect if not covered by QDMTT/IIR (applies in Finland for years starting 2025)

Pillar II Reporting Obligations in Finland

All filings are submitted via OmaVero. There are three main types:

Filing Type	Who Files?	When Required?	What It Includes
GloBE Information Return	Finnish entity or designated reporting entity	Annually (XML format)	Group structure, entity list, jurisdictional ETR, top-up tax, safe harbour status
Notification (Notifikaatio)	Finnish entity (if GIR filed abroad)	Only if GIR is filed outside FI	Who filed the GIR, in which country, all Finnish group entities
Minimum Tax Return	Finnish entities owing QDMTT, IIR, or UTPR	Only when top-up tax is payable	Local ETR calculation, carve-outs, allocation of top-up tax

Deadlines:

- **First year:** 18 months after year-end
- **Subsequent years:** 15 months after year-end
- **Extensions:** Automatic 2-week extension available; longer extension possible for special reasons

Example:

Fiscal year ends 31 Dec 2026 → First GIR due by 30 June 2028

Transitional Safe Harbour Rules

Finland applies the OECD's transitional Country-by-Country Reporting (CbCR) safe harbour, allowing simplified compliance in early years.

A jurisdiction qualifies if any of these tests are met:

- **ETR Test:** CbCR data shows ETR \geq 15% (FYs starting 2024), 16% (2025), 17% (2026)
- **De Minimis Test:** Revenue < €10 million and profit < €1 million
- **Routine Profits Test:** Profit within substance-based carve-out

Important: Safe harbour must be elected in the first eligible year to remain available in later years.

Special Rules for Finnish Groups and Permanent Establishments

- **Large Domestic Groups:**
 - Benefit from a five-year transitional period with a 0% top-up tax
 - Must still file the GIR
 - No notification required if the GIR is filed in Finland
 - **Finnish Permanent Establishments (PEs):**
 - Treated as separate in-scope units
 - Must file notifications and returns when applicable
 - ETR and top-up tax are assessed independently
-

Automatic Information Exchange

Finland follows the OECD "dissemination model":

- A GIR filed in one jurisdiction is automatically exchanged with all relevant authorities where group entities operate
- Notifications help the Finnish Tax Administration reconcile Finnish entities with GIR filings abroad

OECD 2025 Model Tax Convention Update – Mitigating PE risk in cross-border remote work

About permanent establishment

A permanent establishment (PE) is an international tax law concept important to understand, especially when the business has cross-border dimensions such as personnel or a physical location like an office abroad. In essence, PE refers to a *fixed place of business*, in a country other than the company's country of residence, where the company's operations are carried out.

If the authorities of the foreign country where the company has presence consider the company to have such fixed place of business constituting a PE, the country can tax the profits arising from the company's business connected to that location.

In practice this means that the company needs to allocate the revenues, expenses, and the profit attributable to operations in the foreign country, file the tax returns accordingly, as well as take care of mandatory registration obligations which often vary country by country, to name some of the key responsibilities that must be dealt with.

Thus, it always poses a great challenge for the company's tax and legal compliance when the foreign authorities consider your business to have a PE in their jurisdiction. It also usually means additional costs and extra paperwork.

When does the company have a PE in foreign country?

A permanent establishment means your company has a real, ongoing presence in another country. It can be, for example, an office, factory, shop, or construction site that lasts several months. It is important to understand that PE is more than just visiting occasionally; PE is about doing business physically in another country, with a level of permanence that is considered fixed or long-term.

A company may also be considered as having a PE if it has hired a person who regularly makes deals for the company in the foreign country. Under certain circumstances, an employee working from home office abroad may constitute a PE for the employer.

The formation of a permanent establishment is always a result of an overall assessment that considers several factors, carried out by the authorities of the respective country. However, the risk can often be effectively managed by understanding the rules that guide the creation of a PE.

Permanent establishment and cross-border remote work – Clarification to the OECD Guidelines

In today's world, constantly more people work for an employer located in a different country than the employee, thanks to technological advancements. This allows, for example, for more flexible recruitment, as the talent pool is global, and makes it easier to attract skilled professionals by offering the possibility to work from almost anywhere.

However, in cross-border remote work, the concept of permanent establishment often becomes a problem, since permanent or long-term work in another country has traditionally posed a significant risk of creating a permanent establishment. Existing regulations and OECD Guidelines have also been applied as such to the modern remote work model, which can be considered problematic and pose, arguably, unfair compliance risks for the companies having employees abroad.

The latest update to the OECD's guidelines now, however, aims to address the issue emerged in recent years by providing clarification to its Model Tax Convention guidance regarding cross-border home offices.

According to the updated Model Tax Convention and its Commentary, a home office in another country should not constitute a PE for the employer if **less than 50% of the employee's total working time** (from any 12-month period) is performed in the foreign country.

However, even exceeding the threshold of 50% does not automatically constitute a PE, as the employee must also have **a commercial reason** for the presence in the country where the home office is located. In practice, this means that to constitute a PE the employee should also **engage with the local market** by, for example, acquiring new customers, servicing or visiting the local clients regularly, or otherwise having a sufficient level of engagement with that particular market.

Mere auxiliary or preparatory activities such as generic promotion of products will generally not constitute a PE, however.

It is also further stated that engagement with the local market does not categorically constitute a PE in cases where the employee services clients, for example, across the continent, and the country of home office is simply one part of the whole international client base.

Regarding remote working, it is important to acknowledge that the company should always provide the employee with an actual opportunity to work at the office arranged by the company. It is otherwise considered that the company requires the individual to use the home office, thus constituting a PE. The office provided for the employee can be located in the country of the company, i.e. it must not be in the country where the home office is located.

How can we help you

The latest updates to the OECD's guidelines provide much need clarity for assessing and managing the PE risk created by typical cross-border remote working situations. However, it's important to remember that the formation of a PE is always ultimately based on the assessment made by the authorities of each respective country.

If the cross-border remote working touches your company's business, or you are planning to allow or hire personnel to work from abroad, we are happy to assist you in every of your steps.