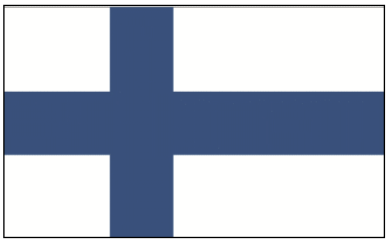
THE OECD TAX-BENEFIT DATABASE

Description of policy rules for Finland 2024



BETTER POLICIES FOR BETTER LIVES

THE OECD TAX-BENEFIT DATABASE FOR FINLAND

Description of policy rules for 2024

OECD contact: Sean Gibson, Jobs and Income Division, Directorate for Employment, Labour and Social Affairs. Email: Tax-Benefit.Models@oecd.org

National team: Ilari Keso, Santeri Vuoti, Ministry of Social Affairs and Health.

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OECD
BETTER POLICIES FOR BETTER LIVES

Jobs and Income Division
Directorate for Employment, Labour and Social Affairs

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Preface

This report provides a detailed description of the tax and benefit rules in Finland as they apply to working-age individuals and their dependent children. It also includes output from the OECD Tax-Benefit model (**TaxBEN**), which puts all these complex legal rules into a unified methodological framework that enables accurate international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, .e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are currently outside the scope of the **TaxBEN** model.

TaxBEN is a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families ("vignettes"), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click here for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)

TaxBEN web calculator | **Methodology and user guide**

OECD benefits and wages data portal | **Network of national experts**

Guidelines for updating this report (for national experts)

General guidelines

Detailed **guidelines for updating Section 5** "Net costs for Early Childhood Education and Care"

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **1 January 2024**.
- The symbol ⓘ in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

The OECD tax-benefit model for Finland: Policy rules in 2024

1. Reference wages

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available here)[1]. If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth[2] to the latest available wage estimate.

Finland has no statutory minimum wage **[MIN]**.

2. Unemployment benefits

There exists a three-tier system of unemployment benefits in Finland:

- a basic benefit: Basic unemployment allowance *(Peruspäiväraha)*,
- an earnings-related benefit: Earnings-related unemployment allowance *(Ansiosidonnainen työttömyyspäiväraha)*, and
- a means-tested benefit: Labour market subsidy *(Työmarkkinatuki)*.

In the model, the basic benefit and the earnings-related benefit are classified as unemployment insurance. Both benefits are described in Section 2.1. The follow-up benefit (Labour market subsidy) is classified as unemployment assistance. It is described in Section 2.2. The model simulates earnings-related benefit and Labour market subsidy.

2.1. *Basic unemployment allowance (Peruspäiväraha) & Earnings-related unemployment allowance (Ansiosidonnainen työttömyyspäiväraha)*

Code in the OECD tax-benefit model:[3] **[UI_p; UI_s]**

Basic unemployment allowance and Earnings-related unemployment allowance are unemployment insurance benefits. They are contributory, not means-tested and taxable. The basic benefit is funded by the state and employees (share of employees' unemployment insurance contribution paid by employees that are not members of unemployment funds). The earnings-related scheme is funded by the state, employers, employees and unemployment funds.

2.1.1. *Eligibility conditions*

Age: between 17 and 64 years old.

[1] Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

[2] Wage growth projections are based on OECD Economic Outlook and EU economic forecasts (for non-OECD countries).

[3] The variable names ending with "_p" refer to the first adult (so-called "principal" adult) whereas those ending with "_s" are related to the spouse.

Contribution/employment history: 26 weeks[4] of work (minimum of 18 hours per week) in the last 28 months. Wage must be according to the collective bargaining agreement or if there is no such agreement for the sector, the salary for full-time employment must be at least EUR 1 331 per month in 2024.[5]

From 02.09.2024 the work requirement will be extended from the current 26 weeks to 12 months. Related to this, wages earned during the calendar month will begin to count towards the work requirement. The model uses the system as at 01.01.2024. The new work requirement is not implemented in the 2024 model.

For earnings-related benefit: The employment condition has to be fulfilled while being insured as a member of an unemployment fund. Membership of unemployment fund is voluntary. *In the model, it is assumed that a person is the member of the unemployment fund. Hence, the model simulates a more generous earnings-related benefit (not basic unemployment allowance).*

Behavioural requirements and related eligibility conditions: The benefit is payable to any registered unemployed person, who is available for and actively seeking full-time work. A person aged 17-24 must apply for vocational training unless already obtained. *TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.*[6]

There are also other obligations. Breaking such obligation may result in a waiting period, for example:

- if the unemployed person, without a justifiable reason, refuses to take on work or declines to enter training;
- if the job applicant refuses to take part in preparing a job-seeking plan;
- if the unemployed person resigns from a job without an acceptable reason or is personally responsible for causing termination of the employment contract.

Such cases are not considered in the model.

2.1.2. Benefit amount

Basic benefit: EUR 37.21 per day (paid 5 days per week or on average 21.5 days per month).

Earnings-related benefit: Earnings-related benefit is the sum of three components:

- basic benefit
- 45% of daily reference earnings in excess of the basic benefit until the threshold
- 20% of daily reference earnings in excess of the threshold.

The threshold is the 95-fold basic benefit: 95 * basic benefit / 21.5 = EUR 164.42 per day.

[4] In the model, 26 weeks are converted into months in the following way: 26/52*12 = 6 months.

[5] If the previous wage is below this threshold, the model assumes that the unemployed is eligible to Labour Market Subsidy (see Section 2.2.

[6] Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [How demanding are activation requirements for jobseekers? - OECD](#).

Daily reference earnings: In these calculations, the daily reference earnings are calculated as follows:

1. Monthly earnings (M) = gross earnings in the reference year / 12.5

Monthly earnings are calculated here to exclude additional holiday pay included in the average wage (AW), hence the division by 12.5 instead of 12. Note that in practice the 26-week period needed to fulfil the employment condition is usually used as reference period, excluding additional holiday pay.

2. Daily earnings (D) = M / 21.5

It is considered that there are 21.5 working days in a month.

3. Daily reference earnings (DRE) = D * (1 – 3.76%) = D * 96.24%

Daily reference earnings are reduced in order to avoid "overcompensation" since some social insurance contributions are paid from wage and salary income but they are not paid on benefit income. Since 2010, the deduction has been formally connected to the level of social insurance contributions. The deduction is 60% of the sum of employees' pension insurance contribution (under 53 years old), unemployment insurance contribution and earned income contribution for health insurance.

Child increase: Child increase is paid if the recipient has children who are under 18 years old. If both parents are unemployed, both receive the basic/earnings-related allowance and both receive the child increase.

Number of children	Total child supplement (EUR per day*)
1 child	5.84
2 children	8.57
3 or more children	11.05

Note: *Monthly/yearly equivalents are obtained using 21.5 days per month, 12 months per year.

The earnings-related benefit is calculated from the basic benefit excluding the child supplement. The child supplement is then added to earnings-related benefit.

Child supplements were abolished completely from 01.04.2024. These are included in the 2024 model.

Maximum and minimum: The earnings-related allowance can be maximum 90% of the daily reference earnings and must at least equal to the basic allowance plus any child increases.

Increased allowance: If recipient participates in an employment promotion measure an increased benefit is paid *(not covered by the model)*. Increased allowance is paid during measures for a maximum of 200 days.

The increased earnings-related allowance is 55% (normally 45%) of the difference between daily reference earnings (DRE) and the basic allowance. If DRE exceeds the 95-fold basic allowance, the increased earnings-related allowance declines to 25% (normally 20%) for the part in excess.

In case of increased earnings-related allowance, the maximum limit is 100% of daily reference earnings.

Recipients of basic allowance are entitled to increased allowance with similar conditions (excluding the unemployment fund membership). The increase is EUR 5.29 per day (paid 5 days per week).

2.1.3. From 02.09.2024, the amount of the earnings-related benefit decreases after certain durations. After 40 benefit days the amount would be 80 per cent of the original amount and after 170 benefit days the amount would 75 per cent of the original amount. The amount would still be at least the amount of the basic benefit. This is not included in the 2024 model.Benefit duration

Maximum payment period:[7] The maximum payment period is 400 days (80 weeks; 5 days per week) after a 7-day waiting period *(waiting period is not simulated)*. If the employment record is less than 3 years, the maximum payment period of earnings-related benefit is 300 days; the remaining 100 days the basic benefit is paid.

For those who have fulfilled the employment condition after the age of 58 the maximum payment period is 500 days. In addition, it is required that the person has been in employment with pension entitlement for at least 5 years during the past 20 years.

Repeated application: If a person applies repeatedly for a new earnings-related unemployment benefit, the so called "return condition" must be satisfied. Since 1 January 2010, the return condition is the same as the employment condition. *Repeated applications are not considered in the model.*

Additional days: An unemployment allowance can also be paid after the 500-day maximum period for older workers ("additional days rule"). *This is not covered in the model.*

Persons born in 1955-1956 /1957-1960 /1961 or thereafter: A person can be paid an allowance up to the end of the month when he/she reaches the age of 65 if the person has reached the age of 60 / 61 / 62 before the 500 days have accrued.

In addition, in order to qualify for additional days it is required that the person has been in employment with pension entitlement for at least 5 years during the past 20 years.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Tax treatment

Taxable. Subject to health insurance contribution (for medical care).

2.1.6. Interactions with other components of the tax-benefit system

In addition to unemployment benefit a person/household may receive housing allowance and also social assistance as a top-up to other benefits. Unemployment benefit is included in the means test for housing benefit, social assistance benefit, home care allowance and calculation of childcare fees.

[7] In the model, duration in days is converted into months, e.g. 400 days = 400/5/52*12 ≈ 18 months.

2.1.7. Combining benefit receipt and employment/starting a new job

If an unemployed person begins to work part-time (including irregular work with reduced working time and full-time employment for a period not exceeding two weeks), the person is entitled to receive a so-called adjusted unemployment benefit *(soviteltu työttömyysetuus)*. The employee may also be entitled to adjusted unemployment benefit for some other reasons (e.g. if employer changes employment from full-time to part-time). Since 1 January 2012, the working hours may not exceed 80% of the working hours of full-time work (before – 75%).

The unemployment benefit is reduced by 50% of gross income exceeding disregard of EUR 300 per month. This will no longer be applied to unemployment benefits as of 1.4.2024. The change applies to unemployment benefit claims for any period beginning on or after 1 April 2024 and is not included in the model for 2024.

The maximum amount of combined adjusted benefit (including child supplement) and income from part-time work may not exceed 100% of the reference earnings. However, the minimum benefit cannot be lower than basic allowance with child increases reduced due to part-time work. Since 2010, there is no maximum period for receipt of adjusted unemployment benefit.

Persons working shortened work week with correspondingly reduced wage (80% or less than 80% of regular working time): If working time has been reduced by at least one full day the person is entitled for full unemployment benefit during lay-off days. The rule is not applied to persons working reduced hours each day even if the reduced working time is 80% or less than 80% of regular working-time (they will receive adjusted unemployment benefit for each day if daily working time is <= 80%). The rule covers only workers and not unemployed people starting to work for a shortened work week. The rule was first applied as temporary to lay-off days between 4 January 2010 and 1 January 2012. Since 1 January 2012, the rule was introduced as permanent legislation. *(Not covered by the model; a uniform reduction of time across days is assumed)*

2.1.8. Indexation

Most monetary parameters are annually automatically (statutory) adjusted by National Pension Index (NPI) that follows consumer price index. See more about NPI here: National Pension Index.

On 1 August 2022, an advanced index adjustment of 3.5% was carried to most benefits that are linked to the National Pension Index. This were only advance adjustments that increased amounts for the rest of the year 2022; the annual index adjustments on 1 January 2023 were correspondingly smaller.

The disregard of adjusted unemployment benefit (see Section 2.1.7) is not index-linked and is adjusted only by separate decisions.

The wage threshold used (as an alternative) to assess employment condition (see Section 2.1.1) is adjusted annually by wage coefficient. Wage coefficient is used to revalue earnings, accrued pensions and amounts mentioned in the earnings pension acts to the level of the year of retirement. It is also used for index adjustments for many other wage/earnings-related parameters in legislation. The weighting of changes in earnings is 80% and of changes in prices 20%.

2.2. ***Labour market subsidy*** *(Työmarkkinatuki)*

Code in the OECD tax-benefit model: **[UA_p; UA_s]**

Labour market subsidy (LMS) is non-contributory, means-tested and taxable.

2.2.1. Eligibility conditions

Age: between 17 and 64 years old.

Behavioural requirements and related eligibility conditions: The same as for basic benefit and earnings-related benefit (see Section 2.1.1.)

2.2.2. Benefit amount

The maximum LMS is equal to the basic unemployment allowance (see Section 2.1.2.). Since 2002, the child supplements are the same as well.

For first-time entrants to the labour market who live with their parents the labour market subsidy is reduced *(not covered by the model)*.

The recipient is entitled to a supplement if he/she is taking part in a service promoting employment. The supplement/increase is EUR 4.91 per day (5 days per week). *This is not covered by the model.*

2.2.3. Benefit duration

Unlimited. There is a 5-day waiting period. However, the waiting period is not applied if a person starts receiving LMS after their basic/earnings-related benefit has expired. First-time entrants to the labour market must complete a 5-month (21 weeks) qualifying period unless they have recently graduated from a vocationally oriented educational institute. *Waiting period in the beginning of the unemployment spell is not considered in the model.*

2.2.4. Means test

The benefit is means-tested. In principle, the tested income includes earnings, different allowances and capital income. However, own earned income is income-tested according to the rules of the adjusted LMS (see Section 2.2.7) and since 1 January 2013 partner's income (earnings, benefits and other sources of partner's income) is excluded from the means-test. Child allowance, home care allowance, maintenance support, social assistance and housing allowance are also fully disregarded from the income test. Therefore, the importance of the means-test is limited. *The TaxBEN model does not cover any income sources (e.g. capital income) that have to be included in the means test.*

The disregarded amount equals EUR 1 044 per month for couples and lone parents or EUR 311 per month for a single person plus EUR 130 per month for each dependent child. The LMS benefit is reduced by 50% of the gross income exceeding the disregard; for a single person - by 75%.

The income test is suppressed (except for own earned income):

- For unemployment allowance recipients aged 55 or more, who at the time they became employed satisfied the employment condition.
- During any period in which the recipient participates in measures supporting his/her integration into the labour market.

2.2.5. Tax treatment

Taxable. Subject to health insurance contribution (for medical care).

2.2.6. Interactions with other components of the tax-benefit system

In addition to unemployment benefit a person/household may receive housing allowance and also social assistance as a top-up to other benefits. Unemployment benefit is included in the means test for housing benefit, social assistance benefit, home care allowance and calculation of childcare fees.

2.2.7. Combining benefit receipt and employment/starting a new job

If a recipient of LMS begins to work part-time (including irregular work with reduced working time), the LMS recipient is entitled to the adjusted LMS. The rules of adjusted benefit calculation are the same as for earnings-related unemployment benefit (see Section 2.1.7.). Note that both the usual income-test and the income-test of adjusted benefit due to earnings from part-time work are carried out. First, the amount of LMS after the usual income-test is calculated. Then, the calculated amount of LMS is reduced by earnings from part-time work according to the rules of adjusted LMS. Earnings from the part-time work are not included in the usual income-test.

2.2.8. Indexation

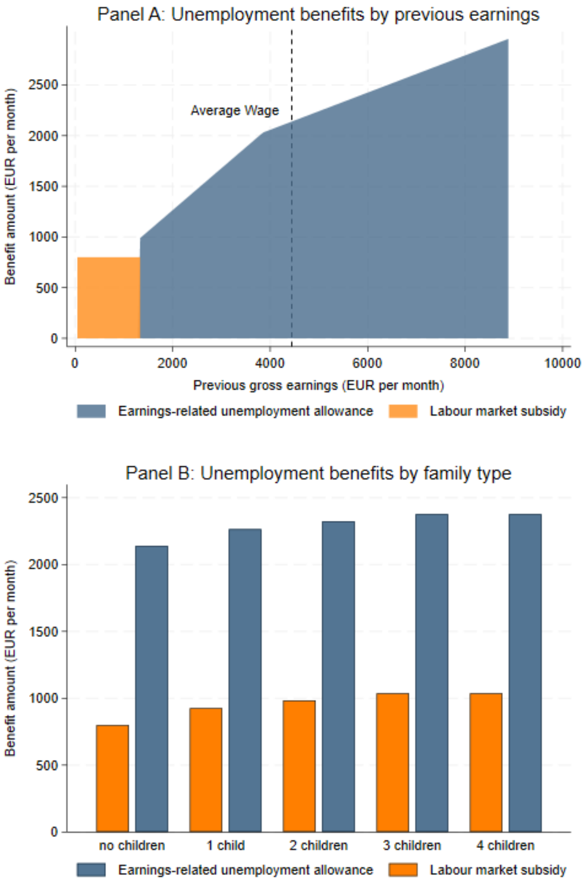
Most monetary parameters are annually automatically (statutory) adjusted by National Pension Index (NPI) that follows consumer price index. See more about NPI here: National Pension Index.

On 1 August 2022, an advanced index adjustment of 3.5% was carried to most benefits that are linked to the National Pension Index. This were only advance adjustments that increased amounts for the rest of the year 2022; the annual index adjustments on 1 January 2023 were correspondingly smaller.

The income limits (disregards) of the means-test (see Section 2.2.4) are not linked to the index and are adjusted only by separate decisions.

Figure 1. Unemployment benefits by previous earnings and family type

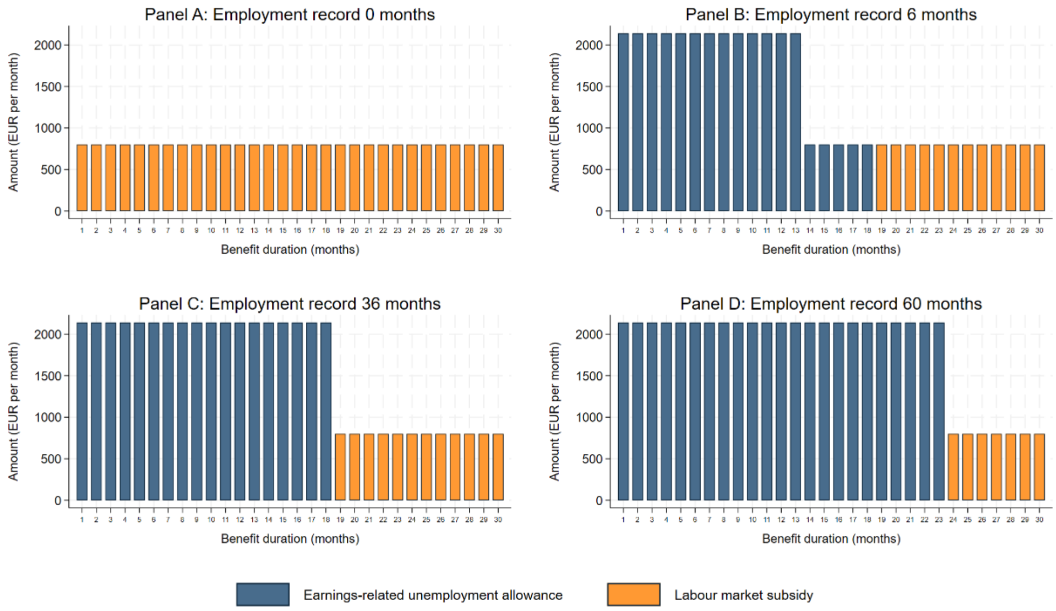
40-year-old single persons



Note: Benefit amounts do not depend on whether a person is single or lives in a couple. However, there are supplements for children. If both parents are unemployed and receive unemployment benefits, both of them are eligible to supplements for children. Results assume long and continues previous employment record as well as membership in unemployment fund. Panel A shows benefit amount for a single person without children by previous gross earnings. If previous earnings are above a threshold, a person is eligible to earnings-related unemployment benefit; otherwise they receive Labour Market Subsidy. Paned B shows benefit amount by number of children: Labour Market Subsidy for a person with previous earnings below the threshold and earning-related unemployment benefit for a person with previous earnings at the average wage.
Source: OECD tax-benefit model, 2024.

Figure 2. Unemployment benefits over time

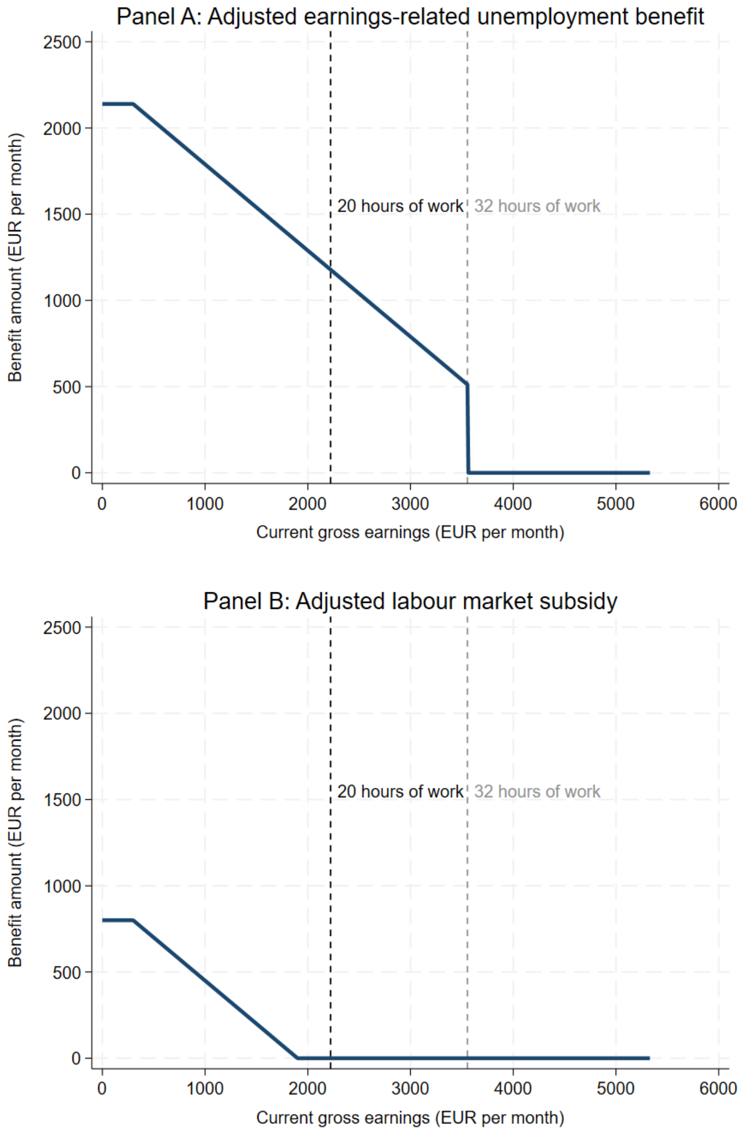
Single person without children



Note: The figure shows amounts and duration of earnings-related unemployment allowance and labour market subsidy received by a person with different past employment record and previous earnings at the average wage. Four cases (0, 6, 36, and 60 months of previous employment record) are selected to show different outcomes. For the last case, it is assumed that a person is at least 58 years old, i.e. eligible for a longer duration of earnings-related unemployment allowance. Persons with employment record below 6 months are not eligible to earnings-related unemployment allowance but can receive labour market subsidy. The maximum duration shown in the figure is 30 months, but labour market subsidy can be received longer if eligibility conditions are met.
Source: OECD tax-benefit model, 2024.

Figure 3. Adjusted unemployment benefits by current earnings of part-time workers

40-year-old single person without children



Note: The figure shows amounts of adjusted unemployment benefit that an unemployed person can receive when they begin to work part time. Panel A shows earnings-related benefit for a person with the previous full-time earnings at the average wage. Panel B shows Labour Market Subsidy. In both panels, the person starts working at an hourly average wage with working hours gradually increasing from 1 to 40 hours per week. The benefit amount is reduced by 50% of gross earnings exceeding the disregard. The benefit is fully withdrawn when working hours exceed 80% of full-time work (here this is assumed to be 32 hours per week, see Panel A).
Source: OECD tax-benefit model, 2024.

3. Social assistance and housing benefits

There is a social assistance scheme *(Toimeentulotuki)* which guarantees a minimum income as deemed necessary for every inhabitant of the country. It is described in Section 3.1. In addition, housing costs are covered through three income-tested schemes:

- General housing allowance *(Yleinen asumistuki)* available to families, couples and single people of limited means – see description in Section 3.2. ;
- Housing allowance for pensioners *(Eläkkeensaajan asumistuki)*, available to pensioners of limited means - not considered in the model;
- Housing allowance for students *(Opintotuen asumislisä)* - not considered in the model. Almost all students were transferred to the general housing allowance scheme on 1 August 2017.

3.1. Social assistance *(Toimeentulotuki)*

Code in the OECD tax-benefit model: the basic amount **[SA_main]** is included in variable **[SA];** the amount to cover housing costs **[SA_rent]** is classified as housing support and included in variable **[HB].**

Social assistance is a last-resort social benefit. Since 1 January 2017, the basic social assistance is paid by Kela (The Social Insurance Institution of Finland). Since 1 January 2023 regional wellbeing services counties pay supplementary and preventive social assistance. Since 1 January 2008, there has been a single nation-wide basic standard (i.e. basic amount). Previously there were two municipality categories.

This is a non-contributory benefit, means-tested and not taxable.

3.1.1. *Eligibility conditions*

For a person or a family that applies for social assistance a judgement and a calculation is made by Kela based on their available income, available assets and factual expenditure entitling to social assistance.

Expenditure that gives entitlement to basic social assistance consists of a basic amount plus other basic expenditure. If this combined amount is higher than the family's available net income and assets, the difference is paid in the form of basic social assistance.

The basic amount is designed to cover the costs of food, clothes, hygiene, transport, information and minor health care costs.

Other basic expenditure consists of reasonable housing costs, home insurance, electricity, children’s day care fees, significant health care costs, compensation for removal expenses, expenditure on meeting a child with a parent living in a different household and the acquisition costs of the necessary identity card, residence document or travel document.

Supplementary and preventive social assistance is granted to cover the costs of a person's or family's special needs. The support is granted at the discretion of social work professionals in the wellbeing services county.

3.1.2. *Benefit amount*

Basic amounts in 2024:

Family type	Rate (EUR per month)	% of single rate
Single	587.71	100
Lone parent	669.99	114
Couple (per person)	499.55	85
Allowance per child:		
- Child over 18*	429.03	73
- Child 10-17	411.40	70**
- Child under 10	370.26	63**

* Children aged 18 or over living with their parents constitute their own household when social assistance is calculated (i.e. they are subject to a separate means test).
** In 2023, the rates for children under 18 were temporarily increased from 70% to 76% and from 63% to 69%. The increase was valid for one year and has reverted to original rates for 2024.

Reduced rates for children: If there is more than one child (0-17) in families the rates will be reduced. The rate of the second child will be 5 percentage points lower (e.g. 70%→65% or 63%→59% of the single rate). The rate of the third and subsequent children will be 10 percentage points lower (e.g. 70→60% or 63→53%).

Other basic expenditure which are taken into account up to a reasonable amount are housing expenses (e.g., rent or maintenance charge, water, heating, electricity and home insurance premium), other healthcare expenses (e.g. prescription medicines) as well as necessary moving expenses. *Only housing costs for rented accommodation are considered in the model.*

Kela may use their own discretion in setting the upper limit for reasonable housing costs in social assistance. In OECD calculations, (non-binding) guidelines used by Kela for the city of Helsinki are used.[8] The table below contains the values considered by Kela as a reasonable rent for standard rentals in Helsinki and capital area in 2024.

Number of persons in household	Rent (EUR per month)
1	694
2	869
3	993
4	1089
each additional person	+122

In addition to these amounts, reasonable utility charges, household electricity and home insurance are covered separately as deemed necessary. *Such payments are outside the scope of the model.*

For a shorter period of time or for certain social reasons higher amounts may be covered. According to Kela guidelines, client household has usually 3 months to find more affordable housing. During that time housing costs may be covered as such *(not included in the model)*.

[8] The limits of reasonable housing costs in Helsinki and in other municipalities of capital area are generally considerably higher than in other parts of Finland.

Calculations: To calculate the final social assistance benefit amount, the procedure is to compare the net income and available assets from all other sources (including regular housing benefits) to the "applicable" social assistance level. If this amount is higher than the family's net income, the difference is paid in the form of social assistance. *In the model, social assistance is split in two components: basic amount* **[SA_main]** *and amount to cover housing expenses* **[SA_rent]**. *When social assistance is reduced against the general housing allowance (see Section 3.2.), first general housing allowance is subtracted from the amount to cover housing expenses, and the remaining part, if any, is subtracted from the basic amount. Other sources of family income reduce both components proportionally.*[9]

Non-compliance: The amount of social assistance may be reduced by maximum 20% if a person refuses to accept a work offer or does not participate in training or certain other activating or integration measures. Since 1 January 2011, it may also be reduced if 18–24-year-old person without vocational education refuses to participate in education or drops out from education. If refusal is recurrent social assistance may be reduced by maximum 40%. *Non-compliance situations are not considered in the model.*

3.1.3. Benefit duration

As long as the means test is satisfied and need for assistance prevails.

3.1.4. Means test

Income test

Usually, all net income is included into the means test with specific exceptions. The following cash benefits are disregarded *(none of them is covered by the model)*:

- minor grants
- regular and slightly higher income for a person under the age of 18, insofar as they exceed his or her basic share and other basic expenses attributed to him or her
- maternity allowance
- disability benefits (disability allowance for persons under 16 years of age, disability allowance for persons aged 16 years or over and care allowance for persons receiving a pension)
- maintenance allowances under the Act on Rehabilitation and Rehabilitation Benefits
- expenditure compensation referred to in the Act on Unemployment Security and Public Employment and Business Services
- the reimbursement of expenses for participating in rehabilitative work or, instead, the amount of operating money and compensation for journeys to rehabilitative work
- increase in labour market support and basic daily allowance (note that supplements for children are included in the means test)

[9] This approach is implemented in TaxBEN 2.4.2 and later versions. In earlier versions, general housing allowance was treated in the same way as other income sources.

- difference between the increased earnings component and earnings component of earnings-related daily allowance
- income obtained as compensation or income from a benefit, the costs of which are also not taken into account
- school travel allowance
- school supplies appropriation (rehabilitation)
- study grant learning material supplement (as of 1 August 2019)
- income to the extent that it corresponds to commuting expenses and other expenses arising from commuting
- financial support under the Child Welfare Act *(this is financial support that wellbeing services county may grant under special circumstances, it is not covered in the model; the "standard" child benefit described in Section 4.1. and maintenance allowance described in Section 4.2. are included in the means test).*

Taxes are deducted from the gross income.

Asset test

The assets available to the person and his or her family members when social assistance is granted are taken into account as assets.

The following assets do not affect eligibility for basic social assistance (i.e. are not included in the means-test / eligibility calculation):

- a permanent dwelling of the applicant or the applicant's family and the essential household items
- tools and equipment needed for work or study
- the assets of children under age 18 to the extent that they exceed their basic amount and other basic expenses
- other assets essential to sustain the livelihood, for example, a car if it is necessary for commuting and making a living.

If assets are not considered as immediately liquid household may be granted some time for the realization of the assets after these assets are included in the calculation. Alternatively, depending on the asset type, granted social assistance may also be reclaimed later after the realization.

If the value or the income from the realization or sale of the assets is considered small the assets may be fully or partly excluded from means-test.

Ordinary hobby tools of the children are excluded from the means-test.

Note that savings from the income items that are excluded from the means-test may be included as assets later. Exception: if savings are reserved for the original purpose that income was granted for, savings are not included.

The realisation of assets is decided by the same authorities, which also decide on the granting of social assistance. With regard to basic social assistance, decision-makers are in practice benefits processors and, with regard to supplementary and preventive social assistance, as a rule social welfare professionals.

The assessment of wealth involves discretion in the decision-making on social assistance. Assets that are easy to realise, such as savings, shares, funds, etc., are taken into account immediately and may also prevent short-term support. On the other hand, real property that is difficult to realise, such as an extra car or part of a deceased's estate, may be required to be reimplemented within a couple of months, in which case short-term support may be provided for the duration of the realisation. The net value of the assets is taken into account as the value of the assets; for example, any loan taken out to acquire the assets is deducted from the sales value.

As a rule, the assessment of property is based on information received from the customer and the receipts required from the customer, such as tax information, bank statements, etc.

If the client sells his or her movable assets even if their realisation had not been required, the income gained from the sale is taken into account when assessing the need for support of the client.

More information: In Finnish; In Swedish.

3.1.5. Tax treatment

The benefit is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

In most cases household receiving social assistance have other income sources during the recipiency period and social assistance is often paid to top-up other benefits.

3.1.7. Combining benefit receipt and employment/starting a new job

Since April 2005, a minimum of 20% of net earnings up to the maximum amount of EUR 150 (per family per month) is excluded from the means test. Since 1 January 2015, the rule is applied to all persons earning income in the family (i.e. at individual not family level). Since June 2018, 100% of net earnings up to the maximum amount of EUR 150 are excluded from the means test (e.g. if person has EUR 200 of earnings EUR 150 are disregarded). *This rule is implemented in the model in 2019 as policy reference date since 2018 is 1 January.*

3.1.8. Indexation

The basic amounts are generally uprated annually according to changes in prices (National Pension Index), i.e. the index-linkage is statutory. Even for years when National Pension Index has been frozen or reduced by separate decisions, social assistance has usually been uprated separately.

The disregard (see Section 3.1.7) is not index-linked and is only uprated by separate decisions. The amount has not been uprated since 2005.

The reasonable housing costs are not index-linked. The amounts are decided annually by Kela to reflect reasonable housing costs in each municipality.

Figure 4. Social assistance

40-year-old single person and couple with or without children

Note: Results assume no receipt of housing benefit, unemployment benefits or any other benefits, which are usually included in the means test for social assistance. Housing costs are assumed to be zero, i.e. calculations do not include supplement for housing costs in social assistance. Children are 4, 6, 8, and 10 years old. Panel A shows maximum amount of social assistance for a jobless family with no income. Panel B shows the reduction in the amount as one adult starts working. The income test is based on net income. The slope of lines changes once benefit recipients start paying taxes.
Source: OECD tax-benefit model, 2024.

3.2. *General Housing Allowance (Yleinen asumistuki)*

Code in the OECD tax-benefit model: **[HB_main]**

This is a non-contributory benefit, means-tested and not taxable.

A new Act on the general housing allowance became effective on 1 January 2015.[10]

3.2.1. Eligibility conditions

Assistance with housing costs is available for rental, right-of-occupancy, partial-ownership and owner-occupied homes. *Rented accommodation is considered in the model.*

3.2.2. Benefit amount

The general housing allowance amounts to 80% of the difference between the acceptable housing costs and the basic deductible. No housing allowance is paid if it is less than EUR 15 per month.

The general housing allowance will reduce to 70% from 01.04.2024. The model for 2024 uses the rate at 01.01.2024 (80%).

Basic deductible:

The amount of the basic deductible is affected by monthly gross income reduced by a possible earnings deduction, which depends on the number of adults and children in the household. The full rate of allowance (i.e. the case of zero deduction) is available on a monthly income of EUR 667 plus EUR 111 for each adult and EUR 246 for each child in the household. The calculation formula for the basic deductible is:

$$0.42 * [T - (667 + 111 * A + 246 * L)] , \qquad \text{where}$$

- T = the combined income of the household
- A = the number of adults
- L = the number of children.

Any basic deductible which is EUR 10 or less is disregarded.

From 01.01.2024 the basic deductible will increase to 50% of income exceeding the minimum income limit for the allowance. The amount for each adult in formula will be decreased from 111 to 94 and amount for each child will be increased from 246 to 296. This is not included in the 2024 model.

Acceptable housing costs:

There are statutory maximum limits on households' housing costs.[11] Any housing costs exceeding these limits are not recognised as housing costs. The limits vary by household size and location of the home. Maximum allowable housing costs (EUR per month) in 2024 are shown in the table below:

---

[10] As a result of the this Act the benefit amount became no longer affected by the year in which the building was built or renovated, the area or the heating system. The tables used to calculate the basic deductible based on the location of the housing and issued annually were replaced by a formula (same for all Finland). See more info here: http://www.kela.fi/web/en/general-housing-allowance.

[11] In the model, housing costs are chosen by the user. In standard TaxBEN outputs, housing costs are assumed to be equal to 20% of average wage for all family types and income levels.

Household size	Municipality in category I	Municipality in category II	Municipality in category III	Municipality in category IV
1	582	563	447	394
2	843	808	652	574
3	1072	1019	828	734
4	1253	1188	981	875
+ each additional person	156	148	134	129
Municipalities in category I: Helsinki				
Municipalities in category II: Espoo, Kauniainen, Vantaa				
Municipalities in category III: Hyvinkää, Hämeenlinna, Joensuu, Jyväskylä, Järvenpää, Kajaani, Kerava, Kirkkonummi, Kouvola, Kuopio, Lahti, Lappeenranta, Lohja, Mikkeli, Nokia, Nurmijärvi, Oulu, Pori, Porvoo, Raisio, Riihimäki, Rovaniemi, Seinäjoki, Sipoo, Siuntio, Tampere, Turku, Tuusula, Vaasa and Vihti				
Municipalities in category IV: All other municipalities				

Helsinki (category I) is used in the OECD calculations.

Maximum allowable housing costs presented above include also separately paid heating and water charges. *However, these maximum allowable costs can also be applied to households that only pay rent, which is the case assumed in the model.*

From 1.4.2024 onwards, municipality groups 1 (Helsinki) and 2 of the maximum allowable housing costs will be combined and the maximum allowable housing costs will be taken into account in accordance with the current municipality group 2. This is not included in the 2024 model.

3.2.3. Benefit duration

Eligibility for the housing allowance is reviewed once a year. Special eligibility reviews are conducted in case of a change in circumstances (e.g., permanent change in incomes, increase of 400 EUR/month or decrease of 200 EUR/month).

The model does not take into account these rules. The benefit amount is recalculated instantaneously following any change in income. Therefore, work incentive indicators, such as Marginal Effective Tax Rate (METR) and Participation Tax Rate (PTR), show long-term effects of changes in earnings and employment.

3.2.4. Means test

The household's monthly income affects the amount of housing allowance. When calculating the amount of housing allowance, various social security allowances are converted into monthly income as follows:

- Unemployment allowances are converted into monthly income by multiplying them by 21.5. Unemployment allowance is paid for an average of 21.5 days per month.
- Other allowances, such as the sickness, maternity, paternity and parental allowances, are multiplied by 25 when estimating monthly income. *(not covered by the model)*

In the income-test for housing allowance, only full euros of income are taken into account, i.e. they are rounded to the nearest integer. For example, if total household income from all income sources included in the income-test is EUR 1 065.79 then EUR 1 066 is taken into account in the income-test.

Since 2015, the asset limits were removed and the value of a person's assets no longer counts as income. However, income from assets continues to affect the amount of housing allowance *(not covered by the model)*.

3.2.5. Tax treatment

Benefit is not taxable.

3.2.6. Interaction with other components of the tax-benefit system

Housing allowance is included in the income-test of social assistance.

In many municipalities, the acceptable housing costs in housing allowance are lower than the acceptable housing costs in social assistance.

3.2.7. Combining benefit receipt and employment/starting a new job

An earned-income deduction of EUR 300 per month was introduced on 1 September 2015. The deduction is made on each household member's total income from paid work and self-employment. The deduction applies to all recipients of general housing allowance who have earned income.

From 1.4.2024 onwards the EUR 300 deduction under the general housing allowance scheme for earned income will no longer be available.

3.2.8. Indexation

The benefit amount is a percentage of the difference between the acceptable housing costs and the basic deductible.

Since 2018, acceptable housing costs have been adjusted according to consumer prices (cost-of-living index). However, the adjustments were suspended in 2018, so the first adjustment were carried out in 2019. In 2023 there was additional increase for heating instead cost-of-living index.

The amounts used in the formula for the basic deductible are adjusted annually in line with changes in the national pension index (except e.g. 2015, 2017, 2018 and 2019 when special rules of benefit cuts or freezing applied).

Amounts that are not index-linked:

-earned income deduction (Section 3.2.7)

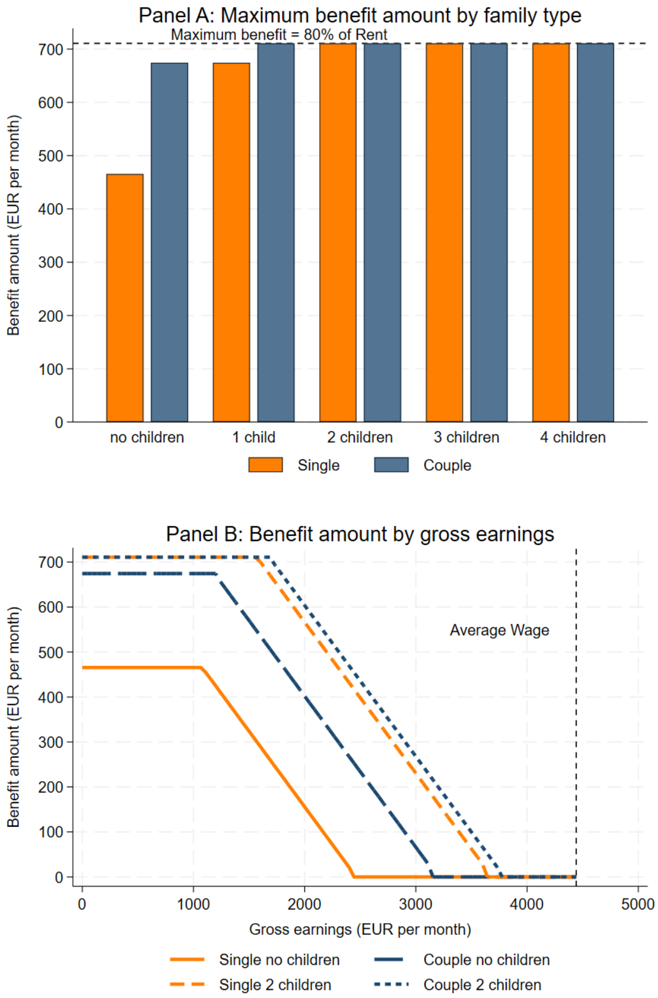
-minimum amount of basic deductible (Section 3.2.2)

-minimum payable amount (Section 3.2.2.)

-the amounts used as an income change threshold for eligibility review (Section 3.2.3)

Figure 5. General Housing Allowance

40-year-old single person and couple with or without children

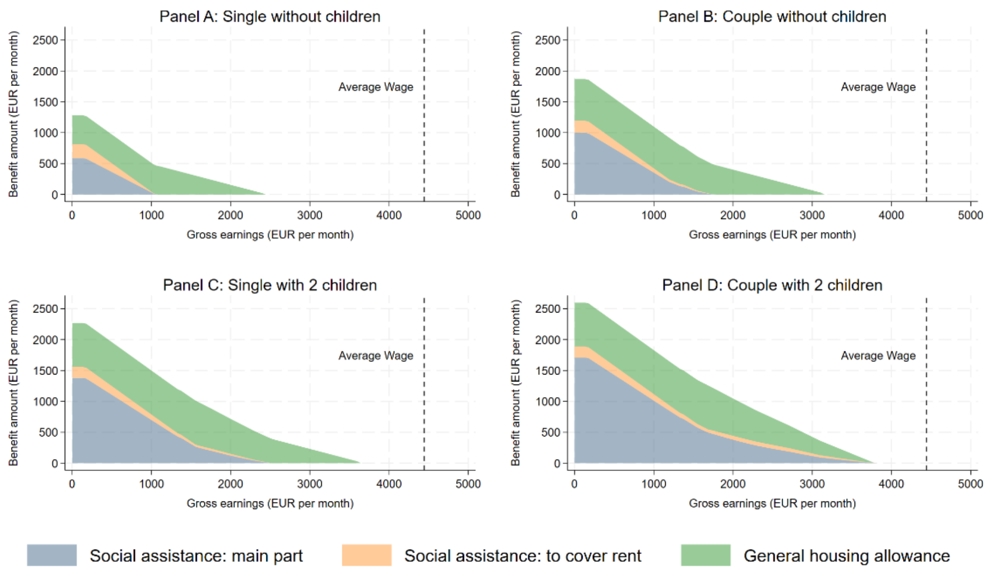


Note: Results assume no receipt of unemployment benefits or other benefits, which are usually included in the means test for housing allowance. Rent is assumed to be 20% of average wage for all family types. The benefit cannot exceed 80% of the rent. Family is assumed to live in Helsinki. Panel A shows the maximum benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount as one adult starts working.

Source: OECD tax-benefit model, 2024.

Figure 6. Social assistance and housing benefits

40-year-old single person and couple with or without children



Note: Results assume no receipt of unemployment benefits or other benefits, which are usually included in the means test for social assistance and general housing allowance. Social assistance is split in two components: the main part and the amount to cover rental expenses. Rent is assumed to be 20% of average wage for all family types. Family is assumed to live in Helsinki. Figures show the reduction in benefit amounts as one adult starts working. The second adult in a couple is out of work.
Source: OECD tax-benefit model, 2024.

4. Family benefits

4.1. *Child benefit* (Lapsilisä)

Code in the OECD tax-benefit model: **[FAMBEN]**

This is a universal benefit: non-contributory, not means-tested and not taxable.

4.1.1. *Eligibility conditions*

Child Benefit is paid for children under 17 who are living in Finland.

Single-parent supplement is paid to a parent living with the child. The parent cannot be married or living together and has to be legally separated from his/her spouse. The supplement is available also if the parents have joint custody of their child.

4.1.2. *Benefit amount*

The amount of the benefit depends on the number of eligible children in the household. Single parents get a monthly increase of EUR 73.30 per child. On 1 January 2024, the rates of child benefit are:

	Rate per child (EUR per month)
1st child	94.88
2nd child	104.84
3rd child	133.79
4th child	173.24
5th and subsequent	192.69

Child benefit paid for children under the age of three will be increased by EUR 26 per month starting from 1.4.2024. This is not included in the 2024 model.

4.1.3. Benefit duration

As long as the eligibility conditions hold.

4.1.4. Means test

The benefit is not means-tested.

4.1.5. Tax treatment

The benefit is not taxable.

4.1.6. Interaction with other components of the tax-benefit system

The benefit is universal and can be received together in any other benefit. Child benefit is included in the income test of social assistance.

4.1.7. Combining benefit receipt and employment/starting a new job

The benefit is universal; employment doesn’t affect benefit receipt.

4.1.8. Indexation

No index-linkage, only changes by separate decisions.

***4.2. Maintenance allowance** (Elatustuki)*

Code in the OECD tax-benefit model: **[MAINT_S]**

This is a non-contributory benefit, not means-tested and not taxable.

4.2.1. Eligibility conditions

A child of a lone parent receives maintenance allowance when the person liable to pay maintenance payment neglects this duty. A child is entitled to maintenance allowance even when the paternity has not been confirmed. Child maintenance allowance is payable up to the time when the child reaches the age of 18, but payment may end earlier if maintenance liability ends or if other liability criteria are no longer met.

4.2.2. Benefit amount

The maintenance support is EUR 196.02 per child per month in 2024.

4.2.3. Benefit duration

As long as the eligibility conditions hold.

4.2.4. Means test

Not means-tested. However, maintenance allowance also can be paid as a top-up if the parent liable for maintenance pays lower than the amount of child maintenance allowance.

4.2.5. Tax treatment

Non-taxable.

4.2.6. Interaction with other components of the tax-benefit system

The benefit can be received together with any other benefit. It is included in the means test of social assistance, home-care allowance and day care fees. It is disregarded for other means-tested benefits covered by the model.

4.2.7. Combining benefit receipt and employment/starting a new job

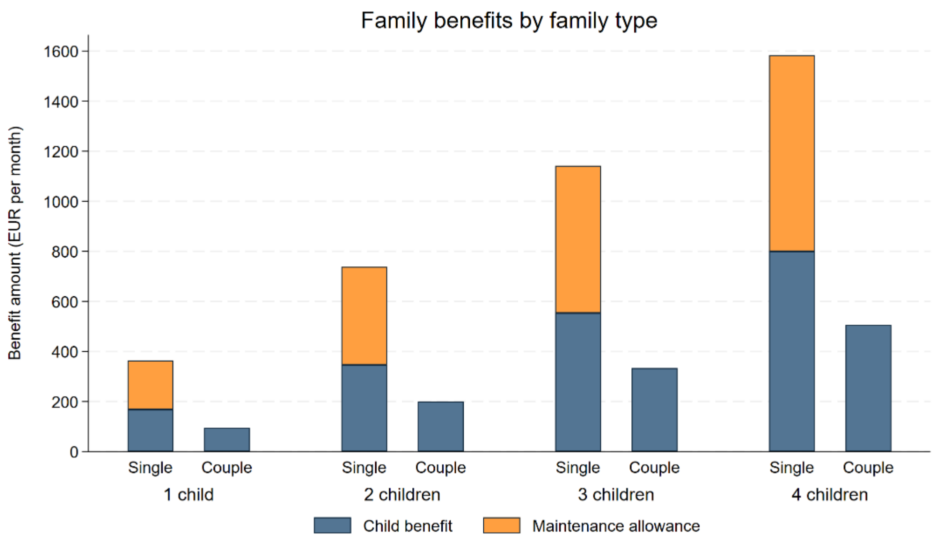
Employment doesn’t affect benefit receipt.

4.2.8. Indexation

The amount of maintenance allowance is adjusted annually by change of consumer prices (statutory index-linkage).

Figure 7. Family benefits

40-year-old single person or couple with children



Note: The figure shows maximum family benefit amounts. Benefits are universal and do not depend on family income. Children are 4, 6, 8, and 10 years old.
Source: OECD tax-benefit model, 2024.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2024.**

All children under school-age (7) have a subjective right to a place in early childhood education and care (ECEC) provided by their local authority. ECEC is based on an integrated approach to education and care, the so-called “educare” model.

As an alternative parents can choose to look after the child themselves with the help of the child home care allowance, or choose the private day care allowance and arrange for child care privately.

Pre-primary education for 6-year-old children became compulsory from 1 August 2015. Pre-primary education typically lasts four hours a day and is free of charge.

ECEC is provided part-time and full-time; also can be provided around the clock when needed. ECEC can also be organized for children of school age but mostly school-aged children participate in after-school activities. Public ECEC may be organized centre-based or as municipal family day care.

The model covers childcare fees for children from one year to five years old (up to the age when the compulsory pre-primary education starts).

5.1. Gross fees

Code in the OECD tax-benefit model: **[FNcc_cost]**

The public ECEC fees are income-related: the higher the family income, the higher the fee. The rules for maximum fees that municipalities can charge are set at the national level. The fee is paid for each child using ECEC with lower fees for the second and subsequent children (see Section 5.2.2). The fee is a portion (%) of the family income exceeding the income limit until the maximum amount is reached (for maximum amounts see Section 5.2.2). These limits and percentages depend on family size. In addition to parents, children under 18 are included in the family definition. Public ECEC fees valid since 1 March 2023 are shown in the table:

Family size, persons*	Income limit** (EUR per month)	% of income exceeding the limit
2	3874	10.7
3	4998	10.7
4	5675	10.7
5	6353	10.7
6	7028	10.7

Note: *If the family size is over 6 persons EUR 262 is added to income limit for each additional person.

5.1.1. Discounts for part-time usage

The fees are regulated according to the time spent in ECEC. If the child attends ECEC for maximum 20 hours a week the fee can be no more than 60% of the calculated maximum fee for the child. The maximum fee can be collected if the child attends 35 hours or more per week. Each municipality decides on how to adjust the fee in case the child´s time spent in ECEC is between 20 – 35 hours a week. In Helsinki, 80% of the maximum fee can be charged if a child attends more than 20 hours but less than 35 hours, and 100% if a child attends 35 hours or more. The fees for the third and subsequent children are calculated in relation to the full-time equivalent fee of the first child even if the first child only uses part-time ECEC. The fees for the second and the subsequent children are also adjusted according to the number of hours they attend the childcare.

5.2. Fee discounts and free provision

5.2.1. Eligibility

Fees are lower for low-income families. There are discounts for multiple children. See Section 5.1 and Section 5.2.2.

5.2.2. Amount of discount or free provision

If there are more than one child in the same family in the public ECEC, the fee for the second child is 40% of the (full-time) fee for the first child. If there are more than two children in the same family in the public ECEC, the fees for the third and subsequent children are 20% of the (full-time) fee for the first child. On 1 January 2024, the maximum fee is EUR 295 per child per month (note that the maximum fees for the second and subsequent children are lower, 40% or 20% of EUR 295 respectively). If the ECEC fee for a child amounts to less than EUR 28 per month it is not collected. The discounts for the second and subsequent children are set at the national level.

Indexation: Maximum childcare fee is indexed once in every two years on 1 August using price index of public expenditure (for local government finances, education, statutory index-linkage). The income limits used in the calculation of the gross fees (see Section 5.1.) are adjusted at the same time using wage and salary index. In addition to scheduled index adjustments, there have been several changes in maximum amounts and income limits due to revision in legislation.

5.2.3. Variation by income

The higher the family income, the higher the fee (see Section 5.1.).

The following income definition is used in the income-test to calculate the ECEC fees: All gross income except certain benefits and grants. Of the benefits described in this report, child allowance, home care allowance, housing allowance and social assistance are excluded from the income definition. If a family pays maintenance payment to another household, it is deducted from the income. Note that both maintenance allowance and received maintenance payment are included in the income definition. However, they are only included in the calculation of the fee for the child that they are paid for.

Technical note: In practice, the fees are calculated following these steps:

> 1) The full-time fee for the first child is calculated according to the income and disregards (see table in Section 5.1)
>
> 2) The maximum fee (EUR 295) is applied if the fee calculated in (1) exceeds the maximum fee.
>
> 3) The full-time fees for siblings are calculated based on (2) and applying discounts for siblings (Section 5.2.2)

4) Fees for all children are adjusted for the hours of attendance (Section 5.1.1)

5) Fees below the minimum (EUR 28) are set to zero.

5.3. Child-care benefits for formal centre-based care

Code in the OECD tax-benefit model: **[cc_benefit]**

There are no such benefits in Finland. The use of ECEC in centre-based care is supported with ECEC fee structure. The fees cover only small part of the overall costs (11%).

Parents are entitled to infectious disease allowance if they cannot work because they need to care for a child under age 16 who has been placed in quarantine. Allowance is paid at 100% of earnings. If the parent is entitled to paid leave for part of this period according to a collective agreement the allowance is paid to the employer for this part of the period. Allowance is available to both employees and the self-employed.

5.4. Child care allowance for children not using child care centers

Code in the OECD tax-benefit model: **[hc_benefit]**

For families with children under 3 years old who do not use public ECEC, there is a **home care allowance** *(lasten kotihoidon tuki),* which includes a care allowance and a care supplement. *This allowance is simulated in the model for families not using public ECEC.*

In addition to the home care allowance, there is **private day care allowance** *(lasten yksityisen hoidon tuki)* for those who use private ECEC for children under 7 years old. *Private day care allowance is not considered in the model.*

Since 1 April 2007, it has been possible for family to receive private day care allowance and home care allowance simultaneously (i.e. private day care allowance for a child in ECEC and home care allowance for another child not using public ECEC or private ECEC).

5.4.1. Eligibility conditions

Home care allowance: Parents are entitled to the child home care allowance if at least one child is less than 3 years old and a parent or any other person (e.g. grand-parent, private baby-sitter) takes care of the child at home. Child home care allowance can also be paid for other siblings (under school age) of the under 3-year-old child who is looked after at home. Payment of the allowance ends at the latest when the family's youngest child reaches the age of 3 years or when the child attends ECEC.

Private day care allowance can be claimed by a family whose under-school-age child is looked after by a nanny hired by the family or by a private ECEC provider.

The private day care allowance is paid directly to service provider. The allowance is not paid if a relative or some other individual looks after the child without a formal employment contract or charges no fee for his/her services.

5.4.2. Benefit amount

Home care allowance is EUR 377.68 per month for the first child under 3 years old, EUR 113.07 per month for other children under 3 years old and EUR 72.66 per month for children between 3 and 6 years old (i.e. under school age).

Home care supplement is income-tested. The maximum amount is EUR 202.12 per month and it is payable for only one child. Since 1 March 2017, maintenance allowance and maintenance payment have been included in the income test. However, only the maintenance allowance and maintenance payment for children that home-care allowance is paid for are included in the income-test.

Private day care allowance consists of a basic allowance and an income-tested supplement, which both are paid for each eligible child. Care allowance is EUR 192.28 per month per child and care supplement is up to EUR 161.69 per month per child (from 1 March 2023 – the supplement is up to EUR 265.85 per month). For children using part-time private day care the allowance is lower. The income limits and the rate at which private day care supplement is reduced are the same as in home care allowance (see Section 5.4.4.).

Municipality supplements:

Some municipalities, especially in the metropolitan area, pay additional supplements to home care and private day care allowances. The rates and eligibility rules vary.

The amount of municipal **Helsinki supplement for home care allowance** since 1 June 2021 is EUR 264 per month for families with a child under one year old. The supplement is paid for the family, i.e. only for the youngest child. Since 1 May 2019 the supplement is no longer paid for two-year-old children and since 1 June 2021 for children from one to two years old. *(This means that in TaxBEN this supplement is no longer simulated as only children one year old or older are considered).*

The rates of municipal **Helsinki supplement for private day care allowance** *(not modelled)* on 1 January 2024:

Type of child care	Child's age	Supplement (EUR per month)
Institutional private ECEC*	under 3 years old	670
	3 years old or older	410
Private family day care	under 3 years old	360
	3 years old or older	200
Day care by childminder with labour contract	under 3 years old	500
	3 years old or older	160

Not: * Only payable if weekly hours of care in ECEC exceed 25 hours per week.

The **private day care Helsinki supplement** is paid for each child. The supplement is paid only for full-time care (20 hours or more per week). There is an additional supplement of EUR 60 per family for those families who receive income-tested private day care allowance supplement *(not covered by the model)*.

5.4.3. Benefit duration

As long as the conditions are satisfied. Since 1 August 2022, the benefit is not paid for periods shorter than one month. Separate periods shorter that one month are not summed up anymore.

5.4.4. Means test

The **home care supplement** and **private day care supplement** decrease as the income exceeding income limit increases:

Family size (parents + children<7, max 2)	Income limit (EUR per month)	Reduction of care supplement, % of income exceeding income limit
2	1 160	11.5
3	1 430	9.4
4	1 700	7.9

When the family type is determined, only children entitled to ECEC are included with maximum of two children (i.e., children under school age after the parenthood period of parents irrespective of their actual use of ECEC). There is no similar income disregard for additional children as with ECEC fees. Otherwise, the definition of income is similar with ECEC fees with same benefits disregarded.

5.4.5. Tax treatment

Child home-care allowance is taxable income.

The private day care allowance is taxed as the income of the service provider.

5.4.6. Interaction with other components of the tax-benefit system

Receipt of homecare allowance may not always be compatible with receipt of unemployment benefits.

If a single parent receives home care allowance, it will be subtracted from his or her unemployment benefit (except possible municipality supplement) regardless of whether the parent takes care of a child at home personally or not.

If in a couple one spouse personally takes care of a child at home and receives home care allowance, and the other spouse is fully unemployed and receives unemployment benefit, home care allowance is not subtracted from the unemployment benefit *(this case is assumed in the model if both parents are out of work)*. However, in all other situations, home care allowance is deducted from the unemployment benefit, for example, if one of the spouses works full-time or part-time.

5.4.7. Combining benefit receipt and employment/starting a new job

Flexible care allowance *(Joustava hoitoraha)*

A father or a mother who participates in the care of a child under 3 years of age and works no more than 30 hours (or no more than 80% of normal full-time hours[12]) per week on average may be entitled to a flexible care allowance. The allowance is paid for one child only.

The flexible care allowance can be paid to:

- the father, mother or other provider of a child under 3 years of age
- both parents at the same time if they make work arrangements that allow them to look after the child at different times

[12] The model assumes normal full-time working hours of 40 hours per week.

- a parent who does not live in the same household as the child.

The flexible care allowance can be paid to a parent who:

- works no more than 30 hours per week on average or no more than 80% of normal full-time hours
- has an employment contract with a public- or private-sector employer
- is an insured self-employed or a farmer
- is an insured grant recipient.

The flexible care allowance cannot be paid to a parent who:

- is paid special maternity, maternity, paternity or parental allowance
- looks after the child personally and is paid home care allowance.

It is possible to use (full-time) public child care or receive private day care allowance simultaneously with flexible care allowance.

Flexible care allowance can also be received together with adjusted unemployment benefits (see Sections **Error! Reference source not found.**and **Error! Reference source not fo und.**) if reduction in working hours is not person’s own initiative, e.g. because of care responsibilities. In this case, flexible care allowance is subtracted from person’s unemployment benefit (but not from the unemployment benefit of the spouse).

If parents are not using public childcare and are eligible to homecare allowance as well as flexible care allowance, they chose the one that is more beneficial for them.

The amount of the flexible care allowance in 2024 is:

- EUR 269.24 per month if the recipient works no more than 22.5 hours per week or no more than 60% of normal full-time hours *(the latter is used in the model)*
- EUR 179.49 per month if the recipient works more than 22.5 hours or more than 60% but no more than 30 hours or 80% of normal full-time hours *(the latter is used in the model).*

Partial care allowance *(Osittainen hoitoraha)*

Parents of first- and second-graders (usually 7-8 years old) are entitled to partial care allowance. The allowance amounts to EUR 108.15 per month (in 2024) if a parent works no more than 30 hours per week on average.

Note: Both parents can receive flexible and partial care allowance simultaneously if they fulfil the conditions and take care of children at different times (e.g. father on Monday-Tuesday and mother Wednesday-Friday). *This situation is assumed in the model.*

If parents are eligible to both flexible and partial care allowances, then parents apply for flexible care allowance which is more generous.

5.4.8. Indexation

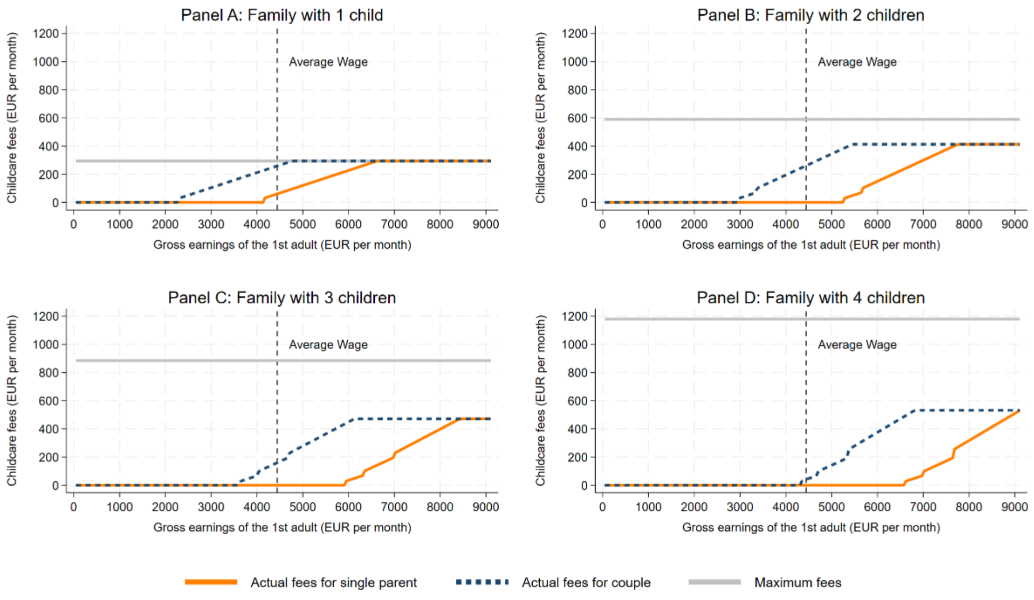
Since 1 March 2011, rates for home and private care allowance have been adjusted annually by index (100% prices, National Pension Index). This is normally carried out on 1 January. The price indexation does not cover income limits. Flexible and partial care allowances are also adjusted by National Pension Index (statutory index-linkage). Municipal supplements are based on separate decisions by municipalities.

5.5. *Tax concessions for childcare expenditures*

There are no tax concessions for childcare expenditures.

Figure 8. Childcare fees paid by parents

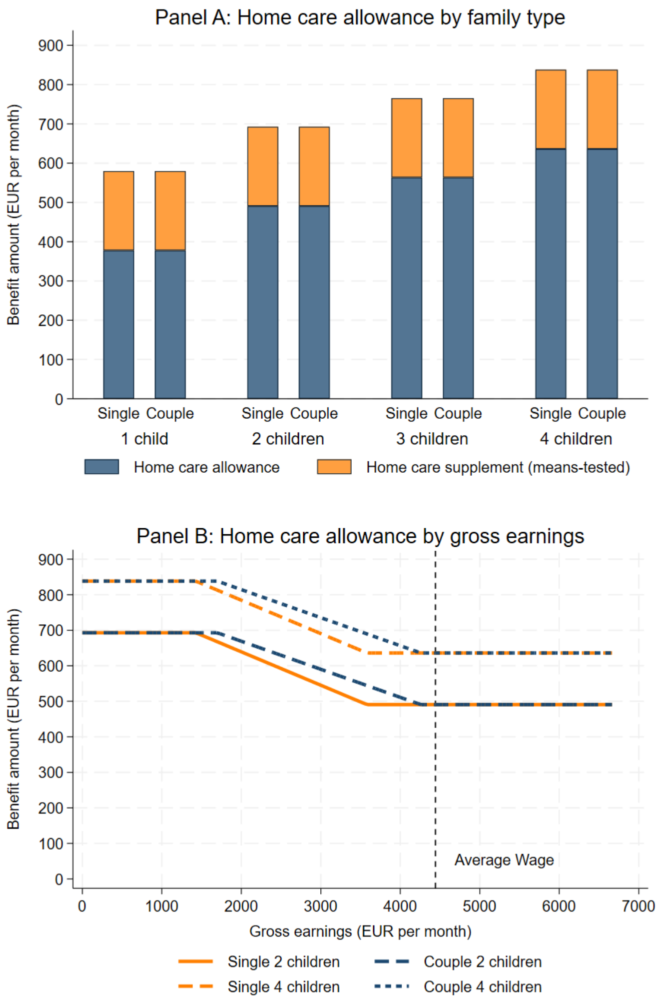
40-year-old single person or couple with children



Note: Results assume no receipt of unemployment benefits, maintenance allowance and other benefits, which are usually included in the means test for determining childcare fees. Both parents are working full time and use childcare for all children for the full day. In a couple, the second adult earns 67% of the average wage. Horizontal axis shows gross earnings of the first adult only. Children are 2, 3, 4, and 5 years old.
Source: OECD tax-benefit model, 2024.

Figure 9. Home care allowance

40-year-old single person or couple with children



Note: Children are 1, 2, 3, and 4 years old. Results assume no receipt of unemployment benefits, maintenance allowance and other benefits, which are usually included in the means test for home care allowance (only home care supplement is means-tested). Panel A shows the maximum amount of homecare allowance. Panel B shows reduction in the amount of allowance if one adult is working.
Source: OECD tax-benefit model, 2024.

6. In-work benefits

6.1. *Earned income allowance* (Kunnallisverotuksen ansiotulovähennys)

Code in the OECD tax-benefit model: **[TaxChange_p, TaxChange_s, SSCChange_p, SSCChange_s]**

Low-income earners in Finland are eligible for an earned income allowance. See Section 8.1. *The reduction in taxes and social insurance contributions due to earned* *income allowance is considered in the OECD model as an "in-work benefit"* ***[IW]***. Since 2023, earned income allowance is applied both in central government taxation and in municipal taxation.

6.2. Earned income tax credit (Työtulovähennys)

Code in the OECD tax-benefit model: **[TC_p, TC_s]**

Earned income tax credit is considered in the OECD model as an "in-work benefit" ***[IW]***. See description in Section 0

7. Social security contributions and payroll taxes

7.1. Employee social security contributions (Työntekijän sosiaalivakuutusmaksut)

Code in the OECD tax-benefit model: **[SS_AL_p, SS_AL_s, SOCSEC_MED_p, SOCSEC_MED_s]**

There are four social contributions for employees:

- Earnings-related pension contribution
- Unemployment insurance contribution
- Daily allowance contribution
- Medical care contribution.

Employees' **pension insurance** contribution amounts to 7.15% of gross salary for those who are under 53 years old (17-52) and 8.65% for those who are 53-62 years old and 7.15% for those who are 63-67 years old.

Employees' **unemployment insurance** contribution equals to 0.79% of gross salary.

The financing of the National Health Insurance underwent a major change on 1 January 2006 with the splitting up of the scheme into two components: earned income insurance for daily allowance and medical care insurance.

The contribution base of the earned income contribution for health insurance (for **daily allowance**) is gross earnings. In 2024, the rate is 1.01% of gross wage. If gross annual earnings are below EUR 16 499 no contribution is payable. The amount is annually adjusted by wage coefficient (80% earnings, 20% prices).

The tax base for the health insurance contribution for **medical care insurance** is net taxable income for municipal income tax purposes. In 2024, the rate of the health insurance contribution for medical care insurance is 0.51%. There is additional 0.97% contribution for those incomes that earned income contribution for health insurance is not payable (e.g., pensions, daily allowances). The income base for additional contribution is the difference between taxable income for municipal income tax purposes and earnings for earned income contribution for health insurance (i.e., gross wage here). If earnings for earned income contribution for health insurance are higher than taxable income for municipal income tax purposes, then there is no additional contribution.

Pension, unemployment and daily allowance contributions are fully deductible in taxation.

7.2. Employer social security contributions (Työnantajan sosiaalivakuutusmaksut)

Code in the OECD tax-benefit model: **[SSCR_p, SSCR_s]**

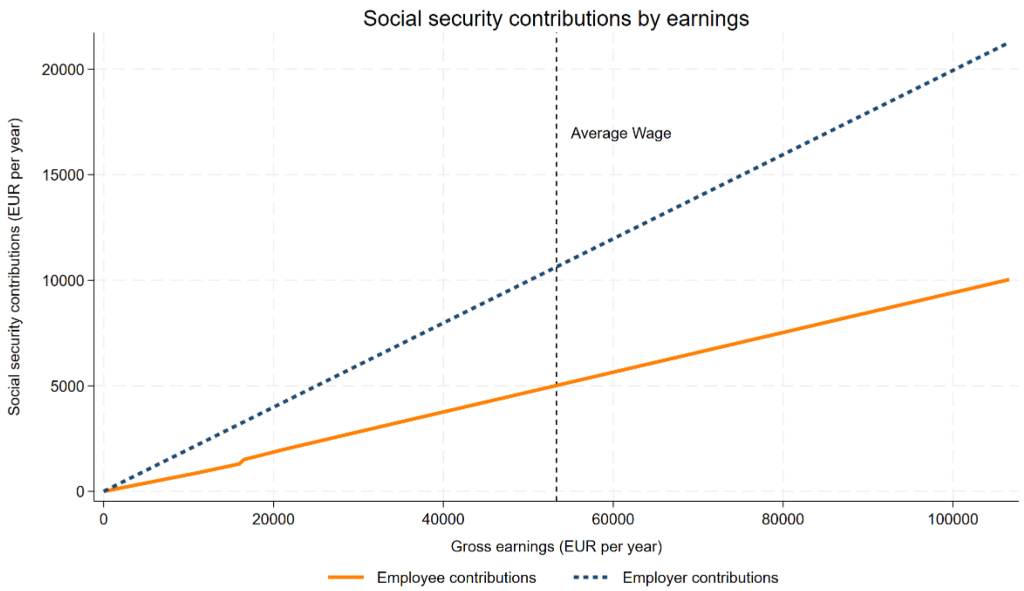
The average rate of the employers' statutory social insurance contributions in 2024 is 21.20% of gross wage (estimate for private sector employers). The rates for other years are shown in the table below:

Average employer contributions %, private sector

	2019	2020	2021	2022	2023	2024
Employment pensions (Työeläke)	17.34	15.23	16.93	17.38	17.37	17.34
Sickness (Sava)	0.77	1.34	1.53	1.34	1.53	1.16
Unemployment (Työttömyysvakuutus)	1.50	1.26	1.43	1.51	1.54	0.82
Accident (Tapaturmavakuutusmaksu)	0.80	0.80	0.70	0.70	0.57	0.57
Group life assurance premium (Ryhmähenkivakuutusmaksu)	0.07	0.07	0.06	0.06	0.055	0.055
Total	**20.48**	**18.70**	**20.65**	**20.99**	**21.065**	**19,945**

Figure 10. Social security contributions

40-year-old single person without children



Note: Social security contributions do not depend on family structure. The person has only earnings from work.
Source: OECD tax-benefit model, 2024.

8. Taxes

The tax system consists of a central government tax and a local government tax. Spouses are taxed separately for earned income. In January 2013, a new public broadcasting tax was introduced.

Generally, there are no statutory index-linkages of monetary amounts in taxation. The exceptions are amounts that are linked to other amounts in legislation (e.g. the full amount of pension income deduction is linked to the full amount of national pension, national pension is index-linked to prices/National Pension Index).

Changes in amounts are thus mainly based on separate decisions. Index adjustments to the central government income tax scale and some other income tax parameters are made on the basis of the t+1 Ministry of Finance autumn estimate for the change in the Consumer Price Index or Index of Wage and Salary Earnings – whichever is higher. More recently this customary adjustment has been extended to basic deduction and earned income tax credit. These adjustments are not statutory.

8.1. Tax Allowances *(Ansiotulosta tehtävät vähennykset)*

Since 2023, tax allowances (or 'deductions from earned income') are the same in central government taxation and in municipal taxation. Before 2023, earned income allowance and basic allowance applied only in municipial taxation.

Work-related expenses: a standard deduction for work related expenses equal to the amount of wage or salary, with a maximum amount of EUR 750 per year (since 2017).

Earned income allowance: is calculated on the basis of taxpayer's income from work (income from work = wages and salaries and non-capital entrepreneurial income). The allowance amounts to 51% of income between EUR 2 500 and EUR 7 230, and 28% of the income exceeding EUR 7 230, until it reaches its maximum of EUR 3 570 per year. The amount of the allowance is reduced by 4.5% on earned income minus work related expenses exceeding EUR 14 000 (earned income = non-capital income including also pensions, daily allowances).

Social contributions: Pension, unemployment and daily allowance contributions are fully deductible.

Basic allowance: is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 3 980 per year, is reduced by 18% on income exceeding the aforementioned amount.

8.2. Central government income tax *(Valtion tulovero)*

Code in the OECD tax-benefit model: **[INCTAX_FIN_p, INCTAX_FIN_s]**

8.2.1. Tax base

The tax base is calculated as non-capital income minus tax allowances (see Section 8.1. . In the model, non-capital income includes employment income, earnings-related unemployment allowance (Section 2.1. , labour market subsidy (Section 2.2. , home care, flexible care and partial care allowances (Section 5.4.

8.2.2. Income tax schedule

Central government income tax in 2024:

Taxable income (EUR per year)	Tax on lower limit (EUR per year)	Tax on excess income in bracket (%)
0–20 500	0	12.64
20 500–30 500	2 591.20	19.00
30 500–50 400	4 491.20	30.25
50 400–88 200	10 510.95	34.00
88 200–150 000	23 362.95	42.00
150 000 and above	49 318.95	44.00

8.2.3. Tax credits (Verosta tehtävät vähennykset)

Earned-income tax credit (or Work-income credit): A work-income credit is granted against the central government income tax. If the credit exceeds the amount of central government income tax, the excess credit is deductible from the municipal income tax and the health insurance contribution for medical care. The credit is calculated on the basis of taxpayers' income from work. The credit amounts to 12% of the income, until it reaches its maximum of EUR 2 140 per year.

The amount of the credit is reduced by 2.03% of the earned income (earned income = non-capital income including also pensions, daily allowances) minus work related expenses, exceeding EUR 23 420 per year. For the part of income exceeding EUR 71 900 the reduction is 1.21%. The credit is fully phased out when taxpayers' income is about EUR 168 000 per year.

The maximum amount of the work-income credit for people aged 65 years or older is raised by EUR 1 200. This is not modelled.

In the model work-income credit is considered an "in-work benefit" ***[IW]****, see Section 6.2.*

Tax credit for household expenses *(not simulated)*

The tax credit for household expenses reduces the amount of tax liability. A person can claim the credit for expenses on certain services provided at home, such as cleaning, child care, renovation, computer installation, etc.

8.3. Local government income tax *(Kunnallisvero)*

Code in the OECD tax-benefit model: **[LOCTAX_p, LOCTAX_s]**

Municipal tax is not deductible against central government taxes.

8.3.1. Tax base

Tax base is the same as in central government taxation.

8.3.2. Income tax schedule

The municipal tax is levied at flat rates. In 2024, the tax rate varies between 4.40% and 10.80%, the average rate being approximately 7.46%.[13] *The average tax is simulated in the model.*

8.3.3. Tax credits

If work-income tax credit exceeds the amount of central government income tax it is deductible from the municipal income tax and the health insurance contribution for medical care.

***8.4. Broadcasting tax** (Yleisradiovero)*

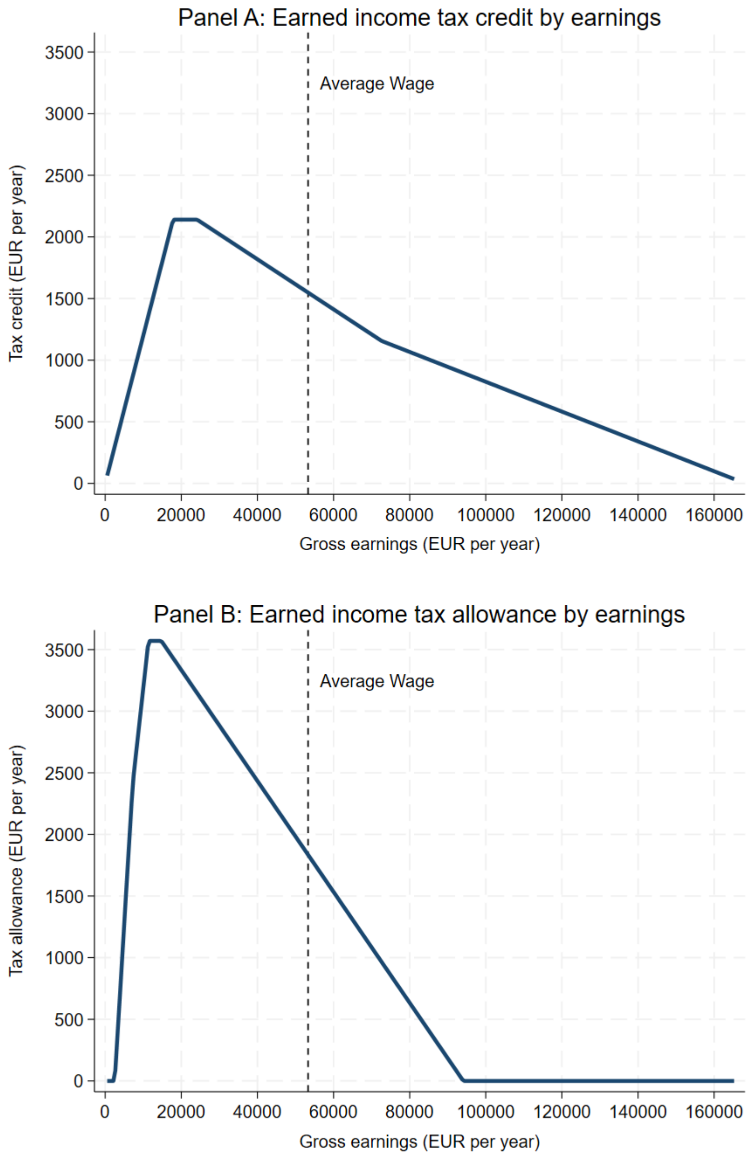
Code in the OECD tax-benefit model: **[brdcst_tax_p, brdcst_tax_s]**

In January 2013, a new public broadcasting tax was introduced to finance the activity of the national public service broadcasting company. Since 2018, the tax is 2.5% on the part of taxable earned income and capital income exceeding EUR 14 000 per year, the maximum tax is EUR 163 per year per tax payer.

[13] These rates exclude municipalities in Åland Islands where tax rules are different. These separate tax rules are not covered here.

Figure 11. Tax reliefs

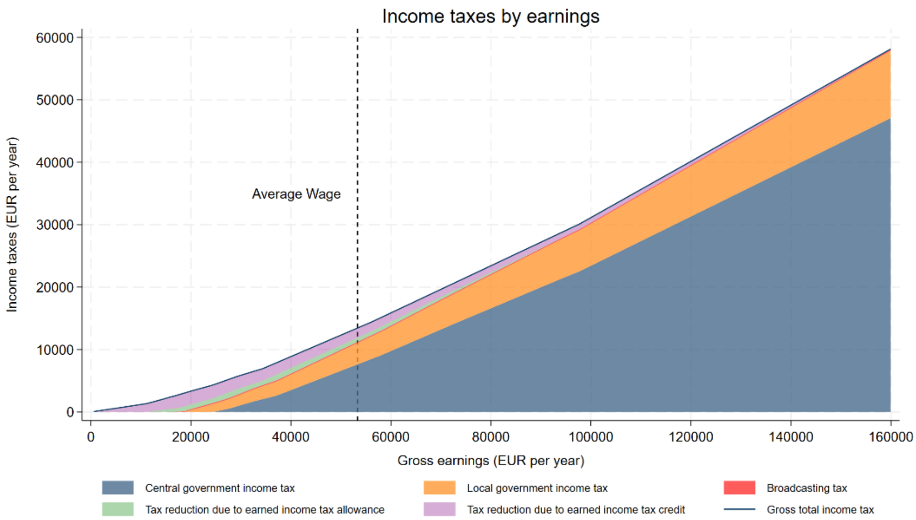
40-year-old single person without children



Note: A person has no other sources of income but earnings from work. The figure shows tax reliefs: earned income tax credit and earned income tax allowance. The amounts of tax reliefs do not depend on family structure, but they vary with earnings.
Source: OECD tax-benefit model, 2024.

Figure 12. Income taxes

40-year-old single person without children



Note: A person has no other sources of income but earnings from work. Income tax is calculated at the individual level and does not depend on family structure. In the model, tax variable contains gross total income tax. Tax reductions due to earned income tax allowance and earned income tax credit are classified as in-work benefits. Thus, final taxes paid are equal to the difference between the total gross tax and tax reductions. In the figure, final taxes are shown as the sum of central government, local government and broadcasting taxes.
Source: OECD tax-benefit model, 2024.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Finland 2024 (see Figures below). TaxBEN by default produces the following output: net household incomes (black line) and its subcomponents (coloured stacked areas) for selected family and individual circumstances.

The model and the related web calculator is accessible from the project website. The figures show outputs for four scenarios:

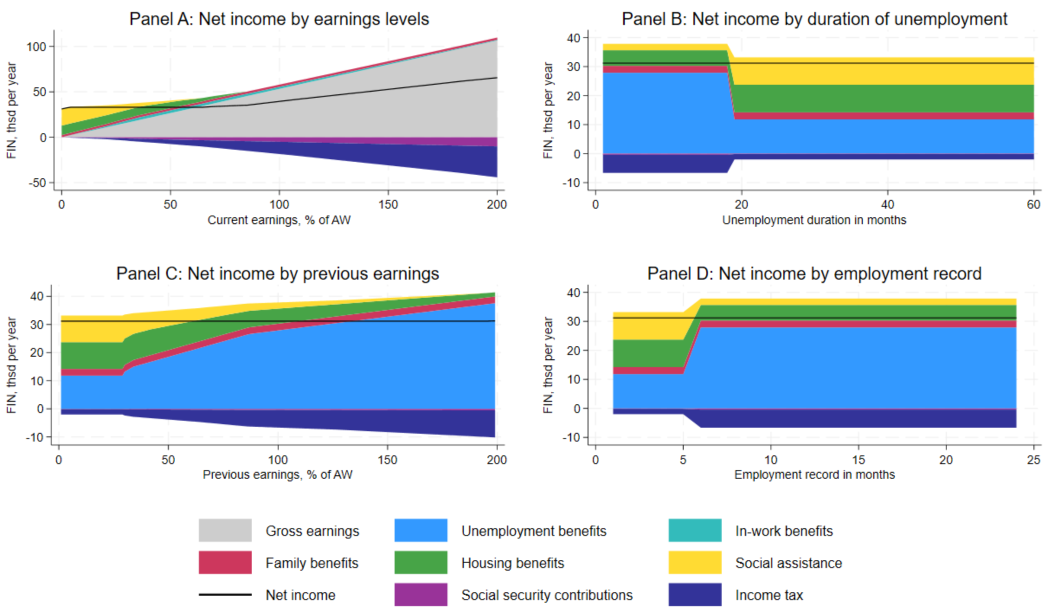
- By percentage of the average wage for an employee (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB** = housing benefits; **SA** = social assistance; **IW** = in-work benefits. Note that each component may contain more than one benefit or tax.

Results refer to a two-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Figure 13. Selected output from the OECD tax-benefit model

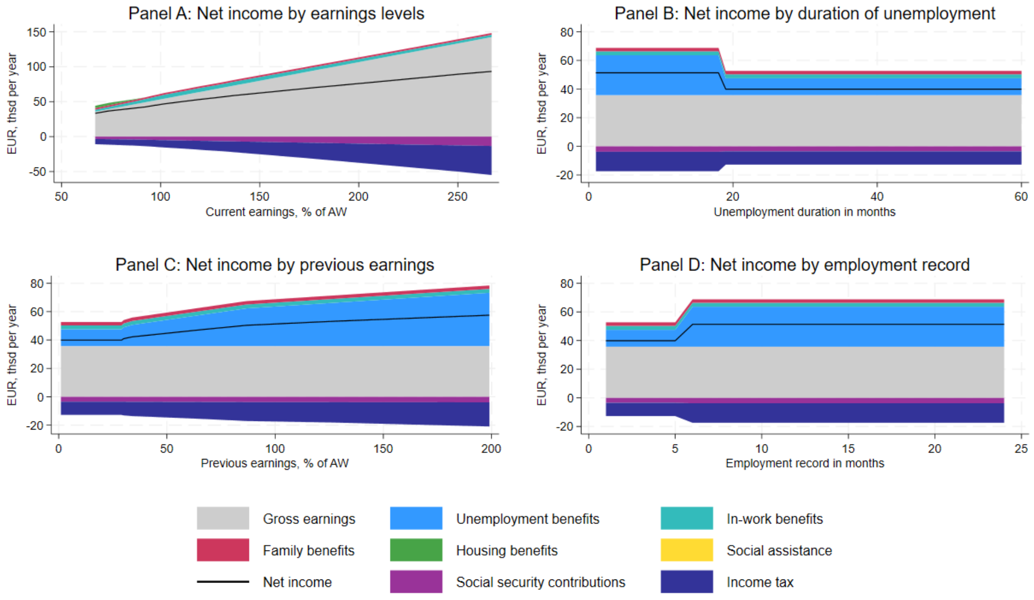
One-earner couple with two children



Note: In Panel A, the first adult is employed full-time and full-year. The second adult is out of work and not eligible for unemployment benefits, e.g. because they have expired (the same is assumed for the first adult when earnings are zero). In Panels B to D, the first adult is out of work and claiming unemployment benefits, whereas the second adult is out of work and not eligible to unemployment benefits. Previous earnings of the first adult equal to the Average Wage. In Panels B and C, the first adult is assumed to have an employment record of 264 consecutive months before the job loss. Panels C and D refer to the 2nd month of unemployment benefit receipt.
Source: OECD tax-benefit model, 2024.

Figure 14. Selected output from the OECD tax-benefit model

Two-earner couple with two children



Note: In Panel A, the both adults are employed full-time and full-year. In Panels B to D, the first adult is out of work and claiming unemployment benefits. Previous earnings of the first adult equal to the Average Wage. In Panels B and C, the first adult is assumed to have an employment record of 264 consecutive months before the job loss. Panels C and D refer to the 2nd month of unemployment benefit receipt. In all panels, the second adult is employed and receives 67% of the average wage.
Source: OECD tax-benefit model, 2024.

Annex: Measures to assist households in the cost-of-living crisis

Additional temporary measures for high energy costs:

- Reimbursement for electricity costs.

More info: https://energiavirasto.fi/en/reimbursement-for-electricity-costs-and-other-forms-of-central-government-assistance.

- VAT rate on electricity is reduced.

Another temporary change in VAT rules concerns the sale of electric power. VAT rates are lowered from 24% to 10%. The reduced VAT rate only concerns electricity itself, not the transmission of electricity, i.e., the related power grid service. Selling of electricity from 1 December 2022 to 30 April 2023 are subject to the reduced rate. Further information: "VAT rate on electricity is reduced" — Sähkön arvonlisäveroa alennetaan väliaikaisesti (in Finnish and Swedish).