

Helsingin Sanomat about Employee Savings Funds in Finland

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Personnel funds are swelling rapidly, the funds can contain almost 200,000 euros per member

Working life | Two changes in the law coincide with the time of the increase in the number of personnel funds.

The co-operation agent working in connection with the Ministry of Labor and Economic Affairs supervises the legality of the funds.

The personnel fund system was established 35 years ago. Joint action attorney Joel Salminen estimates that personnel funds were 'rediscovered' six to seven years ago, when previously they were mainly a 'hobby'.

'Personnel funds are seen as a sensible way to increase long-term savings, engage personnel and improve productivity,' Salminen estimates.

The company's personnel can invest their performance bonuses in the fund tax-free. Taxes on savings are paid when funds are withdrawn from the fund. In the meantime, the tax share generates. The system does not allow you to evade taxes or convert earned income into capital income, but rather allows you to postpone the payment of taxes.

According to the register of the office of the co-operation agent, the largest personnel fund in terms of capital is OP Financial Group's personnel fund with a capital of approximately 118 million euros, and in terms of membership, Posti Group's personnel fund has more than 25,000 members.

On average, the most capital, almost 193,000 euros per member, is held by the personnel fund called SC Fund. Today, the funds have special names, such as To The Moon Fund and Säästölokero, which do not refer to the employer.

Two changes in the law coincide with the increase in the number of personnel funds in recent years. The Personnel Fund Act was amended last year in such a way that it became possible for employees of smaller companies to establish a personnel fund. Marin's government wanted to strengthen the domestic ownership of companies with the amendment to the law.

Nowadays, a fund can be established if there are at least five employees and the company's turnover is at least 100,000 euros. However, according to the co-operation agent Salminen, such small companies have so far not been enthusiastic about setting up a personnel fund because of its administrative burden. Previously, the limits were ten people and a turnover of 200,000 euros.

For the wage earner, the most visible change in the law change was that the employee can transfer the personnel fund membership when changing jobs, if the new employer has a personnel fund.

Before this, you had to sell the fund savings and pay taxes on the savings if you changed jobs.

In 2021, the legislation on labor investment dividends changed. The law was changed in such a way that social insurance contributions must be paid for labor investment dividends. The change means an additional cost of 25–30 percent compared to the previous one.

Leading tax expert Tero Määttä from the Finnish Tax Administration estimates that one of the incentives for the increase in the number of personnel funds has been the change in the legislation on labor investment dividends.

'Funds that comply with the Personnel Fund Act have had no problems with taxation. However, it is clear that there are entities that try to utilize the personnel fund structure in tax planning,' Määttä says.

The tax inspector has no observations that the system has been misused in funds in accordance with the Personnel Fund Act. Even the co-operation agent has not come across any abuse of the system.