



Taxation of Social Media Content Creators and Influencers

Kuznetcova Daria

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Abstract

Author Daria Kuznetcova
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<p>This bachelor's thesis examines the taxation of social media content creators and influencers due to the economic impact of the rise of the social media industry, including monetization opportunities. The main objective of the thesis process was to create a guidebook targeted at young adults.</p> <p>The thesis consists of two elements: the theory section and the guidebook. The theory section describes the concept of social media, focusing on major platforms and their various income sources and monetization policies, which can positively and negatively impact earnings. It provides a comprehensive overview of the business models used by social media influencers and content creators in Finland, examining their effects on taxation. Key topics include income taxation for various business models, the role of tax deductions in reducing expenses, and the importance of timely tax payments.</p> <p>The theory section demonstrated that social media influencers and content creators are taxed similarly to other entrepreneurs or industries. The various methods and models operating within social media give rise to special taxation cases. The complexity of taxation, in some cases, requires consultation with specialists.</p> <p>The guidebook was created based on the theoretical part. It provides simplified concepts with a user-friendly design that makes understanding the taxation of social media content creators and influencers easier. It can serve as a guide for navigating the complexities of taxation in the realm of social media and can be utilized by people who have an interest in receiving income from conducting activities on social media.</p>
Key words Social media content creator, social media influencer, income taxation, tax deduction, VAT

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1. Introduction

This is a product-type of bachelor's thesis for the Degree Programme in International business in the major specialization of Financial Management in the Haaga-Helia University of Applied Sciences.

In this chapter the purpose of this thesis is introduced, along with background of the topic. By the end of this chapter, the reader should gain an understanding of the scope, benefits, demarcation, and the key concepts required.

1.1. Background

The modern world is experiencing a transformative revolution in the way we consume content and communicate. Social media platforms became the epicenter of modern communication, connecting different people from different places. This new digital ecosystem exceeds traditional career paths by creating social media content creators.

From viral videos to sponsored posts, these content creators attract peoples' attention. They make people laugh or share useful and unique content while generating income. They utilize their hobbies and talents in their online careers. They even create their personal brands and collaborate with audiences worldwide.

As these content creators earn profit from different sources, the question of taxes arises in society. Taxation is a complex and multifaced subject, as it involves different types of income, deductions, and other potential obligations. It gets even more complex to the social media content creators as taxation can vary based on their location, business structure, and the source of income.

Governments around the world deal with challenges of income and income taxation generated on the internet. Moreover, as content creators can receive the income from sponsorships, advertising, sales, the attention of tax authorities is directed towards them.

Thus, the topic is timely and crucial in the world of business. It is deeply intertwined with the rapid digitization, the growing popularity and influence of social media and content creators. Due to the reasons mentioned before, the understanding of taxation of social media content creators is not only important for the present, but also vital for the future prediction of taxation policies.

The importance of this topic includes different types of income (ad revenue, sponsorships, merchandise sales, fan funding, or paid subscriptions.), deductions, potential obligations, rapid growth of the influencers and social media, location of content creators, business structure.

1.2. Objectives

The main objective of the thesis is to investigate the field of taxation of social media content creators and influencers by investigating social media and its concepts and create a guidebook that delves into the taxation of social media content creators, offering insights and guidance on the taxation process in Finland. The guidebook must prioritize user-friendliness while emerging as a coherent and complete resource.

The research approach requires a thorough investigation of numerous trustworthy sources in order to ensure the inclusion of crucial information and to provide innovative recommendations and insights in the guidebook. The digital guidebook's target audience consists of people who are interested in earning income via social media. The author believes there is no need to specify a specific target group as this topic is relevant to individuals regardless of age, creating inclusivity. The handbook is organized according to theories and concepts applicable to the taxation procedures of different company forms. Definitions of social media concepts pertinent to the topic include the various forms of social media income and monetization methods.

This thesis does not specifically address any research questions because it is product-oriented, and the thesis topic defines the focus by itself.

1.3. Benefits

The selected topic is relevant not only to the author's major in financial management but also aligns with the dynamic of the thesis-writing process.

In the modern world of rapid digitalization, social media content creation gets immense popularity, attracting people from various fields to this niche. Consequently, the understanding of the taxation system in this context has become paramount.

The author believes that this work contributes valuable insights into this subject matter. Personally, the author hopes to obtain a deeper understanding of taxation in order to get valuable asset in future finance careers, including client advisory, tax optimization, and risk management.

1.4. Key Concepts

Social media – websites and computer programs that allow people to communicate and share information on the internet using a computer or mobile phone (Cambridge Dictionary 2024).

Content creator – refer to influencers other than those who engage in influencer marketing as their primary business model. However, it is important to stress that so-called influencers are only

a subset of content creators, which is a general term that may be utilized to identify any individual user creating content either for professional or for personal purposes. (Belli et al. 2021, 69.)

Influencer – is a content creator with a commercial intent, who builds trust and authenticity based relationships with their audience (mainly on social media platforms) and engages online with commercial actors through different business models for monetization purposes (Michaelsen et al. 2022, 9).

Individual income tax – is levied on an individual's or household's income to fund general government operations. These taxes are typically progressive, meaning that the rate at which an individual's income is taxed increases as the individual earns more income. (Tax Foundation 2024b).

Earned income - is the sum of earned and entrepreneurial income received by households and income recipients during the year (Statistic Finland 2019).

Tax deduction - is a provision that reduces taxable income (Tax Foundation 2024a).

Taxable income - is the amount of income subject to tax, after deductions and exemptions (Tax Foundation 2024c).

1.5. Demarcation

This thesis explores the taxation of income of social media content creators and influencers. Notably, it excludes accounting principles and cryptocurrencies. Additionally, the complex nature of tax deductions associated with travel bloggers necessitates their exclusion from the scope.

The primary focus areas include monetization strategies employed on social media platforms that can be utilized by social media content creators and influencers, commonly used business models in this field, and the corresponding taxation implications based on the chosen business model. In addition, eligible tax deductions applicable to social media content creation are examined.

Taxation on income received from other countries is not addressed in detail in this thesis. Similarly, discussions regarding pension schemes are limited to basic information. Unemployment securities receive only cursory coverage. Depreciation considerations for LLCs are reviewed at a fundamental level, focusing on deductions.

2. Taxation of social media content creators and influencers

Chapter two presents social media as an industry and the position of social media influencers and content creators within this field. The focus of the chapter is to consider the taxation of social media content creators and influencers.

However, it is important to commence by defining fundamental concepts such as social media, various types of income sources from the social media platforms, and monetization policies. This understanding is crucial for a comprehensive understanding of the taxation framework applicable to social media content creators and influencers.

Subsequently, the focus can be shifted towards to the tax ramifications of content creators' and influencers' activities, including aspects such taxable income, tax deductions, and the factors to consider while selecting a suitable business form.

2.1. Social media

According to the Cambridge Dictionary (2024), social media refers to websites and computer programs that facilitate communication and information sharing on the internet, accessible through computers or mobile phones.

In 1997, American Andrew Weinreich created a platform that would now be considered a social media platform. He named his service Six Degrees, and it began operating in May of the same year. Users could create profiles, connect with other users, send messages to their friends, and post updates. (Maryville University 28 May 2020.)

The global population using social media has increased to an astonishing 4.9 billion individuals. This number represents around 59.9% of the global population and 92.7% of all internet users. Furthermore, by 2027, this figure is predicted to increase to almost 5.85 billion users. (Wong & Bortorff 2023; Nyst 2023.)

Between April 2022 and April 2023, the number of new social media users grew by 150 million, representing a year-over-year increase of 3.2% (Nyst 2023). It provides with the understanding that social media is getting stronger.

Figure 1 demonstrates that Facebook, YouTube, Instagram, TikTok, and Snapchat were ranked among the most popular social networks worldwide as of January 2024, based on the number of monthly active users in millions (We Are Social et. al 2024a).

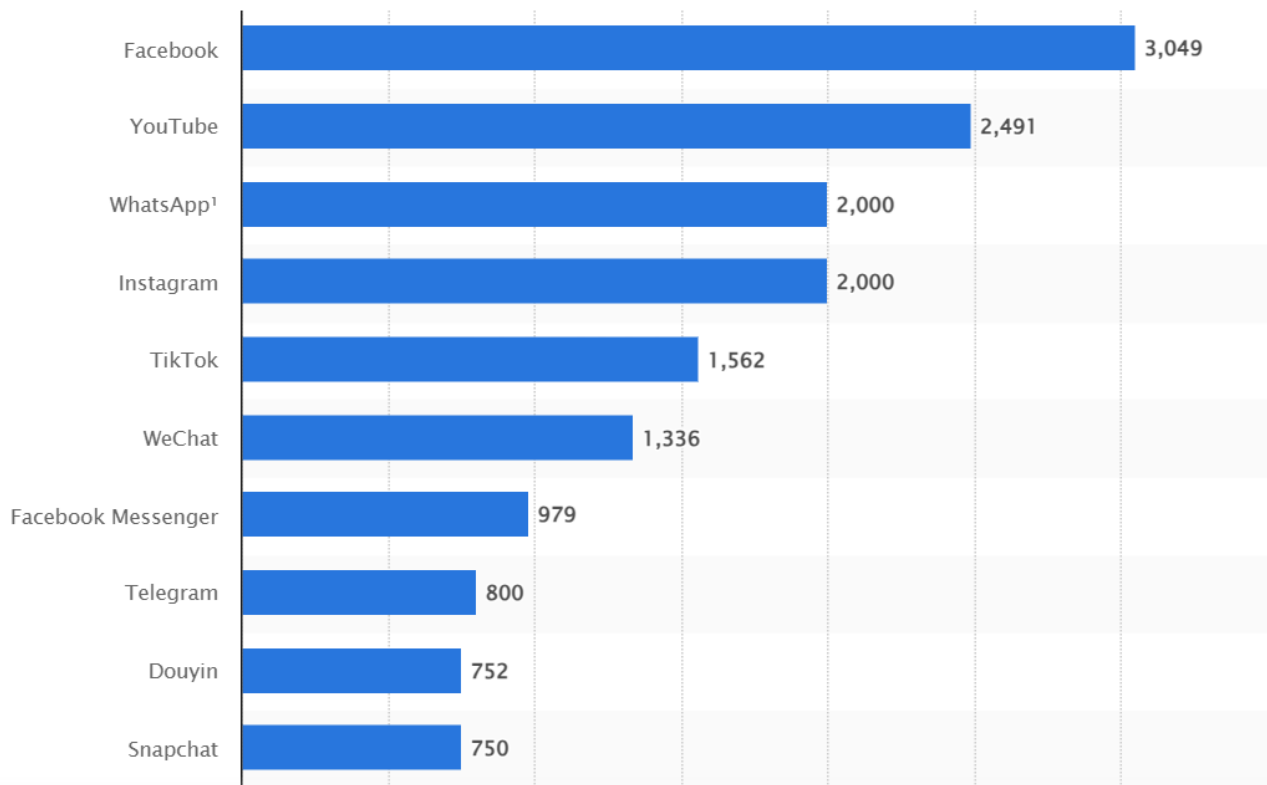


Figure 1. Most popular social networks worldwide as of January 2024, ranked by number of monthly active users in millions (We Are Social et. al 2024a)

The nature of YouTube, Instagram, TikTok, and Snapchat supports various content formats such as vlogs, tutorials, short reels, and interactive stories, which are less prevalent on Facebook and other social media platforms. Thus, the analysis can be more focused and detailed by narrowing the scope to the mentioned platforms. Moreover, due to their large number of active users, these platforms serve as pivotal subjects for examining the complexity of the digital realm through the policies, income possibilities, and regulatory obstacles they present.

2.1.1. Instagram

Instagram was launched in 2010 by Stanford graduate Kevin Systrom and purchased by Facebook in 2012. Instagram is a free application for sharing videos and photos. Users can publish their content to this platform and share it with their followers. They have the ability to see, like posts, and comment on posts created by others within the Instagram community. Anyone 13 years old and older is eligible to register. (Maryville University 28 May 2020; Meta s.a. a.)

Figure 2 discloses that the main age of users is between 18 and 34 years old, which covers the bigger part of audiences worldwide. The age range of 35 to 44 years old accounted for 16% of all users. (We Are Social et. al 2024b.)

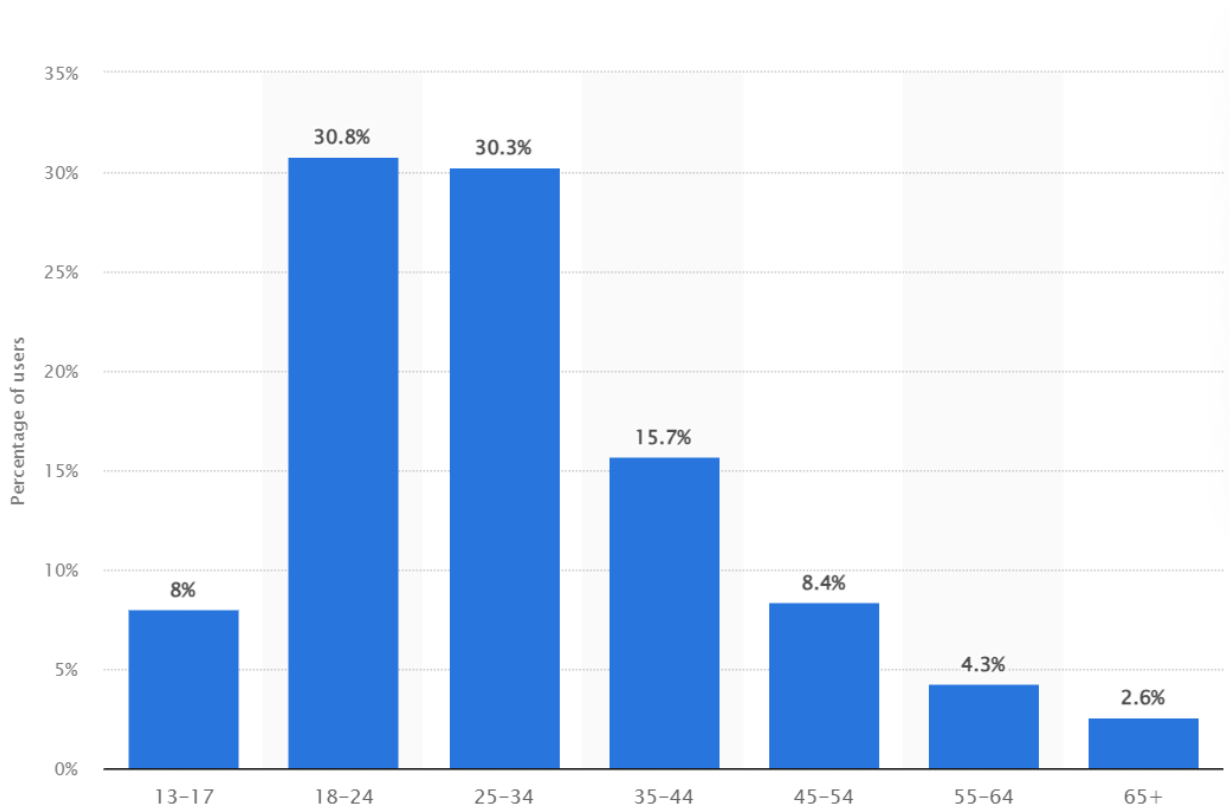


Figure 2. Distribution of Instagram users worldwide as of January 2024, by age group (We Are Social et. al 2024b)

The number of monthly active users on Instagram reached 1,47 billion, adding 13 million in the last quarter of 2023 (Olcott 2024).

2.1.2. Snapchat

Snapchat was invented in 2011 by Evan Spiegel, Bobby Murphy, and Reggie Brown. It is a smartphone application that is mostly used for multimedia messaging within users' social networks. It provides Live Stories, which make it possible to explore world events. Additionally, its "story" feature allows for the quick publishing of photos that vanish automatically after 24 hours. This function is often used by users to share pleasant times, which promotes a feeling of personalized connection. One-on-one chatting with close friends or family is another feature of Snapchat that makes it a more intimate option than standard text messaging.

The main age of users is between 18 and 35 years old (Dhiman 2022). Figure 3 demonstrates that Snapchat had 414 million daily active users globally as of the fourth quarter of 2023 (Snap Inc 2024c).

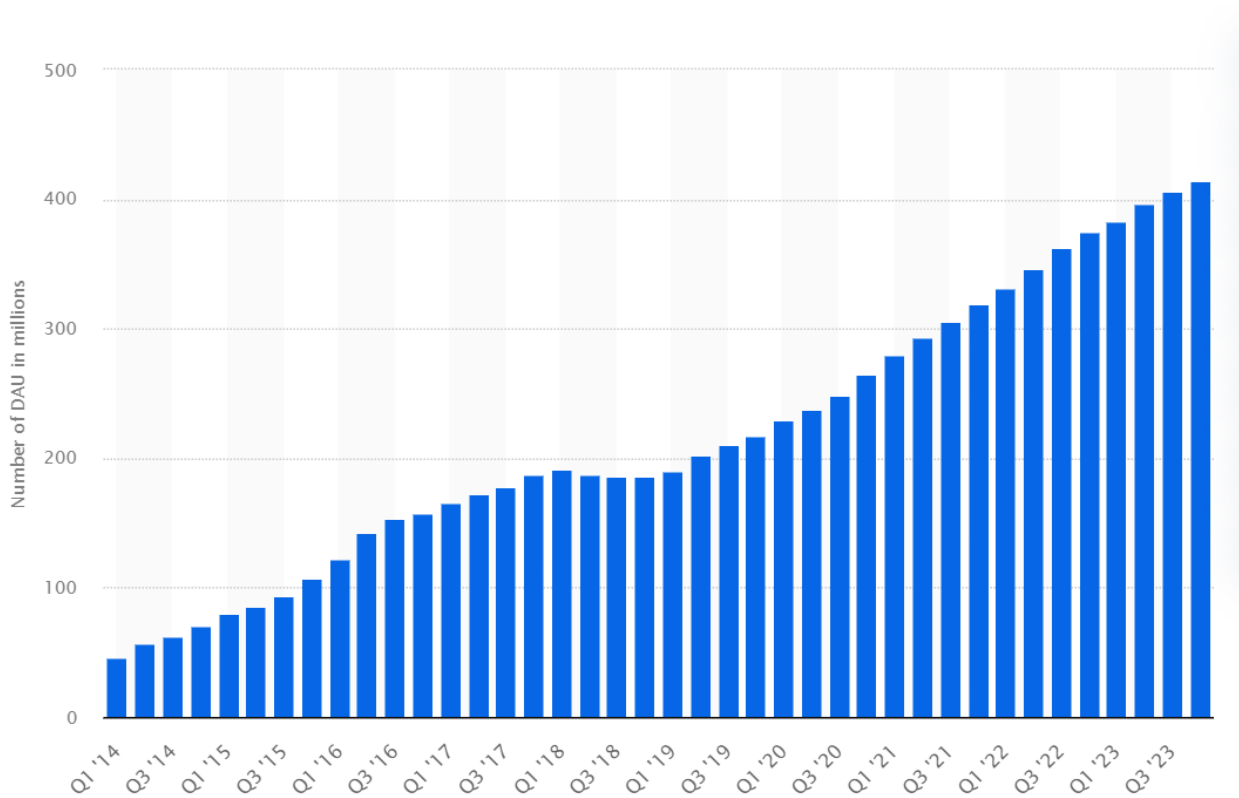


Figure 3. Number of daily active Snapchat users from 2nd quarter 2014 to 4th quarter 2023 (Snap Inc 2024c)

2.1.3. YouTube

YouTube is a social media platform and website dedicated to video sharing. Three former PayPal workers, Steve Chen, Chad Hurley, and Jawed Karim, formed it in 2005. The idea was to provide a platform where people could upload their own videos. In 2023, YouTube had 2.5 billion monthly active users across the world. (Hosch 2024; Wong & Bottorff 2023.)

Figure 4 shows interesting result revealing that in January 2024, male users between the ages of 25 and 34 made up 12,2 percent of the global YouTube audience, while female users in the same age range made up about nine percent. Nine percent of all users on the platform were male between the ages of 35 and 44, whereas women in the same age range who used YouTube had an audience share of 7.9 percent during the period. (We Are Social et. al 2024c.)

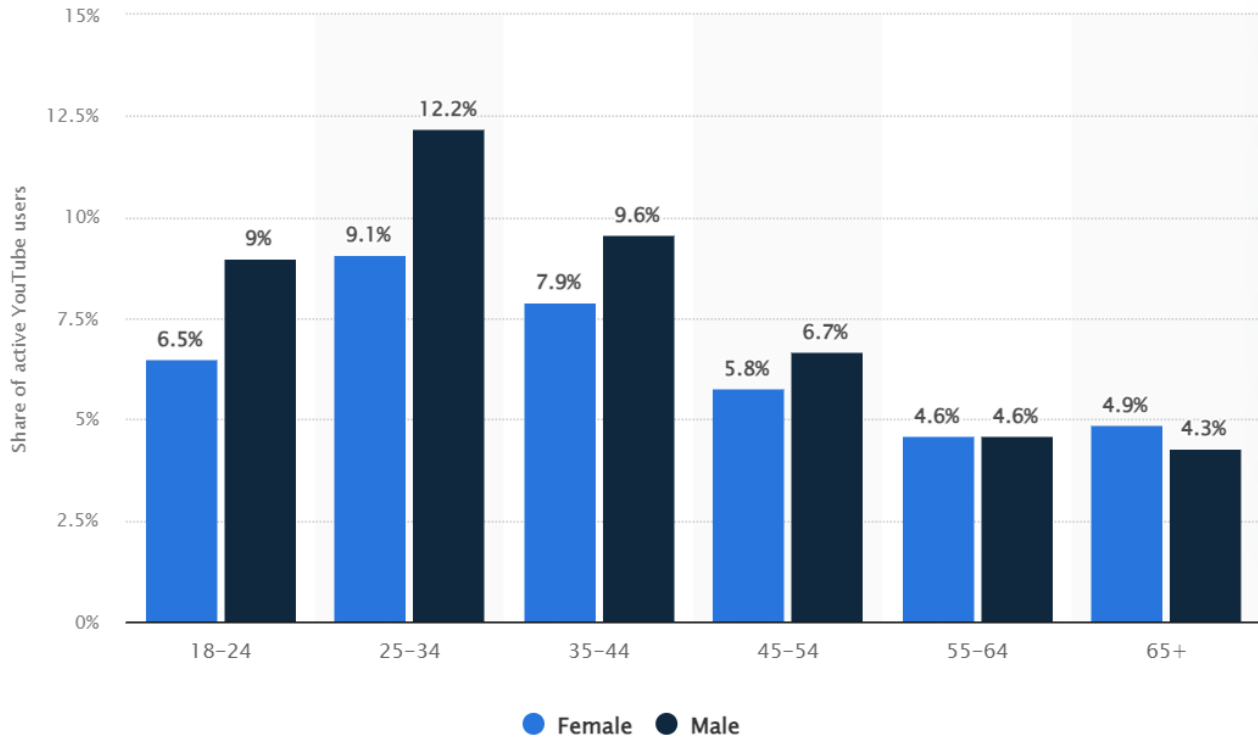


Figure 4. Distribution of YouTube users worldwide as of January 2024, by age group and gender (We Are Social et. al 2024c)

2.1.4. Tiktok

Founded in 2016 as Douyin, TikTok is owned by ByteDance, a Chinese technology company. It was released for worldwide markets in September 2017 in response to founder Zhang Yiming's long-standing desire to take Douyin global. After combining with Musical.ly, another Chinese social app, it really took off globally in 2018. The secret to TikTok's success is its use of music and incredibly strong algorithm, which discovers user preferences for material more quickly than other apps. A vast library of music, filters, and movie clips is available for users to lipsynch to. Particularly during COVID-19 lockdowns, the music and video combination became wildly popular and trended worldwide. (Tidy & Galler 2020.)

In 2023, TikTok's active user base reached 1.12 billion, showing a decline of 12 million users in the fourth quarter (Olcott 2024). In the same year, the most popular mobile video apps worldwide by downloads were TikTok with 1 billion, Netflix with 182.8 million, and YouTube with 182.1 million (AppMagic 2024).

2.1.5. Social media in Finland

Social media started gaining popularity back in the 2000s, and now it's hard to imagine life without them. Finns use social media actively. Figure 5 demonstrates how much social media is utilized in different age groups. Overall, the use of social media daily or almost daily increased from 59 percent to 62 percent. (Valtari 2024.)

The growth in daily usage is greatest among the aged 25–34 and 65–74, with usage increasing by five percent. The most significant increase was among young adults, 25–34-year-olds. In 2023, 85 percent of the mentioned age group used social media daily or almost daily. (Valtari 2024.)

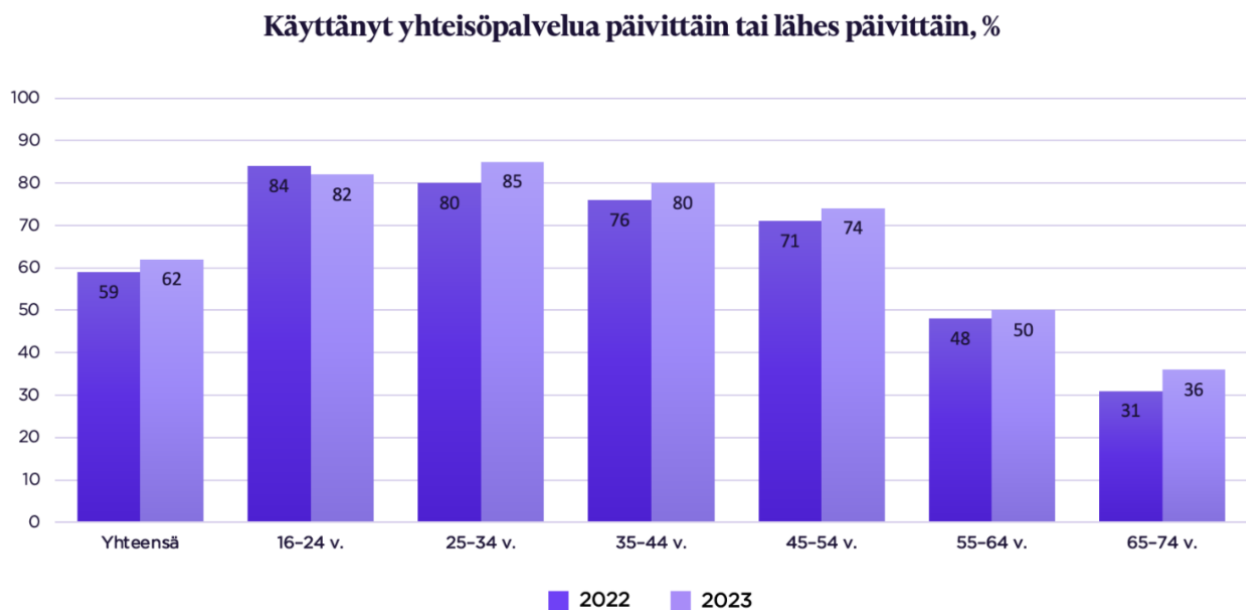


Figure 5. Used social media daily or almost daily (Valtari 2024)

The research made by Ebrand, Oulu based company specializing in software and social media, provided a good insight into what Finns consider as social media. 2653 participants from various parts of Finland took part in the survey. The survey's audience includes Finnish-speaking young people and adults between the ages of 13 and 29. The survey was distributed using a wide range of platforms, such as Facebook and Instagram advertising, interactions with youth workers, Wilma and other school intranets, direct emails to respondents who had previously granted permission for marketing. (Ebrand s.a.)

The research demonstrates that web services in Finland earn the status of social media platform by offering communication, the ability to create content, and interaction features. 77% of respondents believe that communication and discussion opportunities are pivotal in establishing this status.

Meanwhile, 76% of respondents think that the ability to read, watch, or listen to diverse content produced by others is significant. Additionally, 69% of respondents indicated the importance of being able to create one's own content. (Ebrand s.a.)

In 2022, nearly 30000 Finns earned income from the online content they produced across various media channels. Influencer marketing has grown to be an important area of mass communication and a desirable career path for young people, even though not all of them may be full-time social media influencers. (Saarenmaa 2023.)

The fact that such a huge amount of people got paid for their social media activities is evidence of an active and expanding sector. Furthermore, young individuals' great interest in using digital platforms for not only communication but also for utilizing or creating social media content.

2.2. Social media content creator and influencer

People have always been influenced by others, whether a salesperson or friend recommends a product, or a celebrity advertises a new trendy product. Nowadays no one can disagree that influence comes from social media influencers and content creators. However, these people are not only celebrities, but also regular individuals with a big number of followers.

Although the terms "influencers" and "content creators" are frequently used synonymously, there are some important differences between them. A wider range of people who produce media content, whether for personal or professional reasons, are considered content creators. They might concentrate on anything from education to lifestyle and entertainment. Conversely, influencers usually use their social media to influence the opinions or behavior of their followers, usually for financial gain. Influencers are able to generate money through a variety of methods, including marketing, sponsored posts, and selling products. Influencers may also utilize their power to promote political or social agendas in addition to business purposes. While all influencers are content creators, not all content creators necessarily operate with the explicit goal of influencing others. (Belli et al. 2021, 69-71.)

The influencers can be divided into four groups. These groups are primarily distinguished by the number of followers each has: mega-influencers are those who have one million followers or more, macro-influencers are those who have 100000 to one million followers, micro-influencers are those who have 10000 to 100000 followers, and nano-influencers are those who have fewer than 10000 followers. (Vaidya & Karnawat 2023, 81.)

It's important to understand that there is a difference between the global market and the Finnish market. Consequently, the figures in Finland are slightly lower. Mega-influencers are highly

recognized social media stars or well-known public figures with followings that range from hundreds of thousands to millions. Macro-influencers, with at least 10000 followers, are full-time influencers. Micro-influencers, garnering 1000 to 10000 followers, have highly engaged audiences within niche communities. Lastly, nano-influencers, with a few thousand followers primarily the influencer's personal acquaintances or those interested in specialized topics. (Saarenmaa 2023.)

2.2.1. Income sources

The aim of this subchapter is to disclose types of income that the content creator and influencer might receive from social media platforms.

Social media was used by 5.04 billion people worldwide in January 2024, or 62.3 percent of the total population (Statista 2024). The large number of users on these platforms has made them ideal places to monetize user attention. Monetization is the process of generating income through various company methods, such as influencer marketing, and new trends, such as livestream shopping. (Michaelsen et al. 2022, 15.)

The business models behind the monetization of content are constantly changing. However, Figure 6 illustrates that they may be generally categorized into five categories: influencer marketing, ad revenue, subscription/tokenization/crowdfunding, direct selling, and creator funds (Goanta & Bertaglia 2023, 246).

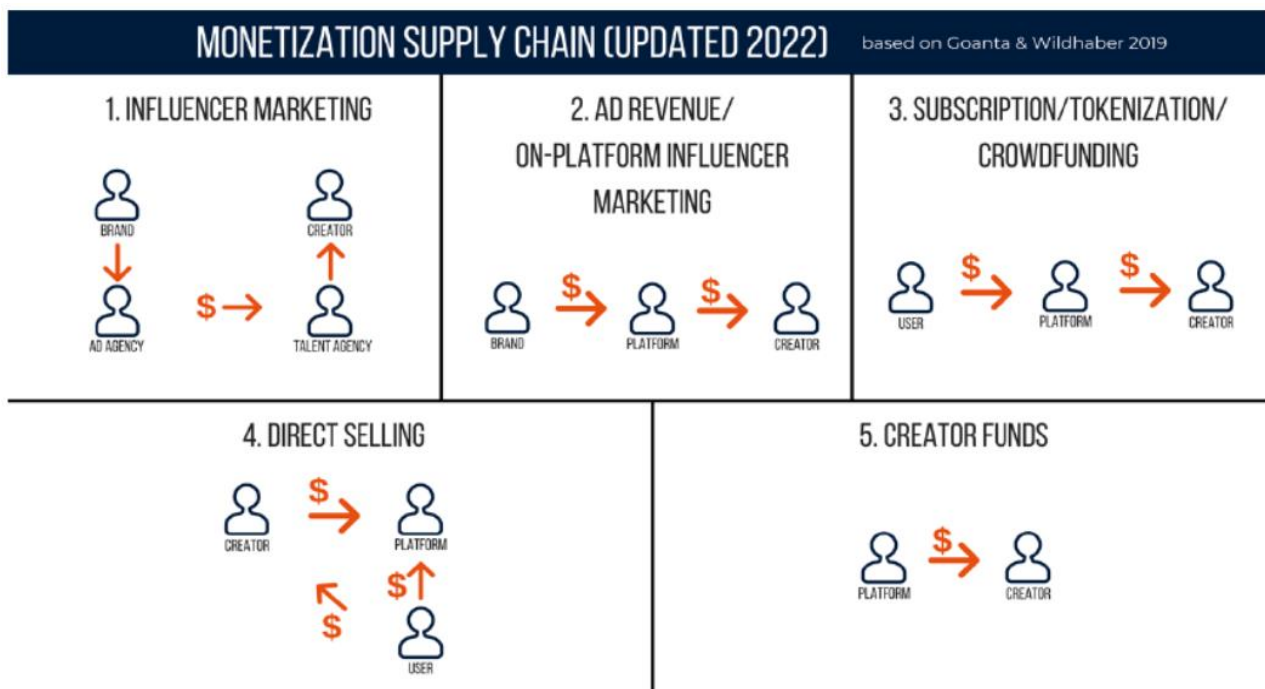


Figure 6. Monetization supply chain (Goanta & Bertaglia 2023, 246)

The primary and most well-known business strategy used by brands to generate income is influencer marketing, which involves agreements made outside of social media platforms between influencers and brands. It involves getting payment for advertising services, either directly or indirectly. For example, sponsorships, affiliate marketing, and barter are noteworthy contractual activities. (Michaelsen et al. 2022, 39.)

Platforms allow advertisers from other parties to place their ads in an algorithm-managed ad library. For instance, YouTube users can select a certain “ad unit”, such as an overlay, display, video commercial, or sponsored card, if they wish to earn money from their material. (Michaelsen et al. 2022, 39.)

Influencers may also get paid by platforms via tokenization, subscription or crowdfunding. Followers have the option to pay a monthly subscription fee to a particular content creator. With platform tokens, followers can buy tokens, so called alternative "virtual currencies", and use those tokens to communicate with their favorite artists. For example, Super Chat on YouTube. (Michaelsen et al. 2022, 40.)

Direct selling involves creating and promoting influencers' own products or branded merchandise. They may sell these products through their online stores or feature them on social media platforms using shipping methods. Remarkably, some mega-influencers establish physical storefronts or collaborate with merchants to reach a wider audience than only digital platforms. (Michaelsen et al. 2022, 41.)

Creator funds, such as the TikTok Creator Fund, are an example of a new kind of monetization where platforms give money directly to creators. This approach does not involve brand middlemen. (Goanta & Bertagia 2023, 247).

In Finland influencers' most typical source of income is through commercial partnerships. Influencers that take part in commercial partnerships are paid for using their own social media platforms to advertise a company's products or services. A commercial partnership may be compensated entirely with money, with product gifts in addition to money, or with only products or benefits. Each partnership is negotiated individually between the influencer and their client. (Norja 2022.)

The monetization of social media content creators and influencers is directly influenced by their level of activity on social media platforms and the size of their subscriber base. In other words, a direct correlation exists between the number of followers and the magnitude of contracts they can receive.

2.2.2. Income sources from platforms

The aim of this subchapter is to provide some examples of options that social media platforms provide to their content creators and influencers in order to receive some income from their activities on their platforms.

Social media content creators and influencers are the core of social media platforms as they provide an endless source of interest-based information. Moreover, they bring people to these platforms and set the stage for collaborations with other businesses. These advantages create competition between platforms. Despite the competition among major platforms for the attention of influencer and content creator attention, for marketing purposes, Instagram, TikTok, and YouTube became particularly popular (Chan 2023.)

To keep content creators satisfied, motivated, and generating content, the platforms created a variety of monetization techniques and tools that are supportive and feasible of providing both a short-term and long-term profitable ways for creators.

Social media platforms offer various monetization opportunities for their influencers and content creators. Instagram, for example, presents options such as Badges, Subscriptions, Branded content, Profile ads, Ads on Instagram Reels, bonuses and gifts, as outlined in the Instagram Help Center (Meta s.a. c.)

Similarly, TikTok presents a range of revenue-generating features including promoting brands, products and services, participation in the TikTok Creativity Program, Live streaming, access to the TikTok Creator Marketplace, Affiliate Marketing, TikTok Shopping, placing TikTok Ads, collecting tips and donations, engaging with TikTok Pulse, creating TikTok Series, and receiving Video Gifts (Martin 10 January 2024).

On the other hand, YouTube offers its users various ways to earn money beyond traditional ads or merchandise sales to memberships. These options include Ad revenue and YouTube Premium, Super Chat and Super Stickers, YouTube Shopping, channel Memberships, YouTube BrandConnect, and Super Thanks (YouTube s.a. a).

Snapchat also provides monetization possibilities for content creators and influencers, such as Spotlight challenges, crystals, stories, participation in the Creator Marketplace, Brand partnerships, tokens, and gifts, as highlighted in the Snapchat Creators (Snap Inc 2024b).

2.2.3. Monetization policies

There are certain categories of content that are prohibited or restricted on social media platforms therefore cannot be monetized.

For instance, on Instagram to earn money from their material, publishers and creators must abide by the Content Monetization and Partner Monetization Policies. There are prohibited formats, categories, and behaviors. Moreover, there are restricted categories. For example, unoriginal content and misinformation are considered prohibited categories, while strong language and tragedy or conflict as restricted categories. (Meta s.a. c.)

If users, including content creators and influencers, fail to follow to the guidelines, they face the potential consequences of content removal, account disablement, or imposition of other limitations (Meta s.a. b).

Moreover, as in Instagram, TikTok also listed prohibited products and services, restricted products or services, and market-specific prohibitions and restrictions. For example, animals, animal parts, or products, casinos and gambling games are included in prohibited products and services. It is significant to mention that the list of territories and the guidelines are periodically updated in compliance with local laws and standards. (TikTok 2024.)

Keeping misleading or inaccurate information that can cause harm of the site and making sure the community is friendly are Tiktok's top priorities. For this reason, there were implemented several regulations that aid in preventing the misuse of specific features and categorize essential political TikTok accounts as Government, Politician, and Political Party Accounts (GPPPA). (TikTok s.a. a.)

This implies that members of GPPPAs are prohibited from taking use of any TikTok creator monetization tools or incentive programs. These sections cover a wide range of topics, including the Creator Marketplace and e-commerce. Violation of the rules established by TikTok leads to the blocking or removal of content. Additionally, a user's account can also be blocked in the event of systematic or serious rule violations. (TikTok s.a. a & TikTok s.a. b.)

In the section of YouTube Help says that the users that wish to monetize their content, have to follow YouTube monetization policies, including YouTube's Community Guidelines, Terms of Service, Copyright, Rights Clearance Adjustment policies, and program policies. In addition, all content that is monetized by advertisements must comply with to YouTube's guidelines for advertiser-friendly content. (YouTube s.a. b.)

There are different ways of enforcing monetization policies set by YouTube. Failure to comply results in various actions taken. These actions include withholding, adjusting, charging back, or offsetting earnings or payments, as well as limiting ad revenue from videos. Furthermore, YouTube can suspend participation in the YouTube Partner Program or even terminate the channel.

(YouTube s.a. b.)

Similar to the aforementioned platforms, Snapchat has Community Guidelines and Terms of Services that outline how users should behave on the platform and what constitutes prohibited content. For instance, harassment, bullying, illegal activities, hateful and sexual content are strictly prohibited. (Snap Inc 2024a.)

Moreover, Snapchat reserves the right to suspend or terminate the distribution of users' Snaps in Spotlight, the Spotlight Service, the Spotlight revenue program, or users' access to any of the abovementioned. If a user disobeys these Spotlight Terms, they may also lose their eligibility to receive any unpaid amounts that accrued but have not yet been transferred to their Payment Account. (Snap Inc 2024d.)

As one could notice, social media platforms have remarkably consistent regulations regarding content requirements and rule compliance. If these conditions are not met, platforms have the authority to implement their strict policies. Regulation noncompliance and violation of the rules may result in negative consequences for content creators and influencers, which may include the loss of monetization rights.

2.3. Taxation

In modern society, the notion of living without taxes seems impossible. The foundation for funding necessities for a country's operation is its tax system. The infrastructure supporting the growth and well-being of society is largely dependent on taxation, ranging from defense and healthcare to education and transportation. In addition, they aid other fields like business, sports, and culture, preserving national identity and promoting economic development.

Present Finnish Ministry of Finance (2024b) defines the purpose of taxation as collection of income to finance the duties of the public sector. In addition, taxes aim to control production and consumption while taking the environment into consideration, balance income and consumption, and lower the consumption of commodities that are harmful to health.

Thus, the Ministry of Finance drafts the tax legislation that governs taxes. All residents of Finland as well as firms and businesses operating there are considered taxpayers (Ministry of Finance Finland 2024b.)

2.3.1. Income taxation

According to the Tax administration (2024a) in Finland, the taxation of income from social media activities is the same as that of other types of income. This income is not subject to any particular tax laws or regulations. However, all income is subject to general tax laws and deductions. Thus, the taxation of income received from social media activities depends on whether the social media content creator or influencer conducts the activity personally or through their own company.

According to Tax administration (2024a), possible income that should be taxed include:

- Financial reward for commercial activities
- Present and product gifts
- Another type of compensation, such as trips, vouchers, or tickets
- Notable discounts if they are not given to other customers
- Income from streaming
- Income from foreign websites

The diverse range of income streams underscores the intricate character of tax responsibilities, underscoring the necessity of comprehensive understanding and compliance with relevant tax rules and regulations.

2.3.2. Business models

From a taxation standpoint, both social media content creators and influencers are legally required to pay taxes on income derived from social media. Consequently, a few factors should be considered when selecting a company form. They include the number of founders, the capital requirements, how decision-making and accountability are divided, financial aspects, bureaucracy, and of course taxation.

In Finland, the most common forms of business are limited liability company (osakeyhtiö Oy), general partnership (avoin yhtiö Ay), limited partnership (kommandiittiyhtiö Ky), and sole proprietorship, also known as a sole trader (toiminimi) (Procountor 2024c).

According to Norja (2022), the influencers usually work as independent entrepreneurs. The business structure varies: some influencers operate as light entrepreneurs, while others are sole proprietors or formed limited companies. In addition, some people decided to operate as private individuals.

In order to properly manage their funds and guarantee compliance with Finnish tax regulations, influencers need to be aware of differences of mentioned business forms. Influencers are better

equipped to manage the nuances of taxation and improve their tax strategy by choosing the best company form. Social media content creators and influencers can maximize their tax tactics and handle the complexity of taxation in the digital sphere by choosing the most suitable business structure.

As mentioned in the chapter on "monetization," there are numerous possibilities for generating income from social media. Consequently, it raises questions regarding what precisely is subject to taxation and what expenses can be considered tax-deductible. Moreover, the complexity of various business models contributes to differences in legislation and taxation. Therefore, it is crucial to be aware of these rules and regulations. Fortunately, the Finnish Tax Administration provides guidelines on the taxation of income received from social media platforms. Thus, they are examined in the following subchapters.

2.3.3. Operating as a private Individual

If the individual's content is hobby-based and the income earned from the work is occasional, the work can be conducted as an individual. To declare taxable income in this scenario, one needs to file their own tax declaration online using the OmaVero service. (Norja 2022.)

According to Ministry of Finance Finland (2024a), all taxes paid by natural individuals and the estates of the deceased are included in personal taxation. Since 1993, income taxation in Finland is divided into two types using a schedular system: capital income (pääomatulo) and earned income (ansiotulo). Thus, taxation occurs differently for these two types of income. The Income Tax Act (TVL) first defines capital income, which includes all types of returns on capital, such as interest and rent. All other income is classified as earned income. For example, salary, pensions, and taxable social benefits. (Niskakangas et al. 2020, p 31.)

Capital income is subject to progressive taxation. The rate of capital income tax is 30% for up to 30000 euros, and the rate is 34% for the part of taxable capital income that exceeds 30000 euros. (Tax administration 2024b.)

Earned income is also subject to progressive taxation. In other words, a taxpayer pays a larger share of tax on a larger salary than on a smaller salary (Niskakangas et al. 2020, p 31). The tax rate determines the amount of tax an individual needs to pay on their income and is computed individually for each taxpayer. In 2024, The Income Tax Act 1535/1992 determines the income tax that the individual payer has to pay on earned income using a progressive income tax scale (Tax administration 2024a.)

Any income social media content creator or influencer receives from social media operating as individual, whether in the form of cash or advantages with a monetary value, is liable to income tax. Thus, income from social media platforms is taxed in accordance with normal tax rules without exceptions. Moreover, it is possible to claim tax-deductions for some of their expenses. The taxpayer must declare all social media earnings as taxable income themselves. (Tax administration 2024d.)

2.3.4. Light entrepreneurship

Light entrepreneurship is one option if a person wants to operate as an entrepreneur, but their business remains small-scale or part-time. The term "light entrepreneur" describes a self-employed person who does entrepreneurial activities without a unique business identification number. In other words, even though they operate like entrepreneurs, their legal status does not classify them as such due to absence of business ID (Holopainen 2024, 240.)

This type of business is commonly used if the business activities are small-scale, individuals work alongside their main job, and they prefer someone else to handle administrative matters on their behalf. Light entrepreneurs usually earn their income as salary, meaning that all their business income is taxed as earned income. Thus, in terms of taxes, income generated by light entrepreneurship is therefore subject to progressive taxation. (Suomi 2024.)

The entire earned income is included in the tax percentage of light entrepreneurs. For instance, in the scenario where a content creator or influencer works as a part-time light entrepreneur, earning 35000 euros per year from their regular job and an additional 5000 euros as a light entrepreneur, they would be taxed on the total amount of 40000 euros. (Kevyrittäjäksi 2024a.)

The light entrepreneur finds a customer and negotiates the price for the work offered by them. Then, the light entrepreneur invoices their work to an invoicing service, which sends the invoice to the customer on behalf of the light entrepreneur. Once the payment for that invoice is received, the invoicing service deducts the costs and transfers salary to the light entrepreneur's account. Subsequently, the paid salary and withheld taxes are reported to the income register by the invoicing service. Pensions and unemployment contributions are not deducted from the salary as light entrepreneurs are treated as entrepreneurs. (Holopainen 2024, 240.)

However, similar to other business owners, light entrepreneurs are required to make contributions to their YEL pensions if their work input exceeds the stated maximum, which is set at least 9010,28 euros annually, and their operations run longer than four months. Whether the business owner has a business ID or not is irrelevant in this situation. (Holopainen 2024, 243.)

If entrepreneurs' yearly turnover is less than 15000 euros, they do not have to pay VAT. However, light entrepreneurs must pay VAT on all their sales. The reason is that the turnover is calculated based on the invoicing service's overall turnover. Due to this, light entrepreneurs do not qualify for minimum payment reduction on their VAT payments. (Suomi 2024.)

There are various invoicing companies that offer their services for different needs. For example, Free.fi, Op Kevytyrittäjä, Eezy, and Ukko.fi (Vertaaparas.fi 2024). However, Finland's most popular and largest light entrepreneur service is Ukko Light Entrepreneurship. According to Ukko.fi (2024) their services are used by more than 140000 light entrepreneurs.

All the invoicing companies, including Ukko.fi, deduct a service fee, which is around 5% depending on a chosen company, and service company's insurance (Holopainen 2024, 241). Despite this fee, light entrepreneurs using invoicing companies do not need to worry about bookkeeping, invoicing, VAT returns, or tax filings themselves. It is crucial to mention that tax return is also the invoicing service's responsibility.

Holopainen (2024, 241) summarizes all the main tax matters applied to light entrepreneurs that include:

- Income tax
- VAT 24% that is usually added to the invoice
- Service fee, around 5%
- Tax deductions
- YEL and other insurances

Meanwhile, social media content creators and influencers that operate as light entrepreneurs are responsible for finding customers and work, pricing of their work, and various insurances, such as self-employed individual's contribution. In addition, if they make changes to their tax card during the year, they need to update the amended tax card themselves so that the new tax rate takes effect. (Free.fi 2023a.)

Light entrepreneurship has both advantages and disadvantages. Advantages include simplicity, suitability for small-scale business operations, lower risks, and less bureaucracy as it is handled by the invoicing services. The main disadvantages for social media content creators and influencers include charges made by the invoicing company that affect earnings, inability to receive a startup grant, and impossibility to fully deduct business expenses. For instance, it is not possible to record a camera as a business expense, so a valuable tax benefit is lost. However, some expenses are possible to deduct in personal taxation. (Suomi 2024.)

If the amount of work gets bigger and promises new career direction, the transition from a status of light entrepreneur to the establishment of a sole proprietorship or a limited liability company is straightforward.

2.3.5. Sole proprietorship

When a social content creator or influencer earns more than 5000 euros a year from their activities on social media, it is recommended to think about becoming a single proprietorship (Työmarkkintori 2024).

Taxation and running the business of sole traders differ from those of light entrepreneurs and employees. The main differences are that sole proprietors are responsible for managing their own finances, filing taxes, and keeping their own books or hiring an accountant to do so. Moreover, sole traders are eligible to have a Business ID, while light entrepreneurs and employees cannot. This brings more benefits and potential possibilities for tax deductions. (Free.fi 2023b.)

Taxation in this type of business is quite straightforward. The income from business activities is calculated by deducting the business expenses first, and the result is the business profit. If the profit is positive, the losses of previous years and the entrepreneur deduction, which is five percent, are further deducted. The remaining business income is divided into earned income and capital income. The income earned from business operations is taxed in the tax year together with any other earned and capital income they may have. (Tax administration 2021b).

Commonly, the sole trader's capital income is an amount equivalent to 20 percent of the yield calculated on the business's net worth. The amount that remains after deducting liabilities from the company's financial assets is known as net worth. However, it can be changed to 10 or 0 percent upon the taxpayer's request. The tax rate for computed capital income is 30 percent. Nevertheless, it changes to 34 percent if capital income exceeds 30000 euros. The remaining portion of the fiscal year's profit is taxed as the earned income according to the progressive scale. (Tax administration 2021b).

The income received from the sole proprietorship's business activities is taxed in the form of prepayments during the fiscal year. These prepayments are based on the taxes from prior years if the business has been in operation for several years. The prepayments for a new business owner are determined by their own estimation of future earnings. (Tax administration 2021b.)

Sole traders must check if they are liable for VAT. In 2021, the lower limit for VAT threshold relief was raised to from 10000 euros to 15000 euros. According to Vero, the company must register for VAT if the company's turnover exceeds 15000 euros in an accounting period. In other words, if

business activities exceed the mentioned amount per year, sole traders are also subject to VAT. Thus, they must be registered for VAT and add VAT to their invoices, remitting them to the tax authorities. (Tax administration 2021a.)

Sole traders cannot pay themselves a salary as the assets of the entrepreneur and the business are essentially shared. Instead, it is possible to make withdrawals from the company's assets. They have to be disclosed in the tax return even though they are not considered as company costs. Withdrawals are tax-free because the company already pays taxes on its income. However, the sole trader should make sure not to exceed the business's earnings with withdrawals. (Tax administration 2021b.)

As with other types of businesses sole proprietorship has both advantages and disadvantages. The advantages include business form's suitability for individuals whose business operations are relatively small-scale and who employ only themselves. Moreover, the requirements related to accounting and administration are lower compared to other business forms, and establishing and terminating a sole proprietorship can be accomplished online quickly. (Kevytyrittäjäksi 2024b.)

On the other hand, the disadvantages include that the financial risks of a sole trader are personal. Additionally, sending invoices to multiple clients can be time-consuming, and there is the responsibility to manage their business's financial obligations, including taxation. (Kevytyrittäjäksi 2024b.)

2.3.6. Limited liability company

Particularly, high-earning social media influencers are more likely to prefer the limited liability corporation (osakeyhtiö) organizational structure since it makes it easier to pay salaries personally and hire staff. If social media content creator's or influencer's yearly earnings from social media activities exceeds 40000 euros, they should give limited liability company formation some serious thought. (Työmarkkinatori 2024.)

In Finland, a limited liability company, also known as an Osakeyhtiö or Oy in Finnish, is a common type of business form that provides its stockholders with limited responsibility and a separate legal status. It can be either public (Oyj) or private (Oy), with varying share trading rules. Registration, requisite documentation. Both the shareholders and the company are subject to taxes. Whereas shareholders pay capital gains tax on dividends and gains from the sale of shares, the company pays corporate income tax on its profits. For every fiscal year, the LLC is required to prepare an annual report and financial statements. (Procountor 2024a.)

The structure of LLC draws a distinct boundary between the company's and the entrepreneur's finances. The financial liability is transferred from the entrepreneur to the company. This distinction

protects the entrepreneur's personal assets as the entrepreneur is liable only for the capital that was invested in the shares of the company. The entrepreneur is paid under the LLC structure as a salary, which is taxable as earned income. (Holopainen 2024, 211.)

It was mentioned previously that there are no specific rules on social media activities presented by tax legislation of Finland. Thus, LLC must follow the general principle of income taxation, which states that the income tax rate of 20 percent is applied to the profits. Consequently, regular tax rules apply to both income and expenses generated using social media platforms. (Tax administration 2021c.)

According to Tax administration (2021), taxable income of LLC includes not only monetary income, but also any other rewards such as free products, discounts, gifts, or other benefits or rewards in other form. The amount of taxable income is equivalent to the fair market value, meaning the probable selling price, if the business receives an item in exchange for payment other than cash, such as a product or a discount. Taxes are not affected by whether sending a gift or commodity was scheduled in advance with another business. For instance, LLC signed a contract with another business to promote a product on a social media platform. The fair market value is 1500 euro and there is no other agreed compensation. The LLC decided to keep the product after the promotion. Thus, the LLC must record taxable income of 1500 euro.

Some gifts are not taxable whether they are considered "usual promotional gifts". It is worth to mention that it applies to both limited liability companies and sole traders. Such gifts usually are samples with advertiser's logo, with a selling price with VAT no more than 50 euros, sent to the influencers or content creators by companies. The situation changes drastically when a company receives a product as compensation for advertising it on social media platforms. In such instances, regardless of the product's fair market value, the entire gift is taxable (Kallio 2022).

Any income or other reward received under company's name means that they belong to the company, not the individual. Utilizing business assets for personal use incurs tax consequences because it is considered as a received benefit. This benefit is taxable as part of the individual's earned income. It is crucial to record the other reward's value in company accounting. It can be done as a wage paid to the individual, as a fringe benefit given to the individual or through purchasing the product from the company at fair market value. (Tax administration 2021c.)

If these transactions are not reported to the Finnish Tax Administration, they are viewed as "constructive dividends" and subject to taxation, like earned income. Furthermore, if the company records the product values as wages or benefits, it's eligible for tax deductions. Conversely, if the individual purchases the products from the company, it increases the company's taxable income.

However, the company can claim deductions due to residual costs associated with the products. (Tax administration 2021c.)

As in other types of business, if the turnover of the company exceeds 15000 euros in an accounting period, it must also register for VAT (Tax administration 2021c). In other words, the same process applies as in sole proprietorship, which was described previously.

A limited liability company has the possibility to pay both salary and dividends to its shareholders. It goes without saying that the salary given to the shareholder must be reasonable in relation to the shareholder's work contribution. Additionally, they can receive fringe benefits as part of their salary. (Holopainen 2024, 212.)

If a company decides to distribute dividends to its shareholders, the taxation will depend on the shared amount. For instance, the shareholder gets 25 percent taxable capital income if the dividend is fully covered by the 8 percent return on the share mathematical value. To that degree the dividend exceeds 150000 euros per shareholder, 85 percent of the dividend is taxable capital income and 15 percent is tax-exempt income. (Holopainen 2024, 212-213.)

All in all, this type of business is no exception and encompasses both positive and negative aspects. The advantages include protection of personal assets in case of bankruptcy, flexibility in compensations for unequal work contributions among shareholders, credibility in business transactions, tax benefits, and suitability for businesses aiming for growth (Yrityksen perustaminen s.a.).

On the other hand, disadvantages include increased bureaucracy compared to sole proprietorships, such as mandatory annual financial statements, and the complexity of closing down the company if business is not successful. (Yrityksen perustaminen s.a.).

2.3.7. Tax deductions

The taxpayers are not only obliged to pay taxes, but also, they are eligible for tax deductions. According to the Tax administration (2024a), expenses associated with generating or maintaining revenue via social media are deductible. This subchapter aims to present the possible tax deductions for social media content creators and influencers depending on their business model.

The tax deductions lower the amount on which taxes are calculated because they are deducted from income before taxes are computed. Consequently, their effect is far less than if the deduction came straight out of the taxes. When compared to capital income, earned income is subject to different deductions. (Veronmaksajat 2024.)

Purchases and expenses can be claimed as income acquisition deductions on personal tax returns if social media content creator or influencer is an individual who operates on a hobby basis. The same principles that apply to other types of income also apply to expenses related to social media income. Only part of the expenses directly related to social media activity can be deducted. However, it is crucial to mention that normal living expenses are not considered as tax deductible. (Tax administration 2024d.)

Expenses that are not deductible for tax purposes include family expenses, rent for personal accommodation, childcare and housekeeping costs, ordinary clothing expenses, leisure activity expenses, acquisition costs for consumer electronics, subscriptions to newspapers and magazines, medical and healthcare costs (with some exceptions), and physical exercise expenses. (Tax administration 2022b.)

In turn, deductible expenses include expenses related to computers and data communications connections, special sector expenses, tools necessary for work, expenses for a dedicated workspace or second-hand home used for work purposes, and study and training expenses. For example, if individuals use a phone or camera for their work, they can conveniently deduct the purchase costs. (Tax administration 2023a.)

In June 2023, the tax policy regarding light entrepreneurs underwent a change that content creators and influencer should be aware of. Under the new change, they cannot deduct the fee paid to the billing service company or any potential employer's health insurance contribution from their taxes, as these deductions occur before salary formation under the new system. Previously, these expenses were deducted from the calculated salary, making them eligible for tax deductions. (Holopainen 2024, 240.)

Unlike sole traders, light entrepreneurs' tax deductions are a part of their personal taxation and are not linked to company taxation. If total income acquisition costs are below 750 euros, they need not be recorded separately. The Finnish Tax Administration automatically provide a standard deduction of 750 euros per individual for income acquisition, simplifying accounting requirements. (Free.fi 2023.)

For tax purposes, social media content creators and influencers, operating as light entrepreneurs, are entitled to deduct various work-related expenses. These deductions include travel expenses, such as mileage for business trips, and the purchasing of equipment essential for their work, including computers, monitors, or keyboards. Moreover, costs incurred for professional literature, papers, pens, folders etc. are deductible. Expenses related to remote work, such as internet connection bills and home office furniture, are also eligible for deduction. For instance, social media

content creators or influencers who work remotely for more than half of the year's workdays are eligible for the standard home office deduction amounting to 920 euros. However, if they consistently work remotely for less than half of the year's workdays, the standard home office deduction amount decreases to 460 euros. (Free.fi 2023.)

The deduction amount for travel expenses varies based on the vehicle type, ranging from 0,30 euros per kilometer for car usage to 100 euros annually for bicycle expenses. In addition, contributions to YEL are deductible. These deductions enable light entrepreneurs to offset their taxable income effectively. Additionally, light entrepreneurs are not eligible for VAT deductions, but they have an option of invoicing the expenses incurred from their work to the customer and receiving expense reimbursement. (Tax administration 2024c.)

In the taxation of sole proprietorships, there are several deductible expenses that can provide significant benefits to social media content creators and influencers that use this type of business. These deductible expenses include office supplies, tools, and "low value assets" that are essential for business operations, as well as costs for computer software and online services directly related to their work. Expenses for fixed assets with a useful life of up to three years or a cost of up to 1200 euros (VAT 0%) can be immediately deducted upon acquirement. However, the tax year limits deductions for such purchases to a maximum of 3,600 euros. (Tax administration 2023d.)

Additionally, marketing expenses, representation costs (50%), and office equipment costs can be deducted, along with car expenses incurred for business purposes. For instance, as deductions can be calculated based on the proportion of the workspace or room, 20 square meters workspace out of a total of 100 square meters in the apartment can be deducted as 20% of the housing costs. It brings additional value to individuals working remotely. Sole traders also have the right to deduct work clothing expenses and various other costs directly associated with their business activities. It is important to note that the criteria for deduction eligibility may vary. Thus, in the event of concerns, it is recommended to consult with an accountant. (Accountor 2023.)

However, some expenses are not deductible. These include fines, penalty fees, or similar payments, and wages paid to a spouse or child aged 14 or older during the tax year (with some exceptions). Moreover, withdrawals of money from the company's accounts or the value of the owner's own work cannot be deducted as sole proprietors cannot pay themselves salaries or provide themselves with fringe benefits. (Tax administration 2023c.)

Though not all expenses automatically qualify for a limited liability company, most business expenses are usually eligible for tax deductions. In general, limited liability companies are allowed to deduct expenses that are directly related to their operations, including 50% of entertainment costs,

start-up costs, insurance, wages, office supplies, and unpaid invoices. Furthermore, losses from prior tax years may be deducted from income over the next ten tax years. (Tax administration 2023b.)

The deductible expenses are similar to sole proprietorship. A purchase is considered a part of the company's "fixed assets" if it is something that will be used for long term business operations. Fixed assets include buildings, machinery, software, and equipment. In other words, the same principle applies as in sole proprietorship. As in sole proprietorship, there are situations where a fixed asset's whole purchase price can be deducted in a single tax year. Another option is that the cost is split up into smaller components that are deducted one at a time over a period of multiple tax years as depreciation expenses. (Tax administration 2023b.)

It is worth mentioning that in limited liability companies, the salaries paid to the entrepreneur, as well as daily allowances and mileage reimbursements, can be deducted as business expenses for tax purposes. This rule similarly applies to employee salaries and their related expenses. Thus, this type of business has the most options for tax deductions. Nevertheless, it makes the process more complicated and requires more bureaucracy. (Tax administration 2024a.)

Although registration on platforms like YouTube is free, this does not imply that there are no additional costs incurred for content creators and influencers. Prior to registration, it is obligatory to purchase equipment such as a computer and smartphone, and most likely, a camera, microphone, and other gadgets and software for creating quality content. It is evident that all these mentioned items are costly. Therefore, it is imperative for content creators and influencers to understand what expenses are deductible to mitigate the costs.

2.3.8. Tax evasion

Under investigation by the Tax Administration, OnlyFans content creators were found to have failed to disclose profits of more than five million euros in the previous year. The forthcoming spring will bring a new system that ensures the avoidance of previous hurdles. Specifically, this fiscal year, the tax administration gains access to comprehensive data regarding OnlyFans income directly from the platform. Thanks to EU Directive DAC7, which requires social media platform operators to report income to tax administrations in EU countries. (Joukanen 2024.)

Regardless of where in the EU a digital platform is located, the DAC 7 agreement requires Member States to automatically report revenue information on sellers on those platforms. This measure simplifies reporting requirements and minimizes platform administrative load. In addition, it helps national tax authorities detect and follow taxable situations. Furthermore, by means of joint tax

audits, it strengthens cooperation between Member States in the fight against tax evasion. (European Commission 2020.)

Finnish gamer and YouTuber Paqpa, known as Beata Rodas, is accused of tax evasion and negligent accounting. At almost 225000 euros, the YouTuber was listed as Finland's second-highest paid social media influencer in 2020. It is alleged that she neglected to disclose over 182000 euros of income to tax authorities in 2019 and 2020, so avoiding paying over 80000 euros in taxes. Paqpa was found guilty of both accounting crimes and aggravated tax fraud, and he was given a 10-month suspended prison sentence. (Siirilä et al. 2024.)

The person born in 1985 was condemned by the Pirkanmaa District Court to pay 37000 euros in back taxes for failing to disclose 160000 euros in income from his/her YouTube channel broadcasting news from Africa. Between 2018 and 2021, he/she was found guilty of severe tax fraud and was given a suspended eight-month sentence. The person said the money belonged to someone else, but the court convicted them guilty. (Yle News 2023.)

Yle News (2023) reports that Finnish Tax Administration estimates that 70 percent of income from social media platforms remained unreported in 2021, which makes these incidences even more noteworthy. Moreover, these cases highlight increased Tax Administration scrutiny of social media earnings. Thus, it is crucial to follow the guidelines and report all received income from social media.

In the situations when taxpayers or businesses may find it difficult to fulfill their tax obligations while they are experiencing financial difficulties or other challenges, the Finnish Tax Administration provides an opportunity for an extension upon request and sends notifications detailing outstanding taxes and their due dates in such cases. The potential consequences of non-payment are also highlighted in these warnings, including publication on the Tax Debt Register or Protest List and transfer to enforcement authorities. Taxes sent to enforcement must be paid directly to them. (Tax administration 2022a.)

Furthermore, unpaid taxes could harm the entity's credit reputation by being listed in the Tax Debt Register and publicized on the Protest List. It is essential that companies experiencing financial difficulties engage in proactive communication with the Tax Administration and investigate all available options in order to avoid escalations. (Tax administration 2022a.)

2.3.9. How to inform

In Finland, to comply with income tax regulations, taxpayers must submit their tax declaration to the Finnish Tax Authority. The tax return serves as a comprehensive document summarizing the

deductions and income from the previous year. Generally filed once a year, it includes pre-filled information such as capital income and salaries. Reviewing and correcting the data is the responsibility of the taxpayer. Final taxes are calculated by the Finnish Tax Administration based on the information provided in the tax return. Then tax decisions are sent to taxpayers, informing them of their eligibility for a refund or for further tax obligations. (Procountor 2024b.)

For social media content creators and influencers that operate as individuals, meaning that they produce content without establishing a company or a business name, taxation goes through their own tax return. In other words, the taxpayers are obliged to report all their income from social media themselves. This can be easily done using the pre-filled tax return on MyTax (OmaVero) in the springtime, usually in April or May. From the same service they can check the reported income and supplement it if needed. For instance, if there were only four commercial collaborations last year, the taxpayer must mark them on their tax return. (Tax administration 2024e.)

The invoicing services handle the tax declaration for business activities (Holopainen 2024, 240). For service providers to pay the light entrepreneurs' wages or trade income, they need to have a tax card, and when payments are given to them, taxes must be withheld (Tax administration 2024f). The tax card designated for wage income is required if the invoicing service pays wages. For example, Free.fi pays wages to their light entrepreneurs (Free 2023b). Conversely, the trade income tax card is necessary if the money that the light entrepreneurs get from the invoicing service is considered trade income (Tax administration 2024f).

In the context of tax obligations for sole traders, the filing of the business activity tax return is mandatory, regardless of any activity or lack of activity during the period. In cases where multiple fiscal years were concluded within the tax year, the information for each fiscal year is provided in a single tax return. The deadline for the business activity tax return is the beginning of April. For instance, this year it was 2nd of April. Tax penalties or late fees may be incurred if tax declarations are not filed by the deadline. In cases where it is determined that tax payments have not been paid sufficiently or have been overpaid as advance payments, the deficit is rectified through the payment of supplementary taxes or residual taxes. Conversely, excess payments are reimbursed to the taxpayer as tax refund. (Tax administration 2024e.)

For social media content creators and influencers that registered as limited liability companies accurate documentation of revenue and expenses in the accounting records is essential. Tax declaration must be filed within four months of the end of the fiscal year (Holopainen 2024, 34). For instance, the deadline for tax declaration for years ending in December 2023 was on April 30th this year.

3. Description of guidebook production

The aim of this chapter is to disclose the whole process of creating this thesis.

The main objective of this thesis was to create a digital guidebook based on the theoretical framework that is presented in chapter two. Thus, a deep investigation was needed before creating the final product.

The product-based thesis seemed more optimal due to its relevance and lack of large number of similar works. The author decided to abandon the research-based idea in favor of a product-based thesis, after receiving a lot of support for the concept of creating a guidebook about taxation.

The theoretical framework covered all the relevant information related to taxation of social media content creators and influencers. These include business models, income taxation, possible deduction, how to inform about income from social media based on chosen business model, and examples of consequences of tax evasion.

3.1. Guidebook project plan

The thesis planning process commenced in October-November 2023, initially conceived as research-based. Through investigation of the field and consultations with professionals from diverse backgrounds, the author determined that a product-based approach would be more optimal.

The idea for selecting this topic stemmed from global scandals regarding tax evasion observed in previous years, prompting an examination of similar issues within Finland.

The research and development of the theoretical framework and the guidebook creation were the two main phases of the thesis process. The thesis was completed in accordance with the official Haaga-Helia guidelines for a product-based type of thesis.

The research process and creation of the introductory chapter began in January 2024, followed by the elaboration of the theoretical framework in February 2024. A methodical strategy was developed to direct the process of gathering data. Additionally, the Gantt chart was created to track the process.

Although specific guidelines were not stipulated, a precise final deadline was set with the aim of finishing the theoretical part and the guidebook by the end of April. To guarantee academic integrity, the theoretical framework was formed by reliable and up-to-date sources. Despite the fact that there was a minor setback, the theoretical part was finalized by the end of April. The author aimed to complete the entire thesis before May 2024.

3.2. Guidebook project structure

The project's structure consisted of multiple important stages, all of which contributed to the guidebook's ultimate creation. To begin with, a great deal of research was done to fully comprehend the taxation environment with respect to social media influencers and content creators.

The content of the guidebook was carefully outlined after the study process, with important subjects, subtopics, and objectives to be addressed. The content and structure of the guidebook were improved and enhanced by the feedback from advisers and potential users throughout the production process.

In conclusion, the project structure of both the thesis and guidebook involved a rigorous and cooperative process of planning, writing, and editing in order to produce a thorough and approachable guidebook that addressed the taxation challenges and complexities that social media influencers need to deal with.

3.3. Final product

The creation of the guidebook began in March 2024. The author decided to use Canva to create the guidebook (Appendix 1). The decision behind that was accessibility, functionality, and provided ability to create a user-friendly product that was one of main criteria beside the coherent and complete dataset. The guidebook was finalized in May 2024. It was finished later than planned due to the amount of work the author had, including the internship and a few courses.

Two sections of the theoretical foundation were conditionally partitioned. The first section covered social media concepts, including platform policies, monetization options, and platform policies. The author wanted to highlight the importance of understanding these concepts as they directly affect income, which is turn related to taxation. The monetization discloses the types of income that can be classified in the groups. Moreover, described monetization policies were gathered from updated sources that bring additional benefit of provided insights about finding possible options for income sources.

The second section was entirely about taxation. Topics covered included taxable income, potential tax deductions, business forms and their effect on income and deductions, and the process of informing the Tax Administration about business activities. Additionally, the author concluded the theoretical part with information on the consequences of not paying taxes. The author wanted to show that it is very important to be honest about one's income and conduct tax operations promptly.

The process of taxation can be complex, prompting the author to provide straightforward explanations using applicable examples. The result of this work was the creation of a guidebook that summarizes the theoretical topics covered.

The guidebook is designed for active social media users who are navigating the realm of income taxation on income received from social media. Divided into two distinct sections, it explores the nuances of social media content creation within the Finnish landscape, clarifying the taxation processes associated with this dynamic field.

This guidebook gives readers a sophisticated grasp of taxes by exploring various business models, enabling them to make well-informed decisions regarding their business activities on social media. While primarily intended for teenagers and young adults, the guidebook remains inclusive, acknowledging that content creators and influencers might come from various age groups. As a result, it serves everyone, regardless of age, who is seeking clarification on taxation and related topics.

4. Discussion

Chapter four presents the conclusions of the thesis. Firstly, it discusses the evaluation aspects and the key outcomes of the product-based thesis. Secondly, it offers suggestions for future. Lastly, project evaluation and reflection of the author's own learning is presented.

4.1. Evaluation

Encouraging social fairness, supporting public services, and preserving economic stability all depend on timely tax payments. They exhibit adherence to legal requirements, support budgetary stability, and guarantee the fair allocation of resources. Penalties, budgetary imbalances, and a decline in public confidence may result from late tax payments. All things considered, responsible citizenship and the health of society depend on regular tax payments.

As was mentioned in the previous chapter, social media has become a significant source of income, including content creators and influencers. They monetize their social media activities through various channels, such as Instagram and YouTube, conducting different activities.

Tax authorities must comprehend the nuances of social media monetization in order to properly enforce tax laws and regulations. Through constant innovation in monetization techniques and technology, such as EU Directive DAC7, tax authorities are better able to spot and deal with instances of possible tax evasion or noncompliance among social media influencers.

Thus, comprehending taxable income, tax deductions, and business forms is crucial. According to the author, the handbook will serve as both a source of valuable information and a catalyst for increased awareness. Choosing to deliver this topic in English also highlights how insightful it may be for audiences who do not speak Finnish. The target audience includes individuals of all age groups seeking clarification on taxation and related topics.

4.2. Key outcomes

The objective of the thesis was to investigate the field of taxation of social media content creators and influencers by investigating social media and its concepts and create a guidebook. That objective was achieved by writing the theoretical first. It created a strong understanding of the field and created a foundation for the guidebook. Based on that, the guidebook was created (Appendix 1). It delves into the taxation of social media content creators, offering insights and guidance on the taxation process in Finland.

4.3. Suggestion for future

Although the Tax Administration provides extensive instructions, there exists potential for enhancement. It would be advantageous to include distinct sections on taxes, with a wider range of examples clarifying income taxation. Moreover, it is essential to enhance the conversation about possible deductions according to different business models in order to encourage compliance with regulatory frameworks.

It is imperative to broaden the conversation around the consequences of tax evasion in order to emphasize the serious repercussions that could result from failure to comply. A more comprehensive grasp of tax duties would be provided by adding information about light entrepreneurship and sole proprietorship, which would also enhance the content.

Additionally, it would be beneficial to incorporate multilingual content into the website, especially English. Even though there is an extensive amount of information available in Finnish, people who are looking for assistance in following regulations find it difficult to navigate the gap in English-language resources.

Despite the extensive amount of information available in Finnish, individuals seeking assistance in sticking to regulations experience challenges due to the scarcity of resources in English. Consequently, adding English-language content would help non-native speakers and make important information easier to acquire, which would eventually encourage compliance to tax regulations.

4.4. Reflection on learning

All in all, this thesis has taught me priceless insights that go far beyond the scope of its topic. I am now proficient in time management, which I developed while combining a full-time internship with my university courses and finishing my thesis. In spite of these obstacles, it has been demonstrated that efficient use of time can make activities that appear impossible achievable.

I have also developed the capacity to comprehend and analyze enormous volumes of information from various sources in two different languages. This has improved my academic writing skills and given me an extensive amount of theoretical knowledge that I can use in my present professional placement. Without a doubt, the most powerful driver of personal development is the search of knowledge itself.

The saying that the easiest way is rarely the most fruitful has also been reinforced by this work. The result of this work is solid evidence that embracing complexity can be intellectually fulfilling as well as exciting. The sense of accomplishment I felt from finishing my thesis and creating a

thorough guidebook is indisputable, even with all the challenges I faced. Thus, I hope that this work will be helpful and clarifying for anyone who is interested in the topic.

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Appendices

Appendix 1. The guidebook

GUIDEBOOK:

TAXATION OF SOCIAL MEDIA CONTENT CREATORS AND INFLUENCERS



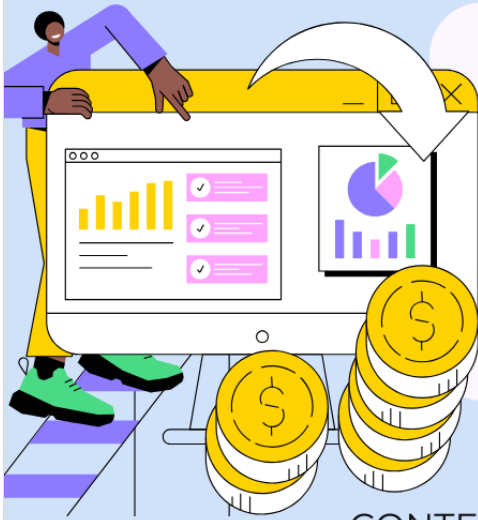
INTRO

In recent years, the rise of social media has provided individuals with unique opportunities to monetize their online presence. However, along with the benefits come certain responsibilities, including taxation.

Understanding how taxation works for social media content creators and influencers in Finland is crucial for ensuring compliance with tax regulations and maximizing tax strategies.

This guidebook is designed for active social media users who are navigating the realm of income taxation on income received from social media.





Content creators and influencers generate income through various sources, including:

- influencer marketing
- ad revenue
- tokenization, subscription, or crowdfunding
- direct selling
- creator funds

CONTENT CREATORS & INFLUENCERS **MONETIZATION**

- Content creators encompass a wide range of individuals creating content for personal or professional purposes, while influencers specifically aim to influence their audience for commercial gain.
- Social media platforms like Instagram, Snapchat, YouTube, and TikTok offer diverse opportunities for content creation and audience engagement. These platforms have billions of users worldwide, making them ideal for monetization strategies.
- However, it is crucial to mention that social media platforms enforce monetization policies to ensure compliance with content guidelines and user behavior standards, and failure to comply may result in content removal, demonetization, account disablement, or other limitations.

CONTENT CREATORS & INFLUENCERS

TAXATION OF INCOME

According to Tax Administration, the taxation of income from social media activities is the same as that of other types of income. This income is not subject to any particular tax laws or regulations. However, all income is subject to general tax laws and deductions. Thus, the taxation of income received from social media activities depends on whether the social media content creator or influencer conducts the activity personally or through their own company.



TAXABLE INCOME

- the amount of income subject to tax, after deductions and exemptions

Here are some examples of what is considered taxable income according to the Tax Administration:

- Financial reward for commercial activities
- Present and product gifts
- Another type of compensation, such as trips, vouchers or tickets
- Notable discounts if they are not given to other customers
- Income from streaming
- Income from foreign websites



REMEMBER: PRESENTS ARE ALSO TAXABLE

Some gifts are not taxable whether they are considered "usual promotional gifts (mainoslahja)". It is worth to mention that it applies to both limited liability companies and sole traders. Such gifts usually are samples with advertiser's logo, with a selling price with VAT no more than 50 euros, sent to the influencers or content creators by companies.

The situation changes drastically when a company receives a product as compensation for advertising it on social media platforms. In such instances, regardless of the product's fair market value, the entire gift is taxable.



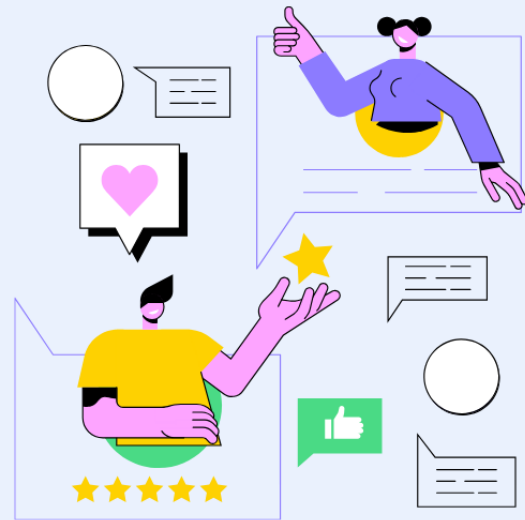
Most common business forms that influencers and content creators use

A. Operate as individual

B. Light entrepreneurship

C. Sole proprietorship

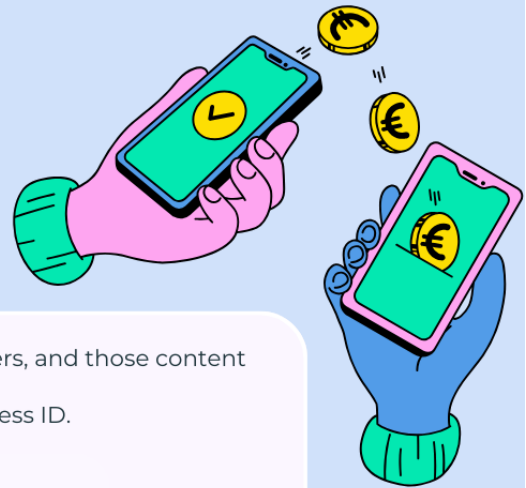
D. Limited liability company



Each form has its advantages and tax implications, so it's important to consider factors like bureaucracy, possible deductions, and other requirements before making a decision.

OPERATING AS AN INDIVIDUAL

- without a business ID



Suitable for hobby-based activities or minimal income earners, and those content creators and individuals who are not ready to obtain a business ID.

Factors to consider:

- This option requires insights into taxation and personal liability considerations for individuals.
- Taxation occurs differently for capital income (income tax: 30% up to 30000 euros, 34% thereafter) and earned income. However, both are taxed progressively.
- Also, it includes simplicity, but significant limitations on deductions compared to individuals with business IDs.

Recommendations:

- Consider operating as an individual for low-income or hobby-based activities.
- Evaluate transitioning to a formal business structure when income and business activities grow.

LIGHT ENTERPRENUERSHIP

- without a business ID

An option to work as self-employed individuals without a unique business identification number. Invoicing services handle administrative tasks and tax filings.

Factors to consider:

- Usually, business income is taxed as earned income (depending on the agreement with the invoicing services). Thus, it is subject to progressive taxation on earned income.
- No need for a separate entity for tax purposes as taxed as individuals.
- Invoicing services always deduct service fees (~5%).
- Contributions to entrepreneur pensions (YEL) are required if business activities meet specific criteria.

Recommendation:

- Obtaining this type of business is suitable for content creators and influencers who want to operate in an entrepreneurial manner without a business ID, while the invoicing company handles the bureaucracy.



SOLE PROPRIETORSHIP

- without a business ID

It is recommended to think about becoming a sole trader, when earnings exceed 5000 euros yearly from the activities from social media.

Factors to consider:

- Income tax on earned income is progressive.
- VAT Registration is mandatory if turnover exceeds 15000 euros.
- This form offers more options for deductible expenses, including tools, workspace costs, travel expenses, and YEL contributions.
- A sole proprietorship is a flexible and straightforward option suitable for smaller-scale operations.
- Moreover, while establishing and terminating a sole proprietorship can be quickly accomplished online with lower accounting and administrative requirements than other business forms, the disadvantages include personal financial risks, the time-consuming task of sending invoices to multiple clients, and the responsibility of managing all financial obligations, including taxation. Additionally, sole traders cannot pay themselves a salary.

Recommendation:

- Consider an LLC when regular earnings exceed 40000 euros annually.



LIMITED LIABILITY COMPANY

- without a business ID

This business form is preferred businesses for scalability and asset protection. It is highly recommended that an LLC be established when earnings exceed 40000 euros yearly from social media activities.

Factors to consider:

- Separate legal entity responsible for its finances and taxation. It has a high level of bureaucracy.
- It is possible to receive both salaries and dividends from the company to shareholders.
- Corporate income tax (20%) applied to company profits.
- Shareholders (individual taxpayers) are taxed on dividends received from the company. The taxation depends on the shared amount.

Recommendation:

- Due to tax complexity, it is always recommended that content creators and influencers with such type of business consult the accountants of the Tax Administration about any tax-related matters.



- An individual and light entrepreneur can make tax deductions, for example, in terms of household deductions, travel expenses, income-generating expenses, and work-related housing deductions.
- LLCs and sole proprietors can also effectively utilize tax deductions. For example, for company establishment costs, business trips, income-generating expenses, as well as representation and marketing expenses.



DEDUCTIBLE TAX

Understanding allowable tax deductions is essential for minimizing taxable income.

Deductible expenses may include:

- Business-related equipment (e.g., cameras, computers).
- Workspace costs (rent, utilities).
- Travel expenses for business purposes.(e.g. taxi for a photoshooting)
- Professional training and development (e.g. editing software licenses)
- Marketing and advertising expenses.
- Certain office supplies and tools
- However, not all expenses are deductible, so it's crucial to consult tax authorities or a qualified accountant for guidance.

VAT

The threshold for VAT liability in Finland is 15000 euros. If the company's business turnover surpasses 15000 euros over the 12-month accounting period, it must to be registered in the VAT register. The potential for VAT relief is the main advantage of registering for VAT.

- Light entrepreneurs cannot take advantage of VAT deductions or VAT relief either.



REPORTING & ADDITIONAL INFO

In Finland, taxpayers, including social media content creators and influencers operating as individuals, submit their tax returns to the Finnish Tax Authority annually, typically in April or May. Invoicing services handle tax returns for business activities of light entrepreneurs. For sole traders, filing the business activity tax return by early April is mandatory, with penalties for late filing. Limited liability companies must ensure accurate documentation of income and expenses and file tax returns within four months of the fiscal year-end.

Here's what else influencers and content creators should remember:

- Keeping meticulous records of income and expenses
- Filing tax returns accurately and on time using online platforms like OmaVero
- Staying informed about changes in tax legislation and guidelines
- Considering seeking professional tax advice for complex situations

All in all, regardless of the business type, social media content creators and influencers are responsible for their own taxation.

