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**HANDBOOK FOR FOREIGN BUSINESS ESTABLISHMENTS IN THE CITY OF  
KEMI**

# **HANDBOOK FOR FOREIGN BUSINESS ESTABLISHMENTS IN THE CITY OF KEMI**

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Bachelor's Thesis  
Spring 2017  
Degree Programme in International  
Business  
Oulu University of Applied Sciences

## ABSTRACT

Oulu University of Applied Sciences  
Degree programme in International Business

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Title of thesis: Handbook for foreign business establishments in the city of Kemi

Supervisor(s): Ismo Koponen

Term and year when the thesis was submitted: 2017

Number of pages: 36

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The corporate environment and attitude towards entrepreneurship, starting and conducting business is currently in a changing momentum in Finland, both nationally and regionally. In the deep end of the current economic state, concern for local businesses is growing and companies keep shutting their doors more and more as smaller cities are taking the deepest economic dips downwards and suffering from national effects that take a reflection of what's going on at the international window.

Cities in Finland are constantly seeking new operators, nationally and internationally and taking increasing initiative to attract business establishments to restart and lit up a fire under the local economy and the corporate operational environment. The elements of change and the national attitudes towards entrepreneurship are discussed in the theory section. A slight look at municipal bodies and their roles is also taken in the theory section.

In order to serve the customers with an information package that would include all the essential information for a foreign business operator or an entrepreneur looking for an establishment in Finland, this thesis was issued with the aim of serving such a package available for the customers that have contacted the Business Development Office in the city of Kemi with an establishment opportunity in mind. The handbook forms the empirical output of the thesis.

Once having read the thesis, the reader should be able to comprehend what is currently going on in the Finnish national corporate scene, what forces and elements are currently taking most effect on the national market. The reader also receives an insight why business establishments should be considered to set to the city of Kemi, what benefits would it perceive and what should be taken into consideration while doing so.

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Keywords:

establishments, entrepreneurship, business regulations, legislation, foreign business regulations, foreign business establishments

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# 1 INTRODUCTION AND RESEARCH PROBLEMS

The economy in Europe has been through some of its toughest times since the formation of the modern European Union as we acknowledge its existence today. The rough patch is effecting all of the countries in different ways, the common factor being that all of the modern European economies are struggling to focus their economic efforts and developmental elements into a functioning and growth-supportive entity. Finland is not an exception in this.

Naturally, as national economy stumbles the effects are also well visible in rural areas and cities. Concern for local businesses is growing and companies keep shutting their doors more and more as smaller cities are taking the deepest economic dips down. Cities in Finland are constantly seeking new operators and taking increasing initiative to lure business establishments to restart the local economy. Despite the slow movement there are things bubbling under, both in private and public sectors. From these two, public sector has received a lot of heat from private operators and in some cities the public bodies have been keeping their ears open, joint forces with their own private partners and started to build up plans and strategies aiming to further initiative in order to warm things up again. Kemi is one of these cities and in this thesis, the author is looking to describe the situation analytically, jot down the essential elements in Kemi's strategic framework and to build a beneficial, functional empirical output for foreign business operators that are looking to establish and conduct business in Kemi and to show why it would be a prosperous move for both the city and the operator.

Once doing my work placement period in the commissioner's office I became to understand more and more of the effects of the current economic state and to see the connections between global, national and municipal factors and elements. There's a whole lot of changes going on in the modern economy and the field in Finland is changing rapidly, for example in the update of regulations concerning starting entrepreneurs. I worked with the strategic framework and outputs related to the topic with native businesses at first during the work placement period and the drive for expanding the learning and gaining knowledge eventually grew further to international business side. Since there are ideas and methods implemented and working elsewhere in Finland, I tried to figure out in this thesis what is actually planned and developed and furthermore, what actually works in Kemi. All this initially led to mutual understanding and agreement for this thesis between myself and the commissioner. What started as a research-based thesis turned out to become an

independent, entirely self-produced empirical product for actual business use, assisted by a supporting theoretical framework starting from national economic state and narrowing down to very functional essentials in a city inside the national borders.

The initial research questions that the thesis is looking an answer to are as follows:

1. What elements should be considered for a foreigner looking to establish business in Finland?
2. Which of these elements can be identified and implied once establishing a business set-up in Kemi?
3. What are the strengths that Kemi preserves as a prosperous business location for a foreign business settlement?

The literature was chosen to support the theoretic framework and furthermore supporting two main purposes; covering the essential legal and structural knowledge for the reader and to understand what stands behind them in business cultural basis. The main elements for the theory part were based on Establishing and Doing Business in Finland by Tuulikki Holopainen (2006), discussing with the current year's updated data offered by the Tax Administration. These were essential sources that had to be included in the theory section, as they offered information that forms the basis for anyone conducting or looking to conduct business via any legal channel and company form in Finland. The flesh around the business environmental structure was built with the supporting information offered by the annual report of the European Commission and the 2014 report issued by Global Entrepreneurship Monitor; both handed insight to the national economic state, before and what could be after the year 2016.

## **2 THE CURRENT BUSINESS ENVIRONMENT IN FINLAND**

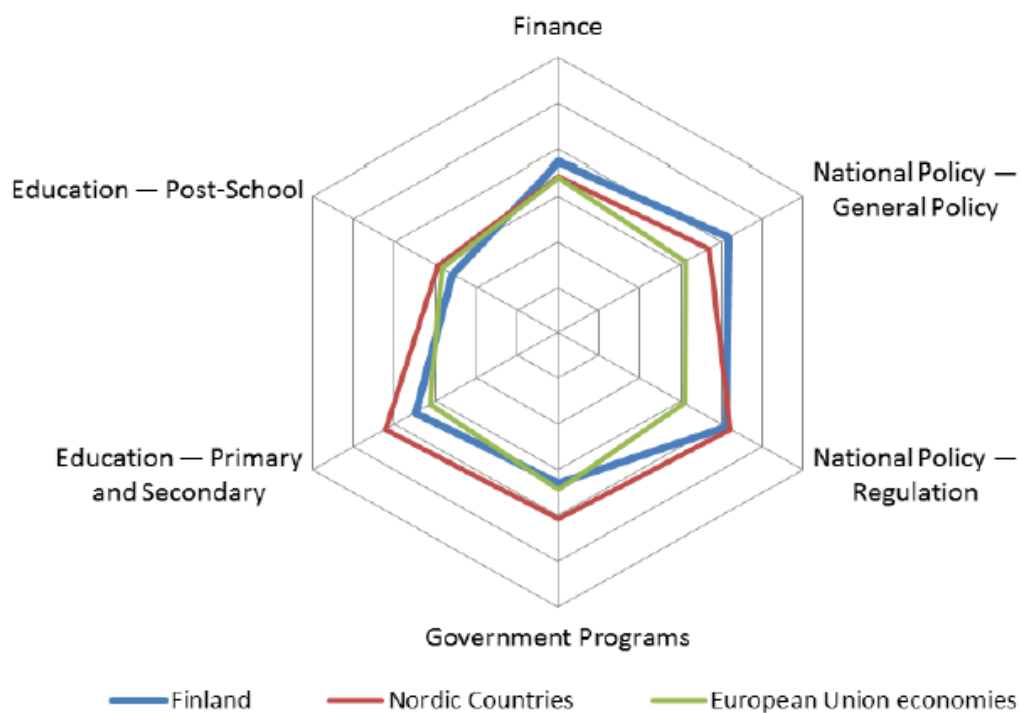
There are several reasons why Finland can and should be highlighted as one of the most entreat- ing countries for business establishments. The partnership between public and private sector can be characterized as well-functioning and the public institutions covering the national economic development are ranked rather high in international comparisons. The private sector's aim for driving the economy forward is supported by governmental regulators that perform both effective- ly and transparently (Invest in Finland 2015, cited 24.3.2016). The presented information in the following chapters include important and significant information related to the current national state of Finland's business environment and the role of municipal bodies and public organizations in Finland. The information is presented with the aim of guiding a foreigner looking to set up or conduct business in Finland in practice and assisting of building a bigger picture about the coun- try as a business field. This part of the thesis also represents the theory part that builds the theo- retical frame for the empirical product. The theory starts as a wide national economic outlook that narrows down to municipal bodies and business environment essentials in single cities.

### **2.1 National economic competence and attitudes in Finland**

The economic outlook in Finland is showing slightly positive figures despite the tough times in global economy. The IIF Field for Growth report stated that in 2014, GDP had amounted to 204 billion euros and during that time the European Commission forecasted slight increase of 0,8% in 2015 and further speeding up to 1,5% in 2016 (2015, cited 27.3.2016). Since then, the European Commission has given a bit lower forecast figures as the situation has not taken any swift turns for the better in the two year span, handing a forecast of 0, 5% growth in GDP in 2016 and a slightly increasing trend of 0, 9% in GDP growth for 2017 in the 2016 winter forecast (European Commission 2016, cited 27.3.2016).

The current government program aims to improve the national economic situation and the gov- ernment has taken numerous actions to work around the issues effecting the current business

environment. The European Commission stated in its 2016 Finland country report (2016, cited 27.3.2016) that the direction and actions being taken can play an important role in renewing and reconstructing the national economy, as the program emphasizes the role of entrepreneurs and start-up businesses. The report also indicates that the areas looking to be improved include reducing the regulatory burden, promoting entrepreneurship and taking the R&I (public research and innovation) system into better use. It's also mentioned that the World Bank dictates business environment in Finland being as good as or better than in other advanced economies in its analysis. The role of entrepreneurship and the emphasis given by the government is an interesting phenomenon, as Finland has traditionally been an open industry-based economy where large corporations have offered high level of employment with the large public sector inside a stable and well-balanced economy. As the global downturn took place, the table has turned in Finland and new initiative have been taken to correct the situation. Indications for supporting entrepreneurship could be seen already on institutional support in 2014 as Finland excelled on both finance and national policy – general policy levels significantly compared to Nordic countries and other EU economies (Global Entrepreneurship Monitor 2014, cited 24.3.2016) as presented in figure 1. During the two year span entrepreneurship has kept trending since as the current government has also taken initiative on the matter, however the Global Entrepreneurship Monitor does not have current figures available for comparison in this particular subject.





*Figure 1: Institutional support for entrepreneurship in Finland, Nordic countries and EU economies, cited 27.3.2016*

However, according to the European Commissions' report there is a shrinking proportion of people in Finland that actually think they're equipped with the proper skill set to set up a business by themselves and there's an equally shrinking amount of those who have been able identifying business opportunities. The notifications are based on the surveys conducted by the Global Entrepreneurship Monitor and also presented in the GEM 2014 Finland report (2014, cited 27.3.2016).

The early-stage entrepreneurs in Finland are also less internationally oriented and tend to see their business being less innovative than their counterparts in other EU member states. Naturally, in a small, open economy as in Finland this is an issue. Therefore Finland should seek integration to global value chains and require companies that are more outward oriented. Finland is currently facing a challenge of opening up the economy in order to make the most of its economic strengths (European Commission 2016, cited 27.3.2016). Finland is also a country being highly dependent on export, making the national economic state vulnerable to global market changes as they either slow down or speed up the current economic changes. For example Finland was the country whose export took most economic impact and market turbulence from the sanctions issued to Russia during the Ukraine crisis (Global Entrepreneurship Monitor 2014, cited 24.3.2016).

## **2.2 Motives behind foreign establishments**

According to the European Commissions' 2016 report, the ease of conducting business, endowment of human capital and strong governmental institutions give Finland a comparative advantage in attracting international companies to make establishments in Finland or for example picking Finnish companies as a part of their supply chain. The report also highlights that the Finnish economy seems to attract foreign workers and especially students over the past decade. It's stated that qualified professionals outside the EU can receive work permits relatively fast and easy. In 2014, nearly 25% of work-related permits were issued to foreign qualified researchers and professionals. Statistics from the same year also indicated that 60% of EU citizens moving to Finland went there to work, second largest group being students. In 2012, Finland had an estimated amount of 16 000 foreign students, most of them being students in science, engineering and medicine. The amount of foreign nationals in Finland has increased extremely fast and with

high figures, with the percentage of 91% from 2005 to 2015, meaning that the total estimated amount has increased from 108 000 to 206 000 during the past decade (European Commission 2016, cited 27.3.2016). The amount of foreign direct investments (FDI) in Finland should also be noted as a significant way of establishment and according to the IIF Field for growth-report (2015, cited 27.3.2016) statistics have shown that most foreign-owned companies grow faster and have performed better than their local counterparts once having established in Finland. Despite the challenging global economic situation, FDI's still have been able to maintain their positive growing trend during the rough investment years in the beginning of 2010's despite suffering from for example the effects of the Ukraine crisis in 2014. According to the report, the main industries and sectors for foreign investments are information and communication technologies, business services, healthcare and wellbeing, retail trade and environmental technology (2015, cited 27.3.2016). The international start-up business scene is also alive and well in Finland. The annual start-up event held in the capital Helsinki, Slush, was able to bring together a total of 15 000 attendees. Included were 1700 start-up businesses, 800 venture capital investors and 630 journalists from the exact total of 100 different countries in 2015. The European Commission states that providing further support for the start-up side of the economy, already described as very dynamic and international, could obtain benefit for the rewinding economy (European Commission 2016, cited 28.3.2016). Since the national motives are existent and are seemingly already there, Finland is widely seeking for international operators and new partnerships to open new channels over its own national borders.

### **2.3 Municipal bodies and their role in regional business**

Municipal bodies still cover a significant role in regional business, as they represent a dominant share of the public sector. Public and private sectors are often fulfilling each other, though the actual beneficial rate for both sides is highly dependable on various factors and elements. Tuomala discusses the roles between public and private sectors in his publication *Julkistalous*, defining the public sectors role as a body that forces the legal borders covering the private sector. Furthermore, the public sector is also a producing and a financing body (Tuomala 2009, 15).

Once a foreign operator is brought in between this division of roles between the two sectors, it is to be mentioned that in other countries and economies the private operators can conduct rather

freely whereas especially in western Europe the private business are used of being regulated by the public bodies. Despite of the privatization trend, the public sector is still controlling the significant markets such as production and distribution of energy and water, postal services and mobile connections (Tuomala 2009, 15). Kemi is not an exception in this as the city's public organization has its own companies for both energy and water production and distribution, Kemin Energia and Kemin Vesi respectively. Since they both are companies being part of the city's public organization, their operations are highly effected by public decision making. For a foreigner coming from a country where these products and services are produced by a private operator it's crucial to understand the roles of public companies and organizations as they may operate on markets that are regulated and controlled by the public sector bodies. Some of these markets either can't be entered or are in a situation where entering is possible but not reasonable.

### **3 HANDBOOK FOR FOREIGN BUSINESS ESTABLISHMENTS IN THE CITY OF KEMI**

#### **3.1 Introduction**

This handbook written and aimed to serve the needs of foreign entrepreneurs and businesses that are looking for establishment possibilities in the city of Kemi. The handbook was developed and written as a thesis for the city's public organization, Kemin Kaupunki, and with the assistance and co-operation by the Business and Development Offices.

The handbook consists of essential information for establishing a business, not only in Kemi and in the Lapland region, by offering regulatory and legislation information that are in a national covering effect. The information presented in this handbook are summarized from official sources, including the Tax Administration offices and the Finnish Patent and Registration Offices, though there is a useful links list at the end of the handbook that guides to the initial sources for more detailed information once required.

#### **3.2 Set up a business in Kemi**

Kemi is a city in the middle of the Bothnian Arc, situated in Sea Lapland, in an area inhabited by approximately 820,000 people of which 21,758 live in the city itself. Kemi is a central location for services and transportation in Sea Lapland, having its corporate roots deep in heavy industry that have since turned to a municipality of services and technical development. The city covers an area of 747 square kilometers, of which 95 is on land.

One of the most crucial elements that raise the potential that the city preserves is the logistic opportunities and the strategically significant location in logistics. There are a number of ways to move things around in Finland; weather it's via air, sea, rails or roads, they are generally taken care of by the regional, public organizations thus being in a good transportable shape as they are

funded and covered by the government. What makes Kemi a strategically important location is that all the four for-mentioned meet and are available in Kemi, as presented in figure 2.



Figure 2: The traffic network in Finland as suggested by the European Commission, presented in *Elinkeinostrategia 2012-2020*, cited 4.12.2016

The icons indicate the following meanings; the first one represents road connections, the second one is for railway connections, the third icon represents ports, the fourth indicates the inland water connections, the fifth icon indicates airports and the sixth shows direct connection routes to neighboring countries. Despite for inland water routes, Kemi is one of the few locations in the whole country where all four main elements can be logistically combined in one place and the

only one of its kind in the Lapland region. Kemi is also situated right next to the Swedish border, closer than any other location presented in the figure. If an entrepreneur or a business is looking for a location for logistical operations and furthermore, to have a competitive edge towards the competition operating in the Lapland region, Kemi is the only place where all the four main logistic elements meet and are available for use, thus giving significant strategic value for the location.

### **3.3 Company basis and market infrastructure in Kemi**

Geographically, the initial operational market environment in Kemi consists not only from the city central, but also the areas surrounding it, as illustrated in figure 3. According to the city's livelihood and trade strategy, Elinkeinostrategia 2012-2020 (Kemin Kaupunki 2012, cited 6.2.2017), The Ministry of Finance has stated in its report that the operational environment has grown across the city borders to residential areas such as Lautiosaari, Lassila and Kallinkangas thus reaching a distance of 8-10 kilometers towards both neighboring cities Keminmaa and Tornio. Kaakamo village area, situated 13 kilometers away from the city central and geographically inside Tornio's borders, is also estimated as being a part of Kemi's operational environment. Also the residential areas Maksniemi and Simonniemi are also considered as a part of Kemi's operational environment, as well as the residential riverbanks situated in Simo, yet another neighboring city.

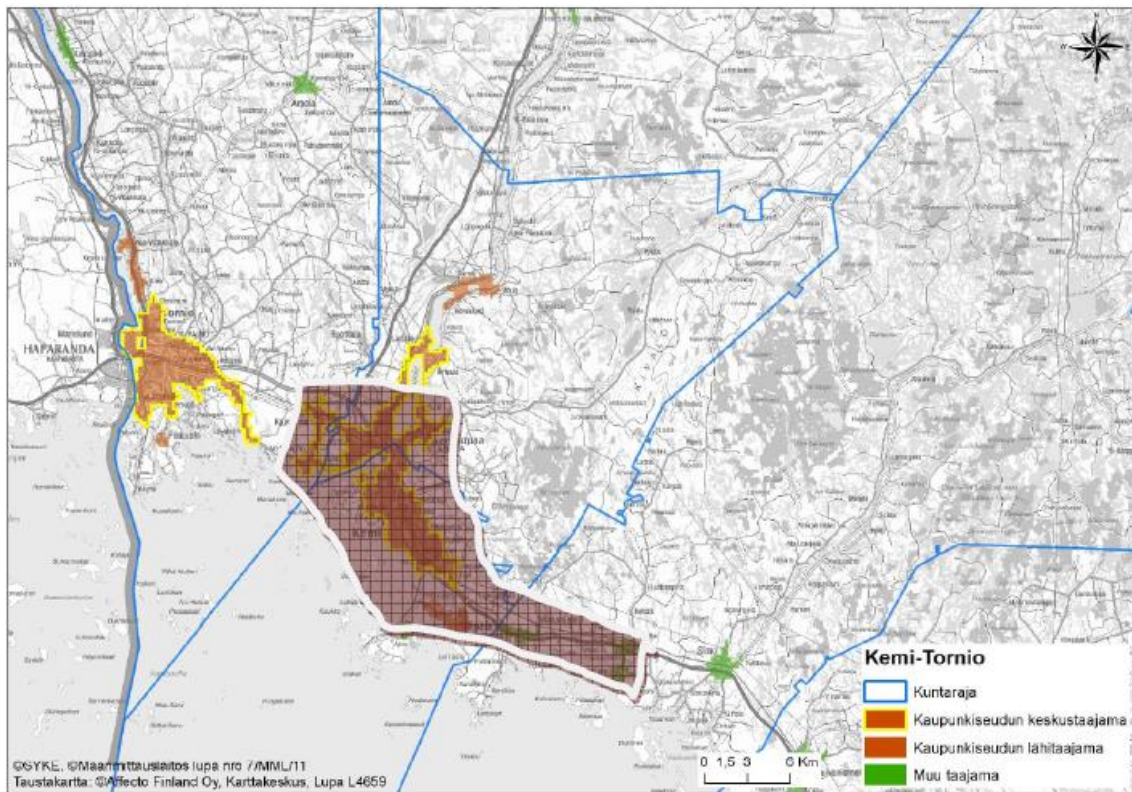


Figure 3: Kemi-Tornio area and Kemi's operational environment, cited 6.2.2017.

The blue lines in the map indicate the official municipal borders, the red areas inside yellow lines indicate the city central area and the red areas indicate the residential areas. The green areas indicate villages and other smaller residential settings. The white borders and the crisscrossed area inside them at the center of the figure indicates the operational environment, as discussed above. At the time the map was illustrated, being in 2010, the population inside the operational environment area consisted of an approximated 32 900 people. It's also mentioned that in 2000 the population inside the area was 33 800, indicating the negative population trend still effecting the city. In the year 2000 an approximated 12 621 job positions, the amount of workforce was 12 618, making the overall percentage of work position equity rate a full 100%. For the sake of indicating comparison, the figures were 11 328 in job positions, 11 926 people in workforce thus giving the work position equity rate of 95% (Kemin Kaupunki 2012, cited 6.2.2017).

The city of Kemi itself had the number of 9669 job positions and the work position equity rate of 120% in 2010. In the year 2009 the personal amount of net commuting was 1455, indicating that the given amount of people from other cities are working in Kemi compared to the number of people that travel to work from Kemi to other cities. In a span of the for-mentioned years, 2002 to 2010, the amount of job positions have decreased with the number of 1100 positions. The most

significant change in job position trend has been in paper and wood industries where the amount of positions has decreased since the national economic depression in 1990. However, the amount of job positions in services took a growing leap, starting from the year 1997, but took a swift downturn during the recession of 2009. Yet again, the heaviest losses effected in businesses surrounding the industrial market, i.e. in industrial design and R&D. Despite of the negative trends effecting the city's economy, it's safe to say that the economic structure in the city has changed dramatically from what it used to be in the industrial "golden years". Kemi has changed to a city of services, with the estimated percentage of 72% of job positions being in the service industry. Though the market in services is looking up, there's still a heavy request for industrial operators in Kemi. The market and foundations are there for investors and companies to step into, as the city still tends to look up to industrial innovations and settings. (Kemin Kaupunki 2012, cited 6.2.2017).

### **3.4 Foreign business regulations**

There are a number of regulations covering foreign business operations in Finland, related to taxation and registration to numerous registers. The government is looking to improve the effectiveness and flexibility of legislation covering business policies, as 9, 1% of companies in Finland considered inefficient government bureaucracy among the key factors considering hindering business in Finland (European Commission 2016, cited 27.3.2016). The current regulatory and taxation essentials for foreign businesses are described and presented as they currently are forced. There's also a list for useful links for further information at the end of the handbook. These elements are important to handle once setting up and conducting business operations everywhere in Finland.

#### **3.4.1 Establishing a business**

There are several ways of forming establishments in Finland. As stated by Expat Finland (2016, cited 3.5.2016), setting up a business can be highlighted as a profitable working option for immi-



grants, as over 6,500 businesses in Finland have been established by people that have arrived in Finland from abroad.

Generally, the Tax Administration covers the foreign business operations and even closely for businesses started in Finland. According to the Business Information System (2016, cited 26.3.2016), to become able to start a business in Finland foreign businesses, organizations, and traders are required to file a start-up notification with the Tax Administration. In a case of a single assignment carried out in Finland, one is able to apply a tax-at-source card at any available tax office instead of registration. Filing the start-up notification is not yet made possible for foreign businesses to do online. There are three form sheet categories for different business operation and company models that are legal in Finland, therefore the typical forms of foreign establishments can be presented through these categories. Each foreign operator is to choose the correct form sheet based on the operational model of their business, accompanied by the Description of business conducted in Finland-form (appendix form 6204 of the Tax Administration) or other appendices as mentioned in the following.

1. Y1-form, if the business is a limited company, co-operative, savings bank, foundation, association or other organization
2. Y2-form, if the business is a general partnership, limited partnership or tax consortium + appendix form 6206
3. Y3-form, if the business is conducted by a private (self-employed) trader

Branches of foreign traders are also required to register for a fee with the Finnish Trade Register. Branches are entities or foundations of foreign business, continuously operating from a specific permanent position or location of business in Finland in the name of or behalf of the given foreign business or foundation. The fee is 380 euros and the submitting of forms is not possible online as with for mentioned documents. Branches fill in the Y1 form accompanied by appendix forms 3 and 6204 and issue them for both Tax Administration and the Finnish Trade Register. Appendix form 3 is issued for the National Board of Patents and Registration. In all of the above mentioned scenarios, the forms are to be filled in Finnish or in Swedish. Other mandatory enclosures include foreign certificate from the trade register of the country of the businesses tax residence. Further information about the forms can be found through the links available in the list at the end of the handbook.

### 3.4.2 Company names

An important and early step in establishing a business is naming the company. From a completely self-invented word or a combination of the place and type of business the company conducts and represents. It's also possible to name the business by using one's personal name. As stated by the Finnish Patent and Registration Office (2011, Cited 15.4.2016), The Trade Register is the regulatory body that checks the company name fillings as follows:

- Indication of company form
- Individuality
- Distinctiveness
- Non-confusability
- Family names
- Others

A company name contains an indication of the corporate form. Indications of parallel company names are presented in Table 1.

*Table 1, indication of company form*

| Corporate form  | Indication   |
|---|--|
| Private trader  | Indication not mandatory. "Tmi" or "Toiminimi" are often used in practice.   |
| Limited company   | "Osakeyhtiö" or "oy".  |
| Public limited company                                    | "Julkinen osakeyhtiö" or "oyj"   |
| Real estate corporation or mutual real estate corporation | "Osakeyhtiö" or "oy", because this is a limited company. The words "real estate" or "mutual real estate" need not be included, even though this is often done in practice.   |
| Limited partnership                                       | "Kommandiittiyhtiö" or "ky". The name shall not include the name of a silent partner.  |
| General partnership                                       | "Avoin yhtiö" (NB. the abbreviation "ay" must not be used). Family names of the partners, for example "Virtanen & Sjölund" are accepted as indications of a partnership; hence "avoin yhtiö" need not be included in the name.   |
| Cooperative   | "Osuuskunta", "Osuus-" or the abbreviation "osk". Person names must not be included.   |
| Branch of a foreign trader                                | The name of a branch shall include the company name of the foreign trader in its registered form with an addition that indicates that it is a branch. The addition can be for example "sivuliike Suomessa" (branch in Finland), "filial i Finland" (in Swedish) or "filial". |

It is to be noted that auxiliary names cannot obtain any sort of indication of company form.

For the case of individuality, the company name is to individualize the business conducted by its owner, meaning that there are elements that the initial company name cannot include. They are:

- A simple indication of the business type, for example Demolition Company Ltd
- Name of the offered goods or services, for example Flower Shop Ltd
- Common first and family names, for example Matti Ltd or Virtanen Ltd
- General names for places, for example Kemi Ltd

- Such combinations of letters and figures which can't be pronounced as clear words, for example X7X Ltd
- Phrases and utterances, for example Here to entertain you Ltd, Serving customer demands Ltd

One must note that registration does not give a business an exclusive right to any of the mentioned above. These kind of names can only be registered once another element is added to them, for example a name of a person or a name of a specific place.

The company name is also to differ from the names already existing in the register. The authority conducting the initial registration also has to be able to make a distinction between the names, thus names that are similarly identical in pronunciation or writing with another name can't be registered. Differences between indications do not add distinction between two similar names.

Confusion is also to be avoided in registered company names, symbols and trademarks. Once confusability is being considered, the setting usually involves two companies operating in the same line of business. Hence the need for differentiation, the company names in such a setting have to differ more from one another than for example in case that they would operate in separate lines of business. However, despite the confusability, a company name can be registered by the owner of the conflicting company once a written consent has been handed to registration. The deed of consent is to be enclosed to the notice handed to registration.

Without a proper permission requested, a company name cannot include or contain elements that can be understood to belong to a family name of someone else. Family names that don't obtain any meaning as a noun restrict the means of use more than names that do have a noun synonym. For example Wildlife Park Karhu can be registered without a person with Karhu-surname working in the company, though Wildlife Park Salminen requires a Salminen-named person involved in the company.

Other uncontainable elements construable to another person's artist name or title of one's protected literature of artistic work, protected national or international designation or abbreviation of the designation and the initial names of foundations or other similar associations and organizations can't be used in company names. It's also to be noted that the company name is not to be liable to mislead the public (Finnish Patent and Registration Office 2011, Cited 15.4.2016). Fur-

ther information can be found from the Finnish Patent and Registration Office's website and directly through the links in the list at the final pages of this handbook.

### **3.4.3 Funding and development**

There are several sources for funding for businesses and entrepreneurs in Finland. According to Invest in Finland's Investment incentives-sheet (2015, Cited 3.5.2016), foreign-owned companies operating in Finland are eligible for a variety of government and EU incentive funding equally to their Finnish counterparts.

Centers of the Economic Development, Transport and the Environment, known as ELY Centers, hands and coordinates business aid to companies through its 15 regional offices that also provide consulting, training and assistance and advice in registration related issues and help on location choices. Foreign operators are to receive various types of business aid through ELY Centers mainly on Development areas 1 & 2 as they're presented in figure 1. Kemi is situated on Development area 1, on region number 192 and Lapland's ELY Center office in Kemi operates in Asemakatu 19. Further details can be found from the list at the end of this handbook.

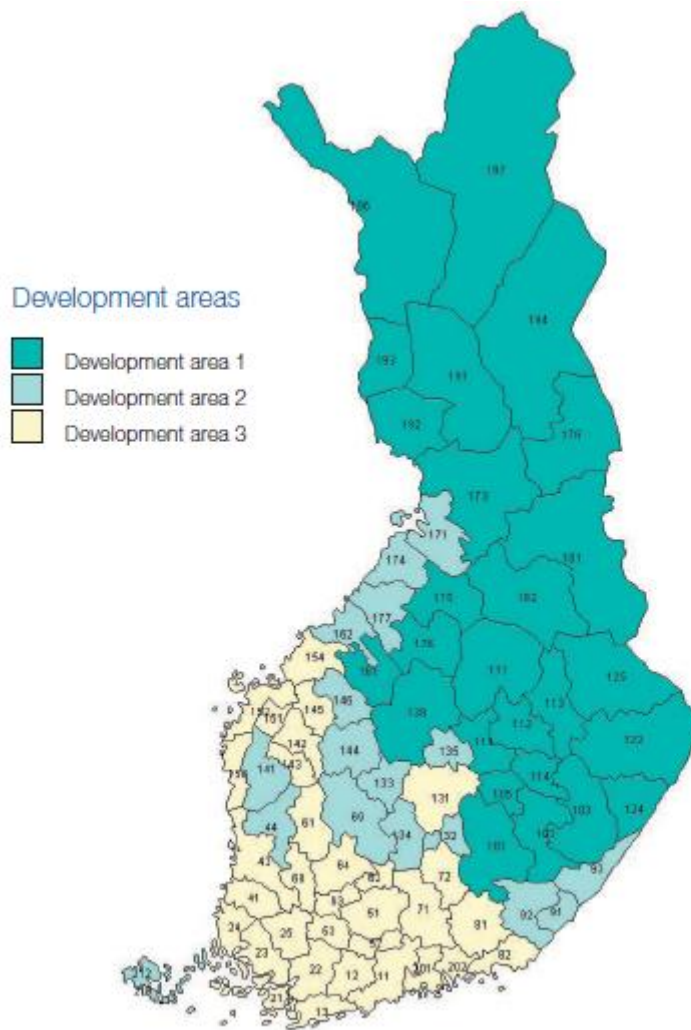


Figure 4: Development areas

In regional areas, there's also investment aid available in ELY Centers, especially for SME's. Large entities are likely to qualify for investment aid if they're seen to have a significant impact on regional employment. There's also aid available for business development in order to improve and or facilitate the businesses' operations in the region, as well as enhancing processes and knowledge, production development and internalization. There are also subsidies aiding start-up businesses. Energy subsidies are also granted for companies in order to support investments for resource efficiency energy-wise and also conservation.

Finnvera, a financing company owned by the state, offers its services to businesses despite of their size and the sector they're operating in, only exception being basic agriculture. Finnvera aids with i.e. guarantees and loans to start-ups and micro enterprises as well as export credit guaran-

tees for larger export companies and their financiers. Finnvera also acts as the official Export Credit Agency (ECA) in Finland.

Generally EU financing is channeled through ELY Center offices, directed to projects aiming at developing competitiveness, knowledge and the initial operating environment of SME's. According to Invest In Finland's Investment Incentives-sheet, emphasis is especially on start-up businesses and service sector companies.

The Finnish Funding Agency for Technology and Innovation, Tekes, provides its share of low-interest loans and grants generally for companies and projects that have potential for success in global scale. Foreign-owned businesses pursuing research and development activities in Finland are eligible for Tekes' funding. Since the fall of 2013, Tekes has also made investments directly in early-stage enterprises that are registered in Finland. Tekes invested 610 million euros in 1928 innovative projects in 2010 (Invest In Finland 2015, cited 10.5.2016).

During the growth and internalization phases a state-owned investment company, Finnish Industry Investments, is also making capital investments as well as in acquisitions and merging situations. If the capital is used for business development in Finland, Finnish Industry Investments invests in foreign companies as well (Invest In Finland 2015, cited 11.5.2016).

Digipolis is an operational center in Kemi that offers development services for businesses, specializing in technology and refined to meet responsively with regional needs for business operators operating and looking to operate in the local area. Digipolis takes part in training professionals, partaking and carrying out specified, company-based research work, facilitating start-up companies via incubation services and offering development services throughout the business lifespan, tailored to each customer individually (Digipolis 2017, cited 12.2.2017).

#### **3.4.4 Opening a bank account**

Generally, opening a corporate bank account in Finland is quite easy and straight-forward. There's usually five types of documents involved in the process and getting through these physically in a scheduled appointment would be advised as there is variety in ways that banks handle their papers. The five document types are:

1. Extract from the Trade Register

This document should not be older than three months. The extract can be replaced in cases where the company hasn't been registered yet with a register certification that indicates that the declaration of establishment has been submitted or with documents of incorporation.

2. Extract from the minutes of the company's decision-making body

This document is to indicate the names of those officials of the company that are authorized to use the company account and their initial authorizations, the decision to open the account, lending and submitting of collateral.

3. Account of incoming and outgoing payments

An indication of volume and the size of individual payments.

4. An account of the company's operations

5. Other accounts

For example information on companies that have shareholdings in the company et cetera.

The required documents can be submitted either in Finnish, Swedish or English (Nordea, cited 26.2.2017). Further information related to funding and the operators behind it can be found from the list at the end of the handbook.



### **3.4.5 Prepayment Register**

According to the Finnish Tax Administration (2016, cited 26.3.2016), a foreign company conducting business in Finland can be registered in the Prepayment Register if the country of tax residence has an existing income tax treaty with Finland or if it is deemed to have a permanent business establishment in Finland. In a case where no entry in the Prepayment Register has been made, or if no zero-rated tax card has been issued to the given business or a company, the incoming payments from customers are subject to withholding at the rates of 13% to 35% depending on its legal entity form.

If a business or a company has a permanent establishment in Finland, the Tax Administration guides upon the time of registration that the business or company is to pay a tax-prepayment corresponding to the annual taxable income that is generated by the given permanent establishment. The company has entered the projected income on its issued Start-up form. Asking for a change in the prepayment can also be issued by the company. It's also to be noted that a registration in the Prepayment Register doesn't make a company liable to Finnish income tax (Tax Administration, cited 26.3.2016). Further information about payment registration can be found through the links available in the list at the end of the handbook.

### **3.4.6 Register of VAT payers**

The Tax Administration states (2016, cited 26.3.2016) that all foreign companies must be VAT registered, if Value Added Tax is being charged from their goods or services. Registration is also to be done if an operation gives rise to a permanent establishment for VAT purposes. If the given business or a company is not deemed for a permanent establishment, the VAT charged is due of being paid by the buyer of the goods or services, within a VAT reverse-charge scheme. However, there are situations where the VAT reverse-charge scheme is not applicable. In these situations, the seller must always for VAT in Finland. These situations are:

1. The buyer of goods or services is a foreigner with no permanent establishment and no Finland VAT registration

2. The buyer of goods or services is a private person
3. There are distance sales of goods from another EU country to Finland in question
4. Sold services are passenger transport services
5. Sold services that relate to entry to events that involve teaching, science, culture, entertainment and sports or to events such as fairs and exhibitions

Further information about value added taxation regulations can be found through the links available in the list at the end of the handbook.

### **3.4.7 Register of employers**

If a foreign company or business is permanently established in Finland, it is subject to the same employer obligations and legislation as any Finland-based company or business. Registration as an employer must be done if wages and/or salaries are paid in Finland to at least a number of two employees on a regular basis or at least six employees on a temporary basis. The company is to withhold tax on the wages paid for the employers following the instructions stated in each employer's personal tax card. The general rules implied in tax cards state, that employees that stay for a shorter period of time than six months, a tax-at-source card is issued at the local tax office. If the employee fails to present the required tax-at-source card, the company is to withhold 35% tax. The ones staying longer use the regular Finnish tax cards. Withholding in these cases follows the usual progressive income-tax scheme. If the company fails to present the required tax card, it is to withhold 60% tax.

In a case where a company or business does not have a permanent establishment in Finland for income tax purposes, it's not required for seeking an entry to the Register of employers and is not treated to have any employer obligations. It's to be mentioned however that a company in this case is entitled to request for the employer registration on a voluntary basis. When the given company is registered it must either withhold the tax at source, or carry out the regular Finnish withholding according to the instructions given and stated on each employee's tax card. Further information can be found through the links available in the list at the end of the handbook.

### **3.4.8 Financial accounting and financial statement**

As usual in business, all the operators conducting business or trade in Finland are liable to keep books. As Holopainen (2009) states in *Establishing and Doing Business in Finland*, accounting, being a subject to the provisions of the Accounting Act and Accounting Degree, is a measure that's use is heavily guided towards by the taxation legislation as people liable to keep books are to follow good accounting practices. Finland has an Accounting Board that issues opinions, decisions and guides towards good accounting practices. The associations of auditors and audit companies also issue the recommendations that are related to accounting in general and financial statements. Generally, the company management is liable for arranging its accounting. Accounting material is to be collected that describes the initial business events in the company, the arrangements, exact numbering and their entering to the books and their keeping. Accounting has to be kept up-to-date (Holopainen 2009, 96).

Drafted for a full financial period of 12 months, the financial statement comprises the balance sheet that shows the financial position of the business on that day the accounts are closed. Additionally the financial statements contains an income statement that shows the company revenue, cash flow statement (being applied to public and large limited companies and co-operatives) and notes. The financial statement includes the company's annual report, though small enterprises are not obliged to draft the annual report if only one of the thresholds stated below is exceeded both in the last initial financial period and in the financial period that precedes it. The thresholds, stated in Finlex database (2015, Cited 17.4.2016), for the small enterprises are as follows:

- Turnover of the corresponding yield: 12 million euros
- Balance sheet total is 6 million euros
- The company employs 50 employees on average

Companies are also to prepare a cash flow statement if at least two of the above mentioned thresholds have been exceeded for both the previously past accounting period and the period preceding it, though presenting the cash flow statement is mandatory for limited companies and co-operatives as they're required by the Limited Companies Act and the Cooperatives Act and its notes respectively.

As for the financial statement it's generally stated as completed once the balance sheet book, containing the income statement, balance sheet, notes and the possible annual report is being signed and dated as requested in the legislation. The financial statement is to be completed within four months' time from the end of the financial period. Generally, financial statements of all limited companies and co-operatives are public information, concerning partnerships as well. The financial statement is published by submitting the required documentation for registration with the Trade Register. It's to be noted that Balance sheet items are not part of the initial published financial statement.

Further information related to accounting and good accounting practices can be found from Finlex, along with the updated figures and legislation elements. Link to the Finlex database and other references can be found from the list at the end of the handbook.

#### **3.4.9 Insurance obligations**

There are insurance obligations to entrepreneurs as well as larger companies alike in Finland that employing bodies are to follow once employing staff. Finnish Tax Administration (2016, cited 12.5.2016) states that pension insurance is an obligation that forces employers and entrepreneurs, as both are liable to take out insurance for all of their staff, known as TyEL-insurance. They are also to pay the contributions to an authorized pension provider. The length of the initial employment contract has no effect on the matter and the same obligation forces households acting as employers as well. A self-employed person is also to take out insurance, known as YEL, to cover oneself. It's also to be noted that the pension insurance is to be taken out within the first six months span of self-employment and when the activity of the business has lasted at least four months. The contributions of a self-employed persons insurance are based on the confirmed self-employment income, not based on i.e. a company's turnover. Self-employment also effects on a persons' pension and social security entitlements (Finnish Tax Administration 2016, cited 12.5.2016).

It is also to be noted that the 2017 Pension Reform is coming to effect in 2017, forcing changes to pensions. These changes have effect on retirement age limits and pension accrual rates. A link for a summary of these changes in detail can be found in English from the list at the end of this handbook.

### 3.5 Useful links for further information

YTJ – The Business Information System – Information about start-up notifications and business id-details, the database for business id-details

<https://www.ytj.fi/en/index.html>

YTJ – The Business Information System – Information about the start-up notification procedure

<https://www.ytj.fi/en/index/notifications/start-upnotifications/foreignbusiness.html>

Finnish Patent and Registration Office – Information about registering the business, applying for trademarks

<https://www.prh.fi/en/index.html>

Finnish Patent and Registration Office – Information about the forms related to starting up a business

[https://www.prh.fi/en/kaupparekisteri/yrityksen\\_perustaminen/perusilmoituksen\\_tekeminen.html](https://www.prh.fi/en/kaupparekisteri/yrityksen_perustaminen/perusilmoituksen_tekeminen.html)

ELY Centre – Centre for Economic Development, Transport and the Environment

<https://www.ely-keskus.fi/en/web/ely-en/>

Tekes - Tekes provides innovation funding for companies, research organizations, and public sector service providers

<https://www.tekes.fi/en/>

Finnvera provides financing for the start, growth and internationalization of enterprises and guarantees against risks arising from exports

<https://www.finnvera.fi/eng/>

Digipolis – Digipolis is a regional business development centre offering tailored services for businesses and entrepreneurs in Kemi-Tornio area

<http://www.digipolis.fi/en/home.html>

Expat-Finland – a database project offering a lot of useful information related to various Finland-related topics

<http://www.expat-finland.com/>

Finnish Tax Administration – a database for taxation obligations and regulations

<https://www.vero.fi/en-US>

Finnish Tax Administration – Detailed list for obligations forcing a foreign employer in Finland

[https://www.vero.fi/en-](https://www.vero.fi/en-US/Companies_and_organisations/Foreign_business_in_Finland/Obligations_of_a_foreign_employer(21532))

[US/Companies and organisations/Foreign business in Finland/Obligations of a foreign employer\(21532\)](https://www.vero.fi/en-US/Companies_and_organisations/Foreign_business_in_Finland/Obligations_of_a_foreign_employer(21532))

Finnish Tax Administration – Legislative changes affecting taxes in 2017

[https://www.vero.fi/en-US/Tax Administration/Changes2017](https://www.vero.fi/en-US/Tax_Administration/Changes2017)

Finlex - Finlex is an online database of up-to-date legislative and other judicial information of Finland, being owned and maintained by Finland's Ministry of Justice

<http://www.finlex.fi/en/>

Business Development Office – City of Kemi – The Business Development Office is offering development consulting, regional consulting and corporate advice for example in the search for business locations in the city

<http://www.kemi.fi/english/business-development/>

## 4 DISCUSSION AND CONCLUSIONS

The aim of the thesis was to determine the elements that a business should be considering once looking for business establishment opportunity in Finland, the elements that could be identified and implied once a business has settled in the city of Kemi and the strengths affecting the decision for the business for doing so. The empirical output, being also the initial answer to the questions setting the study work, was formed in order to guide a foreign business operator to conduct business in Finland and furthermore in regional depth in city of Kemi.

The idea for the thesis rose while doing my work practice period. Working in the Business Development Office in the city's organization, the thesis quite simply put itself together on its own, leaving me in a joyful and the utmost prosperous position to just report what was going on around me and the office and to sum up the initial elements that effect the work inside a public business development office every day.

The theoretical frame encouraged me to push the limits a bit further towards national levels of knowledge and information, as there is a definite change going on in the national corporate culture and the way of putting up and formatting a business. The current national corporate environment has been studied and reported widely, even on international levels; the topic is studied nationally throughout the spectrum from universities to ministries and even high-end reports like the European Commission's annual report identified the current corporate culture change currently in motion in Finland. Seemingly, the government has opened the gates for public corporate funding and any idea worth kicking off will receive funding and development help. The attitude towards entrepreneurship is changing and opening up, as starting up a business is made easy and seamless and also sold like this to the public. The corporate environment has stood on its spot for too long, and the government has taken action to light some fire underneath it. To spike up the national competition, the doors are open for international operators as well. This information was seen beneficial from the author's perspective for a foreign business operator looking to step into the market.

As corporate governance and legal frames are internationally acclaimed and known in Finland, there are a handful of regulations and rules that draw the operational lines for operators to work and conduct business in. The very essentials were presented in a handbook format,

as I figured among with my co-workers and supervisors that were lacking at the time and that it could be useful while working with foreign customers looking for regional business advice. The governing bodies offered a stable and firm theoretical frame for the handbook. The regional frame for business development was and still is in a bit of a breaking point as there's been movement in staff and in the offices role, so the handbook was tailored for the commissioner with that space for additional edit and further editing in mind, giving an empirical end-product that would actually be available for actual customer use. As the handbook was still part of a thesis, it could not be as commercial as an actual produced handbook for foreign customers would be, leaving the author in a bit of a limbo between the two ends every now and then.

Personally I gained a lot of knowledge and enhanced the skills that I learned during my work practice period and the thesis seemed quite fitting "cherry on the top" for that period of time in my studies. I am currently working in a private company operating in the same city and competing customers inside the same operational area determined in Elinkeinostrategia 2012-2020 (2013, cited 12.2.2017) and the knowledge inside the given area has already turned useful for myself in my current position.

There's naturally room for further studying for the corporate development in Finnish entrepreneurship attitudes and the national business setting as a whole since it's changing in bits every day, even more on a year scale, but also the handbook needs annual updating if it's taken into further commercial production by the commissioner. There was significant changes in legislation and taxation even within the period the thesis itself was written and it's quite possible that there's a fair share of outdated info in the handbook in a need for update in the end of the current year 2017. In order to have any empirical use or emphasis, the handbook lives and breathes from actual, current and factual information so that it could serve the meaning for its reader.





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