

## Tax Percentage Calculator & Gross Income Calculator, Finland

<b>Title of the policy or measure (in English)</b>	Tax Percentage Calculator & Gross Income Calculator (Veroprosenttilaskuri & Bruttopalkkalaskuri)
• Country	Finland
• Sectors	All
• What groups are targeted by the measure	<p>Tax Percentage Calculator:</p> <ul style="list-style-type: none"> <li>• Employees, self-employed (directly targeted)</li> <li>• Media (indirectly targeted)<sup>1</sup></li> </ul> <p>Gross Income Calculator:</p> <ul style="list-style-type: none"> <li>• Employers and employees who have entered an employment contract (directly targeted)</li> </ul>
• Purpose of measure	Prevention
• Short sentence summarising the measure	<p>The Tax Percentage Calculator is a digital self-service online tool that can be used by employers and employees to estimate the percentage rate of withholding tax. A person may require a new withholding tax rate because s/he is no longer employed, has recently started working or due to other changes. (<a href="https://prosentti.vero.fi/VPL2018/Sivut/Henkilotiedot.aspx">https://prosentti.vero.fi/VPL2018/Sivut/Henkilotiedot.aspx</a>)</p> <p>The Gross Income Calculator is a digital self-service online tool used in situations where the employer and the employee have agreed on the net amount of wages to be paid and are executing the employment contract. The calculator can then provide an estimate of the correct <i>gross</i> income corresponding to the agreed net income. (<a href="https://prosentti.vero.fi/BPL/Sivut/Laskuri.aspx">https://prosentti.vero.fi/BPL/Sivut/Laskuri.aspx</a>)</p>
<b>Background</b>	
• Background context driving the implementation of the measure	<p>Before the introduction of these digital self-service tools, employees had to fill in a written form in the case of calculating the tax percentage on their incomes for their new tax card, which was not considered to be very user friendly. Similarly, before the introduction of the digital Gross Income Calculator, the taxation authorities and tax payers used to calculate the gross income manually, but it was complicated, time-consuming and vulnerable to errors.</p>

<sup>1</sup> Media takes contacts to the Finnish Tax Administration while making news of taxation issues

	<p>From the Finnish Tax Administration's perspective, there was an increasing need to reduce the administrative costs of dealing with taxpayers directly, including the costs of taking corrective action to reclaim back-tax and to make tax refunds after the end of each taxation year. The tax authorities wanted to improve customer services by developing digital self-services that can be easily used by tax payers. With the Gross Income Calculator, the authorities also wanted to lighten the administrative burden of the employers and make the communication of what taxes need to be paid by the employers including the small entrepreneurs as clear as possible.</p>
<ul style="list-style-type: none"> <li>When was the measure implemented? (including start date and end date/ongoing)</li> </ul>	<p>The Tax Percentage Calculator: January 2003 – ongoing</p> <p>The Gross Income Calculator: June 2013 - ongoing</p>
<ul style="list-style-type: none"> <li>Names(s) of authorities/bodies/organisations involved</li> </ul>	<p>Finnish Tax Administration</p>
<ul style="list-style-type: none"> <li>Scope of the measure (a pilot project, nationwide, regional wide)</li> </ul>	<p>Nationwide</p>
<ul style="list-style-type: none"> <li>Type of (policy) measure</li> </ul>	<p>Tool</p>
<ul style="list-style-type: none"> <li>Key objectives of the measure</li> </ul>	<p><b>General objectives:</b></p> <p>- According to the Tax Prepayment Act (1118/1996), the amount of tax payment should be as accurate as possible every year. The Tax Percentage Calculator allows tax payers to estimate the amount of tax and the tax rate to be shown on tax card, while the Gross Income Calculator helps to calculate the amount of gross income corresponding to the agreed net income.</p> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>Decrease the administrative burden on the tax authority and reduce the risk of errors associated with manual calculations by providing with automatic calculators;</li> <li>Tax Percentage Calculator: to help employees and self-employed calculating the information needed to the compulsory pension plan (under the Acts called YEL and MYEL governing the retirement of entrepreneurs and farmers, Act 280/2006), check the validity of the tax percentage in an easy way, while having change in their income level or factors affecting to the deductions of the taxes;</li> <li>Gross Income Calculator: to help employers and employees with net income work contracts to get information in an easy and user-friendly manner on the correct gross income and the amount of withholding tax payable.</li> </ul>
<p><b>Specific measure</b></p>	
<ul style="list-style-type: none"> <li>Description of how the measure operates in practice</li> </ul>	<p><b>The Tax Percentage Calculator</b></p> <p>The Tax Percentage Calculator is used by employees who receive their tax cards once a year. Each employee must apply for a new tax card from the Finnish Tax Administration if they feel that the estimation of the income on the tax card</p>

they receive at the beginning of the tax year is either over- or underestimated. The estimation of the tax card is based on previous years and some deductions like travel expenses.

The Tax Percentage Calculator is most commonly used at the beginning of the year for checking the basic tax percentage to be paid on income. The tax payer can check if the estimate of their income and thus the basic tax percentage is correct.

Also, an employee may need to apply for a new tax card if their source of income changes during the year, for example, due to retirement, social assistance payments received or an increase in wages. An employee can check, using the digital Tax Percentage Calculator, how much the tax rate percentage will be on the new tax card (<https://prosentti.vero.fi/VPL2018/Sivut/Henkilotiedot.aspx>).

The Tax Percentage Calculator does not give accurate estimates of income received from other countries, athletes' or sportsmen's fees, or stock options on the basis of employment.<sup>1</sup>

The Tax Percentage Calculator includes personal data affecting the level of taxation e.g. residential area, number of children and church membership. The calculator calculates total taxes and tax-like charges for the entire year, and calculates the basic rate and additional rate of tax. The Tax Percentage Calculator gives the withholding rate of taxes, but to calculate a reasonably close estimate of future take-home pay, a tax payer needs also to consider the pension and unemployment insurance premiums that are added to the basic percentage rate.

### **The Gross Income Calculator**

The Gross Income Calculator is used by employers and employees who have negotiated a net wage for the employee, and have agreed a work contract based on it but both parties need then to obtain information on the gross income in order to apply for the tax card. Usually net income contracts are used with foreign workers.

With the Gross Income Calculator employer and employee can calculate the gross income, which consists of net pay and the taxes that the employer then pays on behalf of the employee (<https://prosentti.vero.fi/BPL/Sivut/Laskuri.aspx>).

The employee then requests a tax card based on the gross income amount estimated by the Gross Income Calculator and gives it to the employer who can thus pay the right amount of withholding tax during the taxation year. The Gross Income Calculator includes background information about factors affecting the taxation (e.g. municipality of tax residence, adherence to churches for purposes of Church tax, and social insurance in another country). The results of the Gross Income calculation include information of gross income subject to tax, total taxes, employment pension contributions and unemployment insurance contributions. The result of the Gross Income Calculator doesn't include information of the tax rate and automatic deductions.

Both the Tax Percentage Calculator and the Gross Income Calculator are available in Finnish, Swedish and English. This helps foreign workers and other non-Finnish language speakers to pay their taxes correctly while working in Finland.

<ul style="list-style-type: none"> <li>• What resources and other relevant organisational aspects are involved?</li> </ul>	<p>There are no dedicated or special personnel within the tax administration working with the calculators. The tax pre-assessment team in the Finnish Tax Administration conduct the yearly updates as a part of their basic work. Technical changes to the calculators are made by the company responsible for the ICT-system within the Finnish Tax Administration</p>
<ul style="list-style-type: none"> <li>• What are the source(s) of funding?</li> </ul>	<p>National funding</p> <p>About EUR 40 000 – 50 000 per year is spent on the yearly updates of the Tax Percentage Calculator and Gross Income Calculator. This sum funds the work of the tax pre-assessment team conducting the updates, and the work of the ICT-system personnel making any required technical changes to the calculators.</p>
<p><b>Evaluation and outcome</b></p>	
<ul style="list-style-type: none"> <li>• Has the measure achieved its objectives?</li> </ul>	<p>The Tax Percentage Calculator and Gross Income Calculator have achieved their objectives as they have reduced the administrative burden and have increased the accuracy of the relevant information while providing a system whereby employers and employees have an easier, more user-friendly way of checking the validity of tax percentages and calculating gross income etc.</p>
<ul style="list-style-type: none"> <li>• Assessment method (including indicators used to measure its impact), and the outputs and outcomes achieved</li> </ul>	<p>The Finnish Tax Administration collects 95 % of Finnish taxes and tax-like charges. It has many tax calculators which are widely used. In 2016 there were about 1 815 000 users of the Tax Percentage Calculator and about 29 000 users of the Gross Income Calculator. The tools have reduced the work burden of personnel within the tax administration while at the same time helping tax payers to estimate more accurately what taxes they owe and to pay them on time. The feedback of the use of both calculators is received by the email- and telephone contacts of the employers and employees.</p>
<ul style="list-style-type: none"> <li>• What are lessons learnt and the key conditions for success?</li> </ul>	<p>Lessons learnt and success factors include the following:</p> <ul style="list-style-type: none"> <li>• The calculators should be easy to use - it's important to do a lot of usability testing before they are introduced.</li> <li>• Another important feature is how adequate and customer-friendly is the guidance given to the users of the calculators. A "help-key" is provided in every part of the Tax Percentage and Gross Income Calculators, which gives clear information and specifications to advise the user how to answer the questions accurately.</li> <li>• After the calculators are introduced into use, it's important to collect real-time feed-back as in Finland with the email- and telephone contacts, which gives for example feedback in relation to the clarity of the guidance.</li> <li>• Different language-versions of the calculators are important for the benefit of workers speaking many languages e.g. Finnish, Swedish and English.</li> </ul>
<ul style="list-style-type: none"> <li>• Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<p>The Tax Percentage Calculator and the Gross Income Calculator are public, free of charge and easy to use. No personal data is required and the data fed into the calculators is not stored.</p> <p>The transferability of the calculators depends on the taxation system of the country. If the taxation is based on the withholding of the income for tax purposes and tax cards, the calculators can be useful and time-efficient for the tax authority and the taxpayers.</p>

	The calculators require personnel resources for updating the taxation information they provide and ICT service provision for carrying out any technical changes required. Also, usability testing and guidance on the use of the calculators are important factors to include in a successful delivery of these tools.
<b>Additional information</b>	
• Contacts	Suvi Kumpulainen, Senior Advisor, Finnish Tax Administration Email address: <a href="mailto:suvi.h5.kumpulainen@vero.fi">suvi.h5.kumpulainen@vero.fi</a> , Telephone:029 512 7437
• Useful sources and resources	Information of the purpose and use of Tax and Gross Income Calculators: <a href="https://www.vero.fi/en/About-us/contact-us/efil/calculators/">https://www.vero.fi/en/About-us/contact-us/efil/calculators/</a> <a href="https://prosentti.vero.fi/VPL2018/Sivut/Aloitus.aspx?kieli=en-US">https://prosentti.vero.fi/VPL2018/Sivut/Aloitus.aspx?kieli=en-US</a> <a href="https://prosentti.vero.fi/BPL/Sivut/Aloitus.aspx?kieli=en-US">https://prosentti.vero.fi/BPL/Sivut/Aloitus.aspx?kieli=en-US</a> ; Links to the Calculators in 2018: <a href="https://prosentti.vero.fi/BPL/Sivut/Laskuri.aspx">https://prosentti.vero.fi/BPL/Sivut/Laskuri.aspx</a> <a href="https://prosentti.vero.fi/VPL2018/Sivut/Henkilotiedot.aspx">https://prosentti.vero.fi/VPL2018/Sivut/Henkilotiedot.aspx</a>
• Metadata and key words for online search	Finland; tax percentage calculator; gross income calculator; digital self-service tools; withholding tax; usability testing; user-friendly tool; tax cards; net wages; work contract; administrative burden; risk of errors; tax percentage; level of tax; income estimates; take-home pay; basic tax rate; foreign workers

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<sup>1</sup> The calculator cannot be utilised in cases where income spreading is involved, for periodised pension income, for the handling of losses, for non residents' withholding tax estimates or for computing the income of self-employed fishermen who are insured under the YEL/MYEL acts and who receive seafarer's income from the company where they are shareholders.