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## Instructions for foreign employee-leasing companies

Taxpayer: Riigi Infosüsteemi Amet, Business ID 3515223-1

According to our information, your company leases employees in Finland. Employee leasing is an arrangement in which a leasing company provides employees to another company, i.e. the service recipient, under a leasing contract and receives a payment or other consideration in exchange for the leasing.

If a foreign company leases out its employees to a Finnish company, the leasing company must take care of certain employer's obligations in Finland. These obligations concern matters such as registrations, reports to the Incomes Register and tax withholding.

These instructions provide a general overview of a foreign employee-leasing company's obligations in Finland.

### Defining characteristics of employee leasing

Employee leasing is different from subcontracting in that the service recipient is responsible for the direction of the work. The recipient also supervises the work. However, the leased employee's employment contract is with the leasing company, not with the company for whom the work is done.

If the following conditions are met, the employees concerned are considered leased employees for the purposes of income taxation and preassessment:

- The service recipient has the right to direct and supervise the work.
- The work is performed in an environment over which the service recipient has control and for which it is responsible. In other words, the leasing company does not itself operate at the place where its employees work. The leasing company only provides the service recipient with employees.
- The service recipient provides most of the required tools and equipment for the work.
- The leasing company cannot unilaterally decide on the number of workers or their qualifications.
- The service recipient is responsible for the result of the work.



- The leasing company pays wages to its employees at or above the level defined in the relevant collective agreement.

### **Obligations of a foreign leasing company with no permanent establishment or place of effective management in Finland**

When the leasing company's country of tax residence is a foreign country, its obligations as an employer depend on whether the company has a permanent establishment or a place of effective management in Finland for purposes of income tax assessment. If the foreign leasing company does not have a permanent establishment or a place of effective management in Finland, it does not need to register as an employer.

#### **Submit earnings payment reports on wages paid**

Even if the foreign leasing company does not have a permanent establishment or a place of effective management in Finland for income taxation and is not registered as an employer, it must submit an earnings payment report to the Incomes Register ([incomesregister.fi](https://incomesregister.fi)) for the wages paid to its leased employees within 5 days from the date of wage payment.

Earnings payment reports must be submitted for wages paid to leased employees coming from the following countries or regions: Albania, Belarus, Bermuda, Cayman Islands, Cyprus, Denmark, Estonia, Georgia, Germany, Guernsey, Iceland, Isle of Man, Jersey, Kazakhstan, Latvia, Lithuania, Moldova, Norway, Poland, Spain, Sweden, Tajikistan, Turkey and Turkmenistan.

In addition, reports must be submitted for leased employees who are residents of Bulgaria but work in Finland for non-Bulgarian employers.

Reports must also be submitted for leased employees coming from countries that do not have a tax treaty with Finland.

#### **Submit employee leasing notices**

An employee leasing notice must be submitted to the Incomes Register for each leased employee coming to Finland from the following countries: Belarus, Bermuda, Cayman Islands, Cyprus, Denmark, Estonia, Georgia, Germany, Guernsey, Iceland, Isle of Man, Jersey, Kazakhstan, Latvia, Lithuania, Moldova, Norway, Poland, Sweden, Tajikistan, Turkey or Turkmenistan.

You must also submit the notice if the leased employee is from a country that does not have a tax treaty with Finland.

The report must be submitted regardless of the duration of the work period.

The employee leasing notice must contain the following information:

- Estimated duration of work. Give the start date and end date of the commissioning contract (dd.mm.yyyy–dd.mm.yyyy). If the estimated duration of the commissioned work changes, submit a replacement report with updated information. Contact the Incomes Register Unit for help with submitting replacement reports.
- Details of the Finnish service recipient. If employees are leased through an





intermediary agency, give details on the Finnish party for whom the work is ultimately conducted.

- Details of the foreign employer's representative.
- Estimated amount of wages paid over the entire tax year.

Details on leased employees must be submitted within 5 days from the first date of wage payment. Submit the information to the Incomes Register on [incomesregister.fi](https://incomesregister.fi). If you cannot submit the details electronically, you can submit them on paper by filing the form TULOR6106.

If an employer does not file a report on leased employees or files it late, consequences may include a negligence penalty of up to €15,000. In addition, the company may be removed from the prepayment register or its admission to the register denied.

### **Obligations of a foreign leasing company with a permanent establishment or a place of effective management in Finland**

A foreign employer that has a permanent establishment or a place of effective management in Finland must either withhold income tax or collect tax at source on the wages it pays to its employees as well as submit earnings payments reports. In addition, the company must register as an employer in Finland before it starts paying wages. In this case, the leasing company does not need to submit employee leasing notices. However, if the company uses an intermediary agency for employee leasing, the leasing notices must be submitted.

#### **Withhold taxes on pay and transfer the taxes withheld to the Tax Administration**

The leasing company pays wages to its employees, withholds income tax on the wages, and transfers the taxes withheld to the Tax Administration. The contract between the leasing company and its employee is an employment contract as defined in the Employment Contracts Act, and therefore the obligation to withhold tax on wages cannot be delegated to an invoicing service or other such party.

#### **Submit earnings payment reports on wages paid**

Report the wages, salaries and employer's contributions you pay to the Incomes Register at [incomesregister.fi](https://incomesregister.fi) within 5 days from the first wage payment. The report must be submitted separately for each employee.

Earnings payment reports must be submitted for wages paid to leased employees coming from the following countries or regions: Albania, Belarus, Bermuda, Cayman Islands, Cyprus, Denmark, Estonia, Georgia, Germany, Guernsey, Iceland, Isle of Man, Jersey, Kazakhstan, Latvia, Lithuania, Moldova, Norway, Poland, Spain, Sweden, Tajikistan, Turkey and Turkmenistan.

In addition, reports must be submitted for leased employees who are residents of Bulgaria but work in Finland for non-Bulgarian employers.

Reports must also be submitted for leased employees coming from countries that do not have a tax treaty with Finland.

#### **Leasing out employees through an intermediary agency**



The foreign leasing company must submit employee leasing notices with the details of the service recipient for whom the work is ultimately conducted. Even if the leasing company is leasing out its employees through an intermediary agency, the leasing company must regardless submit details on the Finnish service recipient for whom the work is conducted, not the intermediary agency.

Details on leased employees must be submitted on the employee leasing notice within 5 days from the first date of wage payment. Submit the information to the Incomes Register on [incomesregister.fi](https://incomesregister.fi). If you cannot submit the details electronically, you can submit them on paper by filing the form TULOR6106.

If an employer does not file a report on leased employees or files it late, consequences may include a negligence penalty of up to €15,000. In addition, the company may be removed from the prepayment register or its admission to the register denied.

Finnish Tax Administration

tel. +358 29 497 092 (Income taxation and registration: foreign companies, standard call rates)

