

Podcast title: Adventures in Entrepreneurship Law

Episode: How to start a business in Finland?

Podcast guest: Pia Partanen, Business advisor, Business Helsinki.

Length of recording: 18 minutes and 48 seconds

Transcription notes:

N1: Narrator 1

N2: Narrator 2

N3: Narrator 3

Host 1: Petra Hietanen-Kunwald

Host 2: Kalle Airo

Episode guest: Pia Partanen

Other information about the text:

[text] = a sounds or not transcribed parts are written with square brackets e.g. [laughs] or [interview paused due to a phone call]

[recording starts]

N1: Aalto University podcast.

[Intro music]

N2: In the adventures-of-entrepreneurship-law-podcast series, Petra Hietanen-Kunwald and Kalle Airo from Aalto University, explore business-law, from an entrepreneurial point of view, with expert-guests. In some episodes their co-host is Moritz Scherleitner. The podcast content is meant for education and is not intended to constitute legal advice

N3: Starting a company in practice, our guest is Pia Partanen, business-advisor, Business-Helsinki. Entrepreneurship-law, with Petra and Kalle.

Starting a company is important and it does not need to be complicated. In this episode Pia Partanen, a seasoned entrepreneur and currently a business-advisor at Business-Helsinki, will explain, how surprisingly easy it is, to start a company in Finland, in practice. In addition to the legal requirements, we will also discuss, what kind of help, support and funding the government and municipalities offer, to new entrepreneurs.

Petra Hietanen-Kunwald: Companies are a tool in the toolkit of the entrepreneur and today we talk about how to actually start a company, especially if you are a foreigner. Hello, Pia.

Pia Partanen: Hello!

Petra: Nice to have you here.

Pia: Nice to be here.

Petra: Pia, why is entrepreneurship important to you?

Pia: I have been an entrepreneur for several years. For me it is about the freedom, mostly, to do what I want, in a way that I want to. To be able to, at least on paper, be in charge of your timetable and even your income-level and make a difference in the field, that you are operating in.

Petra: It is a good point. Why should somebody consider starting a company?

Pia: I think, mainly for the...

Petra: [laughs]

Pia: same reasons, so you are able to make a difference. A lot of the companies, that I am advising, have a really passionate starting point, in what they want to accomplish. It can be really big things and as an entrepreneur, you have the possibility to accomplish that.

Kalle Airo: So, on a practical level, what should you consider, when you want to start a company?

Pia: You should test your business-ideas, find out whether there is a need and a willingness to pay for, what you are about to do. And then you should draft a business plan, that is a very important tool, to get you from your I-want-to-become-an-entrepreneur-stage into a lubricative business-operation and do the calculations, that show how much you need to invest into the business-operation and how much you need to make in order to make the ends meet.

Then it is time to consider funding, where do you find the funding, whether it is for your company or for yourself. In Finland we have something called a start-up grant which, is aimed for the entrepreneur and you cannot, if you want to opt for applying for a start-up grant you cannot actually register the company, before that. After receiving the information, that you have got the start-up grant. Now you can register the company and then it is time to find a book-keeper, specifically, if you are a foreigner, a good book-keeper in Finland can save you a lot of money and especially time. And set up a bank account. And if you are a foreigner, it also advisable to check what kind of permits, whether it is resident's permits or licenses and permits in regards to your line of business, that you might need.

Kalle: Okay, so in short, first you need to search for a business-idea, that makes sense. So, one thing, is not enough, but make sure that it makes sense to start the company and then, when you actually have enough information. Then plan and do the calculations, so, that you can actually, take a leap of faith.

Pia: Yes.

Petra: So, it is not that much of a leap of faith anymore.

Kalle: When, you know, that you are actually going to start a company. What kind of companies, can you start?

Pia: Well, the easiest, would probably be a sole-trader, as per the name you are a sole-trader, you cannot be more than one person. If you are more than one person, probably, the next option would be a limited-liability company, which is advisable as well, if you are having risks or you need to invest a lot into the company. Or you know, that the company is going to grow and you want to have more shareholders in the future.

Then there is also something called, light-entrepreneurship, which is not really a form of business in itself, it is a marketing name for two different kinds of invoicing services, if you wish. The so-called traditional light-entrepreneurship, is something where you, are invoicing through the company and they pay you, salary, so, as a matter a fact, you are not an entrepreneur, in that sense. There is another version, as well, where you do get a business-idea, id-number, sorry. And then you are, legally, an entrepreneur. And there the light-entrepreneurship company works as an invoicing company, as well as a book-keeper.

Petra: Could you explain a bit more, what is the difference between a light-entrepreneurship and a company, for instance? Because I think, that is not entirely clear and then there is the sole-trader.

Pia: Yes.

Petra: When you have a light-entrepreneurship, you are not normally an entrepreneur, but there is some kind of company, that is not your company. This other company, takes care of all the administration, and they are registered and you are employed by this company...

Pia: Exactly!

Petra: and you get paid.

Pia: Yes. If we were considering the traditional light-entrepreneurship, you are on a company's payroll invoicing through them. Technically you are not an entrepreneur, as light entrepreneurship is a marketing name for these invoicing services. Specifically when you are making larger sums of money, there are implications concerning taxes, like VAT, that you might want to take into consideration. When thinking about, whether light-entrepreneurship is the best choice for you or you would, really like to have a company.

Kalle: After an entrepreneur has made and analyzed, that he or she wants to start the company. How does that, actually happen, on a practical level?

Pia: Setting up a company in Finland is really easy. You register on the patent-and-registration office's website and then there are tutorials and instructions, depending on the form of company you want to register. It normally takes about half an hour to two hours, depending on how prepared you are. That is the easy part, then you still have to give some details to the tax-authorities, but you can do that online, so, no stamps, no papers. It is quite hassle-free, if you have your online-banking codes.

Kalle: What tax-implications should you consider, when you start a company?

Pia: Well, as an entrepreneur you still have to take care of, paying your own taxes and then you have the taxation of your company. And there are two registers, that you have to register in. The first is for your company's income, income tax, which you pay beforehand based on the estimations, that you have given to the tax-authorities, as pre-tax. So, the other register is the VAT-register, at the moment, general VAT is 24 %, there are some exceptions, to that rule. You can go to the taxation-office-in-Finland's website and you will find it there. If you make less than 15.000 a year – and that is the situation today - then you do not have to pay VAT.

Kalle: Is there any case where you would want to pay the VAT, even though you are below the threshold ?

Pia: Yes, there is, especially, if you are selling goods, and you have to buy something or you have to invest for production or invest in, whatever it is, that you are selling. You can deduct the VAT of your purchases from the VAT of your sales. And if then, at the end of the year, your income is 14.999, you can actually, apply for the VAT that you paid, to be refunded.

Kalle: In this way, you get to keep more money, that you make.

Pia: Yes, absolutely.

Petra: Let us talk about the funding of the company, normally, when you start a company, you need some funding. What should you do as an entrepreneur?

Pia: Well, in Finland we have two ways of funding, the first is for the entrepreneurs, when the company has not really started to fly. We have something called, a start-up grant, which is granted for six months and then with a second application for another six months. At the most for a year.

This is money for you as an entrepreneur and not for the company. As for the company, equity-capital is the most used version for funding. For traditional companies we have bank-loans, of course, which can partly be guaranteed by Finvera and for technology start-ups there are other forms of funding as well, like Business-Finland or some forms of funding from the ELY centre as well.

Petra: How easy is it to get the funding? What do you need to know about it, to get it?

Pia: The start-up grant, if you want to apply for that. You need to apply for that and get the decision before, you actually register the company. If you have already registered the company, then you do not get the start-up grant or it is going to be significantly harder. We have grant-money also for companies as well as loan-money. Loan-money, you have to pay back, grant-money, you do not need to pay back. But, obviously, if you also can fund the company by customer purchases, it is great, so, that you generate some income as you go along.

Petra: What else does an entrepreneur need to know? For instance, about pensions?

Pia: When you become an entrepreneur, you need to take care of your own social-security, if you have been on a payroll before, your employer has paid most of your social-security fees. As an entrepreneur, you have that responsibility yourself, there is something called, the entrepreneur's pension-insurance and it does not just cover your pension, it also covers your social-security, parenthood-allowance, sick-day benefits or unemployment benefits. And it is advisable to go and check the websites of the pension-insurance companies and their calculators, where you can see how much the real income, that you are deciding to use will affect your social-security. You are obliged to do that, if your income is more than 8.261 per year and this applies to 2022. It does not matter, if you are a full-or part-time entrepreneur, that is something you need to know.

There are also some licenses, regarding social-and health-care or restaurant-businesses or some regulated businesses, that you need to know about and take care of, before you actually start the company. Because it could cost you time and money, to get them in order. And there is a very good website, suomi.fi, which states the permits and obligations for an entrepreneur, which is worth visiting.

Kalle: For students it is good to remember that, if you are an entrepreneur the cost for the social-security and-pension is different, than if you hire somebody else and get the same level of security for that employee in your company.

Pia: That is a good point also, because, when it comes to your salary, it is different if you are a private person or on a payroll or an entrepreneur and even, when we talk about different forms of companies, there are different forms, to which you can get your salary. As a sole-trader you can lift as much money as you have on the account and nobody is going to ask about it. As a limited-liability company, you pay yourself a salary and if the company does well, you also have a possibility to get dividends. So, with a bigger income, a limited-liability company might be a better option.

Kalle: Okay, so, having a limited-liability company is a good idea. But who can actually start a company, in Finland?

Pia: Basically, anybody also a company, but that is a different story. So, if you are an EU-citizen or living in the European economic area, then you can go ahead, get an address in Finland and start your company. If you come from outside of the EU, there are some things, that you have to take into consideration, for instance, the residence permit.

Kalle: So, if you need a visa to actually be in Finland. With what visas can you actually start a company?

Pia: If you are, for example, a student with a B-permit, you can start as a light-entrepreneur or you can be a part of a limited-liability company. But if you are a student you cannot work more than 25 hours, I think, it is per week, it is a part-time job. If you then would like to become a full-time entrepreneur, then we have something, called the entrepreneur-visa or the start-up-entrepreneur visa or permit. And the difference is, there is a big difference in

the processing time. An entrepreneur-visa can take from four to six months, to go through. The start-up entrepreneur-visa takes just one to two months.

Petra: Okay. What about the visas or permits for the board of directors? Do they need a permit?

Pia: If there are people in the company, who have a permanent residency in the European Economic Area, then they do not need it. But if you want to set up a company with a totally foreign-based ownership or leadership, with people from outside of EU, then there are permissions, that are needed, from the Patent- and Registration Office.

Petra: And how easy is it to get this permission?

Pia: It depends totally on the business-idea and the economical capabilities of the company being established.

Petra: For a foreigner, as myself not coming from Finland originally, it can be like a jungle, you do not know, where to start. If you would come here as a foreigner, from the EU or from outside the EU, where could you get help?

Pia: For example, from Business Helsinki, we are fully owned by the city of Helsinki, so we are a non-profit organisation, so all of our services are free of charge and naturally confidential. 42 % of our client-base are non-Finnish speakers, we are quite happy to help people to get around. There is a lot of information to be found, in English, but it is quite outspread and if you do not have the vocabulary or the knowledge on where to search, then it might be difficult. So, we are happy to help you with that also.

Petra: Actually, I should go there and book a meeting?

Pia: Yes, we have online-meetings, we have a lot of events, info-events, even online, in several languages. We offer services in seven plus two languages. And there is a booklet called: "Becoming an Entrepreneur in Finland", on our website there is a lot of information as well. Yes, you can book a personal appointment, it can be Onsite or it can be in Teams.

Petra: What do you mean by seven plus two languages?

Pia: We have seven languages, which are official languages and then two kind of under the counter, so we have two persons who speak, one who speaks Italian perfectly and the other French. But it is not official.

Petra: So, Pia, what key takeaways do you have for entrepreneurs?

Pia: The governmental institutions of Finland, is extremely happy to help, which is quite hard to believe, for many of my foreign clients. For example, the tax-authorities, has a tremendously good customer service and in most cases they are on your side, so to speak. When I was an entrepreneur, I had a year where I was making more money, than I thought I would. And I tried to make an announcement, that I wanted to raise my pre-taxes, the

gentleman on the other side of the telephone-line was quiet for a bit and then he said: Well, if you have any investments to make, this would be a good time to make them, because, otherwise, your tax will become too high. So, he actually advised me to not raise my taxes but to do something else, so, that is what the Finnish tax-authorities can do for you. And there is English service available for you, it can be a bit difficult to find sometimes, but, in case, you need help to find it, we are here to help you.

Petra: Thank you, Pia!

Pia: Thank you!

Petra: Very good information.

Pia: It was a pleasure being here!

[Outro music]

[recording ends]