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COMMISSION STAFF WORKING DOCUMENT

Mind the Gap 2026: Country fiche – Finland

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

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Country fiche: Finland

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Finland excels in digital tax administration and data-driven compliance.** The MyTax (OmaVero) portal supports filing, payment tracking, and correspondence for personal income tax (PIT), corporate income tax (CIT), and VAT, backed by interoperable public registers that reduce administrative burdens. Estimates of the compliance tax gap (VAT, PIT, crypto) inform compliance strategies, and data from the Central Electronic System of Payment (CESOP) is integrated into risk management. Behavioural tools and automated registration checks further enhance efficiency.

- **The VAT compliance gap in Finland was among the lowest in the EU in 2023, at 3% of the VAT total tax liability (VTTL).** Several measures contribute to Finland's consistently high VAT compliance figures, including mandatory e-invoicing for government contracts and the fact that businesses are entitled to request structured e-invoices from suppliers.

Areas for Improvement

- **Finland could introduce a structured approach to tax expenditure evaluation.** While a comprehensive tax survey is prepared for incoming governments covering the tax system and most tax expenditures, there is no formal, structured framework for tax expenditure evaluation. Such a framework would ensure that all tax expenditures were reviewed at regular intervals.

1. Introduction and policy context

1.1. Snapshot of the tax system

Finland has a relatively high tax-to-GDP ratio, though revenue from capital taxation is relatively low. In 2024, tax revenue (including social contributions) reached 42.2% of GDP, 2.8 percentage points (pps) above the EU average ([1]). Labour taxes account for 51.0% of total revenue, very close to the EU average (51.5%). Consumption taxes represent 31.2% of total, compared to 26.8% in the EU; conversely, capital taxes (17.8%) are significantly below the EU average (21.6%). Looking into specific tax types, VAT revenues amount to 9.4% of GDP, 2.3 pps above the EU average, in a context of very low compliance gap (see section 2.2). Recent and ongoing tax reforms further strengthen the role of consumption taxes, including VAT, in the Finnish tax mix. Revenues from property taxes are relatively low (1.5% of GDP, compared to 1.8% EU-wide), and those from environmental taxes are broadly in line with the EU average (2.2% of GDP).

Labour taxation is progressive, and the tax and benefit system has a major effect on reducing income inequality. The structure of personal income tax in Finland is progressive, with relatively low tax wedge ([2]) for low-income earners and high tax wedge for high-income earners ([3]). At 19.8 pps in 2025, the difference in the tax wedge between high-income (167% of average wage) and low-income earners (50% of average wage) is clearly above the EU average (12.5 pps). The tax and benefit system reduced the Gini coefficient by 11.4 pps in 2024, among the largest effects in the EU (average of 7.8 pps) ([4]). The income quintile-share-ratio (S80/S20), as a measure of income inequality ([5]), was 3.93 in 2025 (income reference

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 42.4% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[3] The tax wedge for an earner of 50% of the average wage is 28.4%, 3.2 pps below the EU average; it is 40.1% for earners of 100% of the average wage (0.1 pps above the EU average); and it is 48.2% for earners of 167% of the average wage (4.1 pps above the EU average).

[4] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[5] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

year 2024), clearly below the EU average (4.62). Likewise, the at-risk-of-poverty and social exclusion (AROPE) rate ([6]) is, at 17.2%, 3.7 pps below the EU average.

Finland is under the Excessive Deficit Procedure (EDP) since January 2026, with a Council recommendation to put end to it by 2028 ([7]). Finland had a government deficit of 3.4% of GDP in 2025 (down from 4.4% in 2024) and a government debt of 88.5% (up from 81.5%), both above the reference values of 3% and 60%, respectively. In 2026, Finland did not receive country-specific recommendations (CSRs) in the area of taxation ([8]).

Finland is among the Member States with an extended adjustment period in its Medium-Term Fiscal Sustainability Plan (MTFSP). The set of reforms and investments underpinning the extended adjustment period does not include any measure in the area of taxation ([9]).

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Available indicators point to a comparatively low level of tax complexity in Finland. Survey-based evidence from the Tax Complexity Index (TCI) places Finland among the least complex CIT systems in the EU, with the second-lowest level of complexity among Member States where a higher position reflects a lower level of tax complexity. The underlying components of the TCI suggest that complexity of the corporate income tax system arises somewhat more from the tax code than from administrative procedures ([10]). Similarly, citizen perceptions are highly positive: 72% of respondents report that completing their tax return is easy, substantially above the EU average of 49%, while reliance on professional assistance is extremely limited at 1% ([11]).

Tax-related policy activity has increased in recent years. Finland recorded 22 tax changes entering into force or being announced in 2025, well above the EU average of around 14 ([12]).

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[6] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

[7] https://data.consilium.europa.eu/doc/document/ST-5094-2026-INIT/en/pdf.

[8] https://data.consilium.europa.eu/doc/document/ST-11138-2026-INIT/en/pdf.

[9] See Council Recommendation of 8 July 2025, https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:C_202500652.

[10] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[11] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[12] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive. Further information on https://taxation-customs.ec.europa.eu/taxation/economic-analysis/tax-reforms-eu_en.

This follows 20 tax changes in 2024, 13 in 2023 and 15 in 2022. While legislative activity was broadly in line with the corresponding EU average in 2022 and 2023, it has exceeded the EU average in both 2024 and 2025, pointing to a recent increase in the pace of tax policy change. The reforms adopted in 2025 span a broad range of taxes, including personal income taxation (PIT) and corporate income taxation (CIT), VAT, environmental taxes and excise duties. Several measures affect businesses directly, including a new tax credit for large climate-neutral investments, the abolition of certain tax expenditures, changes to corporate tax deductibility rules and reforms to electricity taxation for data centres and mining. While many of these measures pursue objectives related to competitiveness, employment, fiscal consolidation and the green transition, the main objective of the reform package is likely to increase short-term adaptation costs for taxpayers and businesses.

Demand-side indicators are broadly consistent with relatively low practical compliance burdens. The accounting, bookkeeping and tax consultancy sector accounts for around 0.6% of gross operating surplus, below the EU average of 0.9% ([13]). While this indicator is influenced by several factors, it does not point to a unusually strong demand for specialised tax and accounting expertise ([14]). Overall, the evidence suggests that Finland combines moderately complex tax rules with highly efficient administration and comparatively low practical compliance burdens for households and businesses.

1.2.2. National simplification efforts

Finland's tax simplification efforts in 2025 and 2026 include several key changes aimed at reducing the complexity of the tax system and improving the efficiency of tax administration. Effective from January 2025, Finland raised the VAT exemption threshold from EUR 15 000 to EUR 20 000 to ease compliance costs for small businesses and reduce administrative burdens on tax authorities. From November 2025, companies and organisations can pay many of their taxes using one general reference number for taxes instead of several reference numbers for various categories of taxes. Paying with a single reference number simplifies the way payments are allocated.

Finland has taken steps to digitalize tax communications and simplify the refunds of self-assessed taxes. From 2026, Finland is moving most tax communications sent by post to electronic tax mail, reducing paperwork and administrative costs. The "Digital first" initiative, aimed at reducing paper-printing and the need for paper letters, is expected to save EUR 10 million annually from 2026 onwards. Refunds of self-assessed taxes have also been

[13] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

[14] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

made simpler. Refunds are no longer used primarily for self-initiated taxes, but the Tax Administration can use them to cover all of the taxpayer's overdue taxes and, after processing, will immediately pay the refunds to taxpayers, meaning they will no longer be kept waiting for future taxes.

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([15]). The shadow economy is an analogous but narrower concept — used in the economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

Specifically, recent data from official sources ([16]) allow to estimate the size of the NOE in Finland at 0.95% of GDP for 2021. The NOE comprises the underground economy (1.13%) and illegal economy (0.12%), while statistical deficiencies provide a negative adjustment to GDP (-0.31%) ([17]). Finland thus records a NOE much lower than the EU average (7.4% of GDP) ([18]). The largest part of NOE is concentrated in 'Wholesale and retail trade' (0.41% of total GVA) and 'Construction' (0.29%). At industry level, the highest shares of NOE are presented by 'Activities of households as employers' (26.5% of its GVA) and 'Other service activities' (17.5%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Finland are higher than the NOE estimate discussed above. In 2022, the shadow economy in Finland represented 10.8% of its GDP, according to

[15] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

[16] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[17] No informal economy is detected.

[18] The (unweighted) EU average does not include Luxembourg, which has not yet sent data to EUROSTAT.

estimates by Schneider and Asllani for the European Parliament ([19]). This ratio is 6.8 pps below the EU-27 average, and it has decreased compared to 2003 (17.6% of GDP). The report indicates that indirect taxes are among the main drivers of the shadow economy in Finland. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([20]). However, using a currency demand approach (CDA), a recent study by EY ([21]) reports lower estimates for the Finnish shadow economy at 6.6% of GDP in 2023 (EU average 7.9%), down from 8.2% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

The Finnish society exhibits exceptionally high tax morale facilitating high levels of tax compliance. A recent survey conducted by the Finnish tax authorities showed that the vast majority of Finnish taxpayers consider paying taxes to be an important civic duty and that Finnish citizens generally have a positive attitude towards taxes. About 93% of respondents said that paying taxes is an important civic duty while nearly the same proportion said the tax system was necessary in order to finance Finland's social welfare system. Additionally, 85% of respondents felt that evading taxes is always wrong. Tax morale is closely related to perceptions about the fairness of taxation. In a recent Eurobarometer survey ([22]), respondents were asked to what extent people pay taxes in proportion to their income and wealth. In Finland, 87% agreed that this was the case to a large or to some extent, the highest value in the EU, providing additional legitimacy to the Finnish tax system. Although voluntary compliance is high in Finland, recent attitude surveys indicate that attitudes amongst businesses, in particular, are becoming less favourable ([23]).

The Government adopted a new Strategy and Action Plan for Tackling the Grey Economy and Economic Crime on 19 December 2024, covering the period 2024–2027 (the ninth such programme since 1996). The programme emphasises safeguarding the operating conditions of authorities, developing analysis capabilities, and removing obstacles to inter-authority information exchange. A separate Action Plan against Labour Exploitation (2023–2027) and a Strategy to Combat Organised Crime (2025–2030) complement the grey economy programme. These institutional developments, while not producing new

[19] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[20] See Fernandes op. cit. (2025) for an overview of various studies.

[21] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf

[22] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[23] https://vero.fi/contentassets/744f4f6f036f43678b4ade18d5cd2ce1/verohallinnon-asennetutkimus-2025-yritysasiakkaat.pdf

compliance gap estimates, represent a strengthening of the governance framework surrounding compliance gap monitoring ([24]).

2.2 Compliance tax gaps in VAT

For 2023, the VAT compliance gap ([25]) in Finland was estimated at around 3% of the VAT Total Tax Liability (VTTL) ([26]), or approximately EUR 800 million. After falling from around 5% in 2019 to under 0.5% in 2021, it increased again in 2023; however, remaining below the 2019 level ([27]). Finland's VAT compliance gap remained well below the EU average of 9.5% in 2023. This rise was linked to a decrease in the growth in consumption of easily taxable, low risk goods (such as food and non-alcoholic beverages), an increase in the share of services in GDP, and an increase in bankruptcy declarations.

The Finnish Tax Administration's annual report for 2024 (published in April 2026) reaffirms the VAT compliance gap at around 3%. The Tax Administration notes that national VAT gap estimates consistently rank among the smallest and most stable in Europe. The Tax Administration's own historical series, based on an IMF-developed method using national accounts statistics and taxation data, places the gap at its highest in 2009–2010 (8%) and at its lowest in 2019 and 2024 (3%) ([28]) ([29]).

Several measures contribute to a low VAT compliance in Finland. These include the enforcement of strict e-invoicing – compliant with European Standard EN 16931 – for public procurement contracts, with central government bodies advancing the use of the Peppol network framework for ordering and tracking of fulfilment ([30]). Furthermore, rather than a universal business-to-business (B2B) e-invoicing mandate, Finnish legislation empowers any business with an annual turnover over EUR 10 000 to formally request structured e-invoices from suppliers, maintaining high voluntary B2B digital adoption ([31]). In addition, Finland has actively participated in technical pilot tests for cross-border digital reporting and e-invoicing

[24] https://www.vero.fi/en/grey-economy-crime/prevention/action-plans/; vero.fi, Ensuring tax revenue (2024) (2026)

[25] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.

[26] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.

[27] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[28] Finnish Tax Administration, Annual Report 2024 (April 2026); vero.fi, Estimates of the shadow economy and tax gap (December 2025).

[29] Between 2010 and 2020 the estimation methodology has been changed. The lower tax gap observed in the more recent estimates should not necessarily be interpreted as evidence of a decline in the tax gap over time as the difference may, at least in part, reflect methodological differences between the two estimates. The Finnish Tax Administration has discontinued the use of the time series in recent publications.

[30] VAT Update, 2025. Finland 2024 e-invoicing country sheet. Accessed at: https://www.vatupdate.com/2025/07/14/finland-2024-einvoicing-country-sheet/.

[31] Ecosio, 2026. E-invoicing in Finland. Accessed at: https://ecosio.com/en/compliance/finland/e-invoicing/.

exchange in anticipation of the EU-wide VAT in the Digital Age (ViDA) requirements expected for implementation leading up to 2030 ([32]).

2.3 Compliance tax gaps in corporate and personal income tax

The Finnish Tax Administration is developing methods to estimate the CIT and PIT compliance tax gaps. For the CIT compliance tax gap, a method modelled on the Finnish approach to VAT gap estimation with coverage of all companies is developed. Different approaches like the use of risk-based audit data are also being considered. A study of small companies with turnover below EUR 10 million, estimated about 3-5% of CIT on declared profits lost due to non-compliance. For PIT, first results for compliance tax gap estimates based on random audits were published in May 2026 in the Government Annual Report 2025 ([33]).

European Commission estimates indicate a very low CIT compliance tax gap in Finland. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap in Finland was around 3% of collected CIT revenues in 2018, the third lowest figure among available estimates from Member States ([34]). This is considerably below the (unweighted) average for the CIT compliance gap of 10.9% of collected CIT revenues based on available estimates for 23 Member States.

Since 2025, the Finnish Tax Administration estimates the income tax gap for individual taxpayers based on reporting errors relating to deductions and rental income. For the tax year 2024, it is estimated that approximately EUR 200 million in income tax revenue went uncollected due to incorrect tax reporting of deductions and rental income. A similar amount has been estimated for the tax year 2023. The tax gap resulting from these reporting errors represents approximately 1.5% of the earned income and capital income taxes paid by taxpayers claiming deductions or 0,5 % of the reported PIT amount. Note that the estimated tax gap represents only part of the actual PIT compliance tax gap. The tax gap estimates also do not include tax debts ([35]).

Finland reports substantial improvements in risk management and compliance enforcement. In 2025, tax control identified approximately EUR 1 billion of undeclared taxes, which the tax administration added to taxpayers' assessments, approximately EUR 500 million more than in 2024. The government report 2025 does not break this amount down by tax

[32] SERES, 2024. Discover the keys and status of e-invoicing in Finland. Accessed at: https://blog.groupseres.com/en/e-invoicing-in-finland.

[33] "Hallituksen vuosikertomus 2025" (Government Annual Report 2025) was submitted to Parliament on 7 May 2026.
vero.fi, Yhteisöveron harmaa talous 2019–2022 (March 2025); vero.fi, Quantifying the shadow economy.

[34] Brun, L., Speitmann, R., Stasio, A.L. and Stoehlker, D. (2025), The Corporate Income Tax Gap - A European approach to measuring losses in corporate tax revenues. JRC Working Papers on Taxation and Structural Reforms No 07/2025, European Commission, Seville.

[35] Hallituksen vuosikertomus 2025 (Government Annual Report 2025, May 2026).

type, taxpayer group or control method. According to the report, the tax administration's centralised risk management function has improved the targeting of control at the most significant risks causing tax gaps. While control is generally directed at all types of taxes and taxpayers, combating the grey economy and economic crime is one of the main priorities of control. In this context the report states that economic crime has become more professional and more serious, and 43% of all tax audits in 2025 led to consideration of a report of an offence ([36]).

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

Although Finland does not produce a consolidated or regularly updated excise gap estimate, it examines systematically specific components of the gap. The quantities of travellers' imports of alcoholic beverages and snus brought into the country by travellers have been monitored through survey-based studies ([37]). Online purchases are monitored as well. Further, the country demonstrates an interest in strengthening EU cooperation on excise matters through its participation in the FISCALIS project group on Excise gap.

Finland has estimated the tax gap arising from cryptocurrencies at EUR 20–50 million per year. The estimate was computed in the context of a legislative amendment implementing the DAC8 Directive. Starting in tax year 2026, the Tax Administration requires crypto asset service providers to collect information on the identities of their users and on purchases, sales and transfers of assets, covering both Finnish and non-Finnish users. Providers must submit annual returns on this information to the Tax Administration for the first time in 2027. The regulatory implementation is thus proceeding on schedule ([38]).

3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

Finland has a long tradition of tax expenditure reporting and publishes annual tax expenditure reports. The reports and related information (related to method, evaluations and audits are provided on a dedicated webpage ([39]). Next to the tax expenditure reports which are published in September, the webpage provides information related to tax expenditure measurement and evaluation ranging back to 2010. The tax expenditure reports provide forgone revenue estimates for the reporting year, the previous year and an estimate

[36] Hallituksen vuosikertomus 2025 (Government Annual Report 2025, May 2026).
[37] https://vm.fi/-/alkoholijuomien-seka-tupakka-ja-nikotiinituotteiden-matkustajatuonti-ja-verkkokauppa-vuonna-2025
[38] vero.fi, What will change in taxation in 2026? (December 2025)
[39] Tax subsidies webpage (in Finnish). The Finnish Tax Expenditure Report 2026 (and 2025).

for the coming year. Finland has published some tax expenditure information already in 1990 with comprehensive and systematic reporting of tax expenditures covering all areas of taxation carried out since 2009 ([40]).

The 2026 tax expenditure report discusses a total of 185 provision for 2026 (183 for 2027) of which about one third cannot be quantified. The total sum of quantified provisions in Finland amounts to about EUR 36 billion in revenues forgone. However, this disregards about one third of provisions which cannot be quantified, as transparently discussed in the Finnish report ([41]). Recent Finnish tax expenditure reports cover nine tax categories, with three-year rolling estimates of revenue forgone for t-1, t, and t+1, where data permit. The quantified provisions are relatively concentrated with the largest four provisions responsible for 53.5% of revenues forgone. The report also names the provisions entering or leaving the listing and describes policy-driven changes to values for the upcoming budget year.

The share of provisions with a revenue forgone estimate differs widely by tax type. Of the 185 tax expenditures listed for 2026 in the latest tax expenditure report (*Verotuet 2025–2027)*, 114 (62%) carry a euro estimate and 71 (38%) are marked as not calculable. Quantification is highest for indirect taxes: all 26 excise and other tax provisions (100%) and 18 of 21 VAT and insurance premium tax provisions (86%) are quantified. Personal income tax (32 of 44, 73%) and real estate tax (5 of 7, 71%) are also above the overall average. Business income and dividend taxation is close to the midpoint, with 20 of 38 provisions (53%) quantified. Quantification is lowest for agriculture and forestry (7 of 21, 33%), inheritance and gift tax (5 of 15, 33%) and transfer tax (1 of 7, 14%). None of the 6 social insurance contribution provisions has an estimate.

The Global Tax Expenditures Transparency Index (GTETI) indicates that tax expenditure reporting in Finland shows room for improvement, when compared to other Member States. While the Finnish tax expenditure report provides high levels of transparency and comprehensive information, Finland is only ranked 12th according to GTETI. Specifically, GTETI finds that transparency in tax expenditure reporting in Finland is above the EU average overall but exhibits an imbalance across dimensions. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages ([42]). Maximum value for each

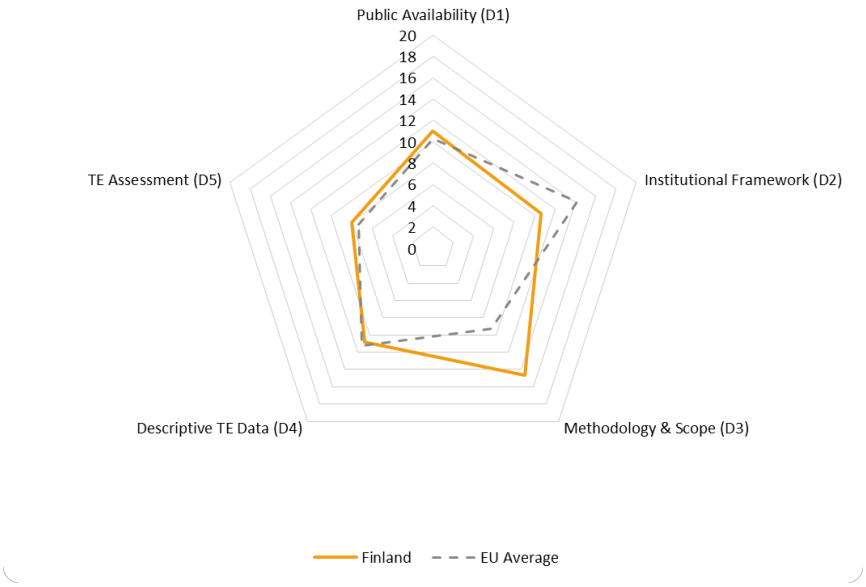
[40] The GTED, Finland country profile indicates reporting going back to 1990. Finnish authorities consider 2009 as the year when tax expenditures were first reported in a comprehensive and systematic way.

[41] The Finnish TE report states that aggregation of TE forgone revenue estimates across provisions and tax types is not meaningful. Even if aggregation would be possible, those numbers could not be sensibly compared across jurisdictions as benchmarks and data availability (share of provisions quantified) differ widely. For example, Finland provides an exemption for income from imputed rent. Most Member States do not consider the income from imputed rent and thus have no related tax expenditure.

[42] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data —

dimension is 20. Finland performs above the EU average on 'Methodology and Scope' (14.67 vs 9.28). Finland is on par with the EU average on 'Public Availability' and 'Descriptive Tax Expenditure Data' and 'Tax Expenditure Assessment'. However, the value for 'Institutional Framework' is below the EU average (10.67 vs 14.19), according to GTETI because of no legal requirement to report on tax expenditures. In 2026 Finland has written the requirement for tax expenditure reporting into law but this information seems not yet included in GTETI ([43]). The strong performance on 'Methodology and Scope' reflects broad coverage of tax types, benchmark specification, treatment of structural provisions, detailed estimation methodology and data source disclosure.

Figure 1: Finland vs EU average — GTETI v2.1 dimension scores (max 20 per dimension)



Source: GTETI v2.1

There are detailed impact assessments of tax expenditures in Finland. Forgone revenue estimates only indicate potential costs of a measure but not its effectiveness or impact ([44]). Proper evaluation requires empirical research to understand who benefits, how, and whether the tax reliefs achieved objectives without conflicting with other policy objective. In 2023, Finland published a detailed tax survey describing most taxes and discussing the impact and effectiveness of related tax expenditures ([45]). There are also several topic-specific evaluation reports and impact assessments available online. In addition to those evaluations carried out either by the Ministry of Finance (MoF) or the VATT Institute for Economic Research, the National Audit Office of Finland (NAOF) ensures that state funds are used cost-effectively

the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

[43] See https://www.finlex.fi/fi/lainsaadanto/saadoskokoelma/2026/202.

[44] Forgone revenue estimates are static estimates and eliminating a tax expenditure would not necessarily increase tax revenues by an amount corresponding to the estimated value but likely provide lower additional revenue due to behavioural adaptation to changes in the tax burden.

[45] A new tax survey is foreseen to be published in October 2026 but was not available when the drafting of the document was finalised.

according to Parliament's decisions and in compliance with laws and regulations. While NAOF reviews fiscal policies in general, it does not publish analysis on tax expenditures specifically ([46]). However, it has issued a recommendation in 2018 to improve the information available on the appropriateness of tax expenditures through regular impact assessments ([47]).

Finland regularly evaluates its tax system. For a new government term, Finnish authorities compile a detailed tax survey reporting the structure, revenue impact, and effectiveness of major taxes and potential tax reforms. Reform opportunities are discussed in the context of different policy objectives like neutrality, revenue generation, efficiency, equity and others. Tax expenditures are part of the analysis, but the tax survey is explicit that it does not present a full tax-expenditure catalogue and references to the Ministry of Finance's tax expenditure report ([48]). The latest tax survey has been published in 2023, and the release of a new tax survey is announced for October 2026.

The tax survey examines specific tax expenditures. The most developed case is the taxation of dividends from unlisted companies (TVL 33b §), which is treated as a neutrality problem. The report provides static revenue effects for different thresholds for calculating the imputed return. On the personal income tax side, it flags the exemption for capital gains on an owner-occupied dwelling (TVL 48 §) as a significant tax expenditure whose removal however could produce lock-in effects. Finnish authorities are well aware of the need of tax expenditure evaluation and state:

> "Our tax system is quite complex in many respects, which not only reduces transparency and administrative efficiency, but can also reduce the impact of the dampeners in the system if the taxpayer finds it difficult to see the impact of taxation on his or her income. The tax system could be improved by simplifying it and eliminating duplicative or inefficient tax expenditures and other exemptions" ([49]).

3.2 Policy tax gaps in VAT

Finland's national policy-driven VAT exemption gap and VAT rate gap were lower than the EU average in 2023. Revenues forgone due to the application of reduced rates and national policy-driven exemptions reached around EUR 9 billion in 2023 ([50]). The national policy-driven VAT exemption gap ([51]) was estimated at over EUR 4 billion in 2023, or 8% of

[46] Consult NAOF website for more details. https://www.vtv.fi/en/naof/ (accessed on 7/07/2025).
[47] NOAF Audit Report 19/2018: Impact assessments of tax changes and tax subsidies.
[48] https://vm.fi/verotuet (Finnish website on tax subsidies).
[49] Verokartoitus 2023 (Tax assessment 2023)
[50] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[51] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

the notional ideal revenue ([52]), while the EU average was 11%. The VAT rate gap ([53]) was estimated at around EUR 4.5 billion in 2023, or 9% of the notional ideal revenue, lower than the EU average of 12%.

Finland has seen three changes to their VAT rate structure in less than 18 months. From 1 September 2024, the standard rate was raised from 24% to 25.5% as part of the government's fiscal consolidation programme. On 1 January 2025, the majority of goods and services previously taxed at the 10% reduced rate – including books, medicines, passenger transport, accommodation, and cultural admissions – were reclassified to the 14% rate, leaving the 10% band applicable only to newspapers and periodicals; at the same time, the graduated VAT relief for small businesses (*alarajahuojennus*) was abolished and replaced by a flat exemption threshold of EUR 20 000 annual turnover. Most recently, on 1 January 2026, the 14% reduced rate was lowered to 13.5%.

Tax-simulations indicate that Finland's reduced VAT rates in 2025 are concentrated in a small number of categories, led by 'food and beverages' ([54]). 'Food and beverages' accounts for the largest share of forgone revenues at 46.6%, above the EU mean share of 39.8%. 'Restaurants and accommodation' come second at 25.2%, above the EU mean share of 20.4%. 'Recreation, sport and culture' ranks third at 17.3%, well above the EU mean share of 13.3%. These three categories account for 89.1% of Finland's total forgone revenue.

Finland's reduced VAT rates lower inequality as measured by the Gini coefficient by 0.21 pps, below the EU average reduction of 0.50 pps. 'Food and beverages' contribute 0.14 pps (65.9% of the total), below the EU mean contribution of 0.32 pps.

3.3 Policy tax gaps in corporate income tax

In April 2026, the Finnish Government proposed reducing the corporate tax rate from 20% to 18%, effective from tax year 2027. The static revenue loss is estimated at approximately EUR 841 million per year. The CIT rate has declined from 26% in 2006 to 20% in 2014 and would fall below both the EU and OECD averages under the proposal. While not a compliance gap measure per se, this changes the CIT baseline against which future

[52] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[53] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[54] The VAT rate gap in this subsection is analysed using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

compliance gap percentages will be calculated. The loss carry-forward period was also extended from 10 to 25 years from tax year 2026 ([55]).

There are several tax expenditure provisions related to business income but associated forgone revenue is limited, where it can be reported. There are 38 tax expenditure provisions related to business income taxation (*Laki elinkeinotulon verottamisesta*) in Finland. About half of the provisions related to business income cannot be quantified. Many of these provisions concern depreciations which seem difficult to quantify as at there is no data in tax return forms that would allow the calculation of these individual tax expenditures separate from general depreciation rules (i.e., tax paying firms are not required to submit these details).

The largest tax expenditure relates to the taxation of dividends by unlisted (non-listed) Finnish companies (*Tuloverolaki*, TVL 33b) ([56]). Dividends from unlisted companies are split into a capital-income portion and an earned-income portion based on the mathematical value (net asset value) of the shares. As a relatively high rate of return is assumed (8%), recipients can obtain capital income treatment for a larger share of their dividend income. As capital income is taxed lower than labour income in Finland, a tax benefit prevails. The aggregate value of these benefits or forgone revenues is estimated at EUR 350 million ([57]).

The second largest quantified tax expenditure in business income taxation is the participation exemption for corporate shareholdings. Under the Business Income Tax ([58]), a company's capital gain from selling shares held as fixed assets is tax-exempt when statutory conditions are met. The exemption prevents double taxation of profits that have already been taxed at the level of the underlying company and aligns Finnish law with the treatment of intercorporate holdings in comparable jurisdictions. Related forgone revenues are estimated to be EUR 145 million

3.4 Policy tax gaps in personal income tax

The Finnish tax expenditure report indicates provisions related to PIT as the category with the largest number of provisions mentioned and highest overall revenues forgone. A total of 49 provisions related to the Income tax act (*Tuloverolaki*) are mentioned (ca. 27% of all provision. About 70% of these could be quantified indicating revenues forgone of about EUR 22 billion (67% of all revenues forgone) ([59]).

[55] Government proposal HE 151/2026 vp

[56] This does not imply that additional revenues of EUR 540 million would be obtained if the measure would be revoked. Due to adaptive behaviour additional revenues would in most cases be below the level indicated by the revenue forgone estimate.

[57] The taxation of dividends of non-traded companies is explained in detail by a dedicated official website on vero.fi. Finnish authorities make an effort in transparency and provide information often also in English language.

[58] Laki elinkeinotulon verottamisesta (business income act), EVL § 6(1)(1) and § 6b(1)–(2)).

[59] As mentioned earlier, Finland rejects the aggregation of revenue forgone estimates over different provisions as there might be different implied benchmarks and double counting due to policy interaction.

The earned income tax credit (*Työtulovähennys*) is the largest tax expenditure in Finland estimated to cause EUR 8.5 billion in revenues forgone in 2026. Evaluations indicate that the earned income tax credit in Finland successfully lowers average tax rates for low-income earners, increasing employment at the extensive margin. The policy is further credited with increasing tax progressivity, protecting low-income households, and reducing in-work poverty. The forgone revenues are estimated to increase from EUR 6.5 billion in 2025 to EUR 9.0 billion in 2027.

The second-largest single item is related to the exemption of imputed rental income (*"asuntotulo"*), estimated at EUR 5 billion of forgone revenues ([60]). Imputed rental income is not considered income in most EU tax systems and thus does not require an exemption from taxation. The third largest tax expenditure item reported is deductibility of the employee's mandatory pension premium ([61]) with about EUR 3.2 billion in revenues forgone.

Tax-simulations for the year 2025 suggest that PIT-related tax expenditures in Finland have a progressive effect ([62]). PIT-related tax expenditures imply revenue forgone equivalent to 22.7% of actual PIT revenues, well above the EU average of 19.1% ([63]). The largest share of revenue forgone arises from work-related TEs (18.3% of PIT revenue). PIT-related tax expenditures reduce the Gini coefficient by 1.14 pps, substantially more than the EU average reduction of 0.46 pps. The relatively high revenue forgone is associated with a correspondingly large reduction in income inequality.

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Finland operates a customer-centric, highly unified tax identification system. Individuals receive a tax card (updated annually) linked to their personal identification number, while companies use a business ID for all tax obligations. These identifiers are managed through MyTax, Finland's secure digital portal ([64]), which supports online registration and VAT data access/modification. The Real-Time Economy project, funded by the Recovery and Resilience Facility ([65]), developed infrastructure for automated financial data exchange, including

[60] Imputed rental income refers to the theoretical financial benefit or savings a homeowner gets from living in their own property, as they do not have to pay rent to anyone.
[61] Työntekijöiden lakisääteisen eläkevakuutusmaksun vähentäminen, TVL 96 § 1 mom.
[62] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[63] According to the European Commission's taxation trends data, PIT revenues in Finland amounted to approximately EUR 36.1 billion in 2024. This would imply revenue forgone of approximately EUR 8.2 billion due to PIT tax expenditures according to the microsimulation (22.7% of EUR 36.1 billion).
[64] Information on MyTax - vero.fi.
[65] Finland's recovery and resilience – Supported projects: Nation-wide investment scheme - European Commission

Peppol-based electronic document exchange and digital wallet services. Digital business documents are projected to generate nearly EUR 6 billion in annual savings by 2030, while e-invoice use increased by 93% ([66]).

Digitalised registration and database management prioritise automation and systematic validation, though expanded data integration could enhance VAT database completeness. Finland's MyTax portal enables fully online VAT registration and self-service compliance, with pre-filled data reducing manual input. Systematic legal and ID checks, based on risk indicators, validate registrations, though gaps persist in capturing associated entity details or taxpayer segmentation data, which could enhance VAT database's accuracy. Third-party cross-checks strengthen oversight, but further data integration is recommended for efficiency gains ([67]).

E-commerce oversight relies also on EU-wide data-sharing mechanisms. Instead of maintaining a separate e-commerce database, Finland monitors distance sellers and digital service providers within its general VAT administration system, using CESOP ([68]) and Eurofisc ([69]) data to identify high-risk entities.

Risk-based registration employs proactive checks but lacks granular taxpayer segmentation. The Finnish Tax Administration (Vero) conducts pre-registration risk assessments, verifying identity, legal status, and compliance history using internal and third-party data. However, e-commerce oversight relies on CESOP and Eurofisc data and distance seller registrations without dedicated business status tracking. Customs collaboration (with *Tulli*) seems to be limited by organisational separation, though joint risk analysis occurs via Eurofisc WF5 alerts (e.g. monitored companies) ([70]).

Finland's qualification and invalidation of VAT identification numbers follow risk-based controls to identify potentially fraudulent VAT registrations. For qualification purposes,

[66] OECD (2025), Tax Administration 2025: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris, https://doi.org/10.1787/cc015ce8-en.

[67] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Finland, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/5059092.

[68] CESOP is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.

[69] Eurofisc, created by Council Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of VAT, is a network of national liaison officials from all the Member States and Norway to combat cross-border VAT fraud, see at Eurofisc - Taxation and Customs Union - European Commission. It comprises different working fields (WF), each dedicated to a specific VAT fraud area. There are currently three Working Fields: WF1 (MTIC fraud), WF2 (fraud in vehicle sector) and WF5 (fraud in e-commerce), The Transaction Network Analysis (TNA) is an IT tool that supports Eurofisc by pooling and analysing cross-border VAT transaction data (such as VIES data) using risk indicators to detect suspicious trading patterns and fraud networks.

[70] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

these controls focus on risk indicators such as recent registration combined with unusually high intra-EU trade, inconsistencies between declared transactions and data received by other countries, missing or false contact details, and patterns linked to carousel fraud, missing traders and other artificial chains or arrangements, including through Eurofisc signals. As regards invalidation, where a trader is qualified or flagged as a potential fraudster, the tax authorities first seek clarification of the trader's status. If invalidation is pursued, the trader has the right to appeal, which may considerably extend the duration of the procedure. Finland does not provide for any temporary invalidation.

4.2 Tax filing and assessment

Finland's tax administration is highly digitalised. MyTax (*OmaVero*) ([71]) is the main online channel for individuals and businesses, allowing users to file and amend tax returns, monitor payments, manage correspondence and access tax decisions for PIT, CIT ([72]) and VAT ([73]). These processes are supported by Finland's advanced digital public administration, including interoperable public registers, the Population Information System ([74]) and the Suomi.fi ([75]) platform, which enable data reuse and reduce administrative burden. Finland is widely recognised as one of the EU's most digitally mature countries, with strong digital infrastructure, register-based administration and well-established once-only practices ([76]).

Pre-filling is well established in Finland but currently remains concentrated on PIT ([77]). This is a clear strength while leaving room to extend similar approaches to VAT. Finland has long relied on pre-filled data in taxation and other public services by reusing information already held by the public sector and, where legally permitted, drawing on external registries and service providers. This model is supported by extensive register-based data sharing, real-time or near real-time interoperability across public systems, and the systematic use of third-party information such as employer, bank, pension and other reported data, helping authorities verify information automatically and reduce duplicate reporting. Through MyTax and pre-completed tax returns, this compliance-by-design approach makes reporting easier and more accurate, but in 2023 and 2024 pre-filing was still available only for PIT and not for VAT.

E-filing rates in Finland are very high across all main taxes, confirming the advanced uptake of digital filing channels. In 2024, the e-filing rate reached 98.6% for CIT, above the

[71] https://www.vero.fi/en/e-file/mytax/.
[72] Etsimääsi sivua ei valitettavasti löytynyt - vero.fi.
[73] Value added tax - vero.fi.
[74] Population Information System | Digital and population data services agency.
[75] Home - Suomi.fi.
[76] Individuals | Digital and population data services agency.
[77] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

EU average of 97.3%, 98.0% for PIT, above the EU average of 88.4%, and 98.7% for VAT, slightly below the EU average of 99.2% ([78]).

Finland's taxpayer support combines digital self-service with multi-channel guidance. The MyTax portal offers a personalized dashboard for viewing tax data, filing returns, tracking processing, and receiving electronic decisions. Support extends to online guidance, e-forms, tax calculators, phone services, and digital reminders for deadlines. The "Virtanen" chatbot handles routine queries, enhancing accessibility while reducing administrative burden ([79]).

Finland makes a systematic use of data obtained through the automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([80]). This includes DAC1 ([81]), DAC2 ([82]), and DAC7 ([83]), for the purposes of PIT and CIT, inheritance, social security and professional contributions, and VAT where relevant. The identification of taxpayers concerned in Finland is very efficient and above the EU average: in 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([84]) is 94% for the main categories of DAC1 ([85]), and 97% for DAC2, the EU-average being 84% and 92%, respectively. Finland could not share, for technical reasons, the matching rate for DAC7. According to Finland's authorities, the matching rates have improved during the years, mainly due to the enhancement of their own matching process. The mandatory tax identification number (TIN) combined with the TIN validation tool envisaged in the DAC recast proposal will further support the matching process with a view to approaching a 100% automatic matching rate, ultimately allowing Finland for a more efficient and targeted deployment of resources. Once the taxpayers have been identified, the Finnish tax authorities use the available data for various activities: tax risk assessment to detect possible undeclared income, notification to generate disclosure and, if relevant, tax assessments or general audits. In Finland this use is not only relevant for PIT, but also to detect undeclared professional activities, as tax authorities use the most recent exchange of information on income from digital platforms (DAC7). Finland has a robust monitoring system in place to estimate the benefits stemming from the use of DAC data and was able to

[78] Ibidem.

[79] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[80] Sources: Yearly Assessment 2026.

[81] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.

[82] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.

[83] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.

[84] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.

[85] Income from employment, pensions, director's fees, immovable properties.

document significant increases in the tax base and tax assessed thanks to DAC information. Some of these results have been partially achieved with technical support provided under the Technical Support Instrument (TSI) of the European Commission ([86]).

Finland has not been relatively active in VAT administrative cooperation ([87]). In 2024, Finland sent 361 requests for information and received 62 requests ([88]). Based on a standardised measure, taking into account the relative size of the Finnish economy, Finland is below the EU weighted average on the number of requests sent and significantly below the EU weighted average on the number of requests received ([89]).

Finland records limited results in automatic exchange of VAT information. In 2024, Finland reported 297 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it forwarded 49 cases. Based on a standardised measure, taking into account the relative size of the Finnish economy, Finland is below the EU weighted average on both VAT identification numbers allocated to taxable persons not established in the Member State and the volume of information on new means of transport ([90]).

4.3 Compliance risk management

Finland's compliance risk management (CRM) combines transparency with technology-driven enforcement. The administration's approach is embedded in annual reports and strategic plans (published in Finnish, Swedish, and English), rather than a standalone document. It combines data-driven decision-making, automation and tiered interventions ([91]).

Finland's use of AI in compliance focuses on efficiency and fairness, with strict ethical safeguards. Machine learning supports fraud risk assessment, while optical character

[86] TSI 2023 project "Enhancing the quality and use of internationally exchanged tax information in Finland and Hungary", 2024-2025, more information is available here: https://reforms-investments.ec.europa.eu/technical-support-instrument-0/revenue-administration-and-public-financial-management/enhancing-quality-and-use-internationally-exchanged-tax-information-finland-and-hungary_en

[87] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.

[88] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).

[89] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Finland sent 1.31 requests per EUR 1billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 0.22 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.

[90] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Finland reported 1.08 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP; and new means of transport 0.18 requests per EUR 1 billion of GDP compared to an EU weighted average of 0.95 new means of transport per EUR 1 billion of GDP.

[91] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Finland, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/5059092.

recognition (OCR) automates document processing and robotic process automation (RPA) streamlines internal tasks. All AI applications follow transparent governance rules: automated decisions are rule-based only, and taxpayers are always notified when AI influences outcomes ([92]).

Finland employs behavioural insights and proactive tools to encourage voluntary compliance. The tax administration uses a range of measures, from payment reminders and instalment plans to behavioural campaigns, alongside enforcement actions. These tools aim to influence taxpayer behaviour and reduce non-compliance before escalating to stricter measures ([93]).

Finland integrates CESOP data directly into its VAT risk management system. With a separate national legal basis, Finland stores and uses CESOP data in its national systems for taxation purposes. While awaiting full technical integration (S2S), the administration manually selects targets in CESOP and uses these analyses for VAT risk management, followed by monitoring and control measures. Cross-referencing CESOP data with national and VIES records is standard practice, particularly during registration and de-registration procedures, which serve as the initial phase for further compliance actions ([94]).

Finland also uses reports exchanged automatically under the DAC concerning risk of tax avoidance, i.e. DAC3 ([95]), DAC4 ([96]) and DAC6 ([97]), mainly for risk-analysis purposes in the field of CIT. The tax authorities identified successfully 98% of the taxpayers concerned by DAC3, and 99% of the taxpayers concerned by DAC4 reports, the EU average being 98% and 94%, respectively. However, Finland could not provide the percentage of DAC6 reports identified successfully for 2025. DAC3, DAC4 and DAC6 are used for risk-assessment (e.g. to identify risks related to transfer pricing, base erosion and profit shifting, harmful tax practices, etc.) and possible follow-up actions such as tax audits. This comprehensive use of the data suggests that the Finnish authorities have integrated it into a robust process, which could be further improved by using DAC6 reports to identify legal loophole, where relevant. Moreover,

[92] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[93] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Finland, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/5059092.

[94] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[95] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.

[96] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.

[97] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.

Finland should provide to the Commission services the matching rates for DAC6, in accordance with the relevant Commission implementing regulation ([98]).

4.4 Audits

Finland's audit system applies a risk-based, tiered approach to compliance enforcement. Vero applies tiered interventions, from behavioural nudges to full audits, tailored to taxpayer risk profiles. The administration conducts desk audits, limited-scope checks, single-issue reviews, and comprehensive audits as well. High-risk areas like VAT fraud and the grey economy receive targeted attention through advanced analytics and a dedicated anti-grey-economy unit ([99]).

Finland's audit case selection relies on automated data analysis rather than AI-driven processes. The system prioritizes cases using automated risk registers, data analytics, and cross-checks (e.g., VAT status, declared data). Registration and de-registration procedures trigger extensive cross-referencing with national and VIES data, acting as a gateway for further controls. However, AI is not used for VAT control or audit selection – its applications are limited to information searches, text summarization, and translations ([100]).

Finland efficiently targets high-value or large taxpayers through centralised risk management. With dedicated resources, the tax administration manages major corporate groups and financial institutions, generating 40% of total revenue. Finland provides tailored compliance support but lacks a High-Net-Worth Individual program.

Finland is a pro-active user of advanced instruments of administrative cooperation provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025, Finland has initiated 3 MLC and 19 PAOE, and has participated in 5 MLC and 21 PAOE, representing respectively 2.8%, 29.2%, 1.7% and 16.3% of the total of these operations ([101]). It should be stressed that the intensive use of PAOEs forms part of highly dynamic cross-border cooperation.

[98] Commission Implementing Regulation (EU) 2025/2263 of 12 November 2025 amending Implementing Regulation (EU) 2015/2378 as regards the standard forms and computerised formats for the mandatory automatic exchange of information on reportable crypto-assets, the communication of the yearly assessment and the list of statistical data to be provided by Member States under Council Directive 2011/16/EU.

[99] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[100] Ibidem.

[101] EU AIAC Statistics -2023-2025.

4.5 Payment and collection

Finland's payment and collection system appears highly digitalised ([102]), with very strong electronic payment uptake, while on-time payment compliance is mixed across tax types. In 2024, 100% of payments were made electronically in Finland ([103]), above the EU average of 94.9%, and unchanged from 2018. For on-time payment compliance, Finland performed above the EU average for CIT, with 93.0% versus 89.8%, and for VAT, with 90.2% versus 83.7%, while PIT was below the EU average, at 74.7% compared with 79% ([104]).

Finland integrates VAT refunds with registration and compliance controls. The system links refund processing to taxpayer identity verification, combining proactive fraud prevention and risk-based oversight ([105]).

4.6 Tax debt recovery

Finland maintains a robust tax arrears management system. Although the stock of tax arrears increased slightly, the share of collectable arrears rose even more. In 2023, the closing stock of tax arrears increased from 4.3% of total revenue collected in 2022 to 4.7%, remaining well below the EU average of 30.7%. Meanwhile, the share of collectable arrears in the total stock of arrears increased to 50.7%, indicating that despite the modest increase in overall arrears, a larger proportion of the debt remains recoverable ([106]).

Finland maintains a highly efficient tax collection and recovery system ([107]). Effective tax debt collection is supported by extensive digitalisation of the tax administration, high levels of voluntary compliance, and strong risk management.

Finland applies a risk-based approach. The Finnish Tax Administration applies sophisticated risk analysis to identify high-risk taxpayers and prioritise enforcement actions. Recovery measures are integrated into broader compliance management rather than relying solely on enforcement.

Finland makes a strong use of data and digital tools. Finland makes extensive use of third-party reporting, digital services, and data analytics to prevent the accumulation of tax debts and improve recoverability.

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[102] Paying taxes – individual taxpayers - vero.fi.

[103] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

[104] Ibidem.

[105] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[106] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

[107] https://taxation-customs.ec.europa.eu/taxation/vat/fight-against-vat-fraud/mind-gap-report_en.

Continued investment in data analytics and monitoring of the shadow economy should help preserve these strong recovery outcomes. Cooperation against the shadow economy: the Anti-Fraud Function of the Finnish Tax Administration has a central role in supporting tax recovery by sharing intelligence across public authorities and identifying hidden assets and undeclared economic activity.

Regarding cross-border recovery assistance within the EU, Finland submits compliant requests to other Member States -. Finland's requests for recovery addressed to other Member States generally comply with the requirements of Directive 2010/24/EU, as they primarily concern well-established and enforceable claims. In 2025, Finland sent 596 requests for recovery to other Member States. However, 106 recovery requests were suspended during the same year because the underlying claims became contested.

Finland does not seem to use the information from DAC for recovery purposes. As a best practice, the thorough use of AEOI data by Finland could be extended to this purpose where relevant and appropriate.