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Summary

Suvi Ritola and Samuli Tuominen

Total pension in Finland 2022

How are earnings-related pensions, national pensions and taxation determined?

The amount of the take-home net pension is affected by how the earnings-related and national pension benefits and the taxation of pensions are determined. This review outlines how these factors have been determined for the year 2022. The tables with examples illustrate what the total net pension consists of in the different income brackets. We have also examined the taxation of pensions in general terms and have compared the tax and contribution burden of pension recipients and wage earners in different income brackets.

Earnings-related pensions rose by 2.3 per cent at the beginning of 2022. The wage coefficient used, for instance, to revalue earnings when determining the pension rose by 2.5 per cent.

Those born in 1958 will reach their retirement age of 64 years in 2022. Starting earnings-related pensions are adjusted with the life expectancy coefficient. The life expectancy coefficient for those born in 1960 or for those younger than 62 whose pensions have started in 2022 has been confirmed at 0.94659. It reduces the cohort's monthly pensions starting in 2022 by 5.3 per cent.

At the beginning of 2022, the monthly amount of the full national pension and the full guarantee pension increased by 2.1 per cent. In 2022, the full monthly national pension for a single person is 679.50 euros and for a married or cohabiting person 606.65 euros. Together with the guarantee pension, the minimum pension amount in 2022 is 855.48 euros per month for both single and married or cohabiting persons.

The reform of both earnings-related and national survivors' pensions came into effect at the beginning of 2022. As a result of the reform, the surviving spouse's pension is paid for a fixed term (10 years) to those born in 1975 or later. In families with children, the surviving spouse's pension can be paid to common-law spouses under certain conditions and, in the earnings-related pension scheme, to the children if there is no surviving spouse. The earnings-related orphan's pension is paid until the child turns 20 (previously until age 18).

The municipal taxation of earnings has been slightly mitigated in 2022 due to increases in the basic, income and pension income deductions. The change in the basic deduction affects the taxation of both wage earners and pension recipients. The adjustment in income deduction affects the taxation of wage earners. In 2022, the amount of the full pension income deduction in municipal taxation rises by 230 euros to 9,500 euros. The amount of the full pension income deduction in state taxation rises by 40 euros to 11,190 euros.

The income tax scale for 2022 has been mitigated by adjusting the income limits by 3.0 per cent. In 2022, the average municipal tax rate is 20.01 per cent (20.02% in 2021). The public broadcasting tax is 2.5 per cent for an annual income that exceeds 14,000 euros. However, the maximum broadcasting tax amount is 163 euros.

In 2022, the earnings-related pension contribution rate for wage-earners aged 17–52 and 63–67 is 7.15 per cent and for those aged 53–62 years, 8.65 per cent (same as previous year). The unemployment insurance contribution increases from 1.4 per cent in 2021 to 1.5 per cent in 2022.

In 2022, the medical care insurance contribution for wage earners is 0.53 per cent (0.68 in 2021). The medical care insurance contribution levied on pension and other benefit income is 1.50 per cent in 2022 (1.65 in 2021). The health insurance contribution is 1.18 per cent for wage earners with an annual income of at least 15,128 euros (1.36% in 2021 for an annual income of 14,766 euros).

The adjustments in tax and contribution rates of pension and wage income compared to 2021 vary depending on income level. Comparing the tax rate in 2022 for the same amount of income and with average municipal tax rates, the tax rate for pension recipients decreases by less than one percentage point.

The net pension of a person who gets only a national pension from Kela will rise in 2022 by 2.1 per cent compared to 2021 as a result of the increases in national and guarantee pension indexes. The net pension in higher income levels will rise by 2.2–2.6 per cent. As inflation is assumed at 2.5 per cent in 2022, the purchasing power of the pension income will decrease slightly or stay at the same level as in 2021.

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Finnish Centre for Pensions
ELÄKETURVAKESKUS

Finnish Centre for Pensions
FI-00065 Eläketurvakeskus
Finland
Phone +358 29 41120
Fax +358 9 148 1172

Eläketurvakeskus
00065 ELÄKETURVAKESKUS
Puhelin 029 41120
Faksi 09 148 1172

Pensionsskyddscentralen
00065 PENSIONSSKYDDSCENTRALEN
Telefon 029 41120
Fax 09 148 1172

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