

Total pension in Finland 2023

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

Suvi Ritola
Samuli Tuominen

Total pension in Finland 2023

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

Suvi Ritola
Samuli Tuominen

Eläketurvakeskus

00065 ELÄKETURVAKESKUS

Puhelin: 029 411 20

Sähköposti: etunimi.sukunimi@etk.fi

Pensionsskyddscentralen

00065 PENSIONSSKYDDSCENTRALEN

Telefon: 029 411 20

E-post: förnamn.efternamn@etk.fi

Finnish Centre for Pensions

FI-00065 ELÄKETURVAKESKUS, FINLAND

Phone: +358 29 411 20

E-mail: firstname.surname@etk.fi

Helsinki 2023

ISSN 1798-7490 (online)

Summary

The amount of net take-home pension is affected by how earnings-related and national pension benefits and the taxation of pensions are determined. This report provides an overview of how these factors have been determined for 2023. Tables are included to illustrate the composition of net pension income in different income brackets. The taxation of pensions is also examined in more general terms, and comparisons are provided of the tax and contribution burden of pensioners and wage earners at different income levels.

Earnings-related pensions rose by 6.8 per cent at the beginning of 2023. The wage coefficient, which is used among other things to revalue earnings for purposes of determining pension benefits, was up 3.8 per cent.

In 2023 persons born in 1959 will reach their earliest retirement age of 64 years and 3 months. Starting earnings-related pensions are adjusted using the life expectancy coefficient. The 2023 coefficient for pensions awarded to persons born in 1961 or for starting pensions awarded to persons before they reach age 62, has been confirmed at 0.94419. This will have the effect of reducing the cohort's monthly pensions by 5.6 per cent.

The amounts of national pension and guarantee pension were raised by 4.2 per cent from the beginning of 2023. National pensions were also raised in August 2022 by 3.5 per cent, bringing the overall increase in pensions to 7.8 per cent compared to the beginning of 2022. In 2023 the full amount of monthly national pension for a single person is 732.67 euros and for a married or cohabiting person 654.13 euros. Together with the guarantee pension, the minimum pension in 2023 is 922.42 euros per month for both single and married or cohabiting persons.

The social and health care reform has also brought changes to state and municipal taxation in 2023. The state tax rate increased, but accordingly the average municipal tax rate for 2023 dropped to just 7.38 (compared to 20.01 in 2022). For the individual taxpayer, these changes will not have any overall significant effects. Income limits in the state income tax scale were raised by 3.5 per cent in line with projected earnings growth.

The tax reform also brought changes to deductions in taxation as the tax bases for state taxation and municipal taxation and at the same time the deductions were combined. The structure of the new pension income deduction is based on the corresponding earlier deduction in municipal taxation, but the deduction rate will be lowered in two stages. Structural changes were also made to the percentage that decreases the earned income deduction for wage earners, with two tiers introduced instead of one.

Furthermore, the maximum amount of earned income deduction will be raised for three age groups: the maximum deduction will increase by 200 euros for the age group 60–61, by 400 euros for the age group 62–64 and by 600 euros for the age group over 65.

This will reduce the tax burden for persons over 60 compared to the previous year. Increases to the basic deduction, earned income deduction and pension income deduction will also slightly ease the taxation of earnings in 2023. The deduction called disability credit was discontinued in connection with the tax reform.

In 2023 the employee's earnings-related pension contribution for persons aged 17–52 and 63–67 is 7.15 per cent, and for persons aged 53–62 it is 8.65 per cent; both figures are unchanged from 2022. Employees' unemployment insurance contribution is also unchanged at 1.5 per cent.

The employee's medical care insurance contribution will rise from 0.53 per cent in 2022 to 0.6 per cent in 2023, and the medical care insurance contribution levied on pension and other benefit income from 1.5 per cent to 1.57 per cent. Employees with annual earnings of at least 15,703 euros pay a health insurance daily allowance contribution of 1.36 per cent. In 2022 the contribution was 1.18 per cent if earnings exceeded 15,128 euros.

The change in the tax and contribution rates for pension and earned income from 2022 varies in different income brackets. When tax rates for the same income are compared to the previous year using average municipal tax rates, the pensioner's tax rate is reduced by 0.1–2.3 percentage points. When the tax rate for earned income is compared to the rate for the previous year, the reduction is less than one percentage point.

In 2023 the net pension income of persons who receive only a national pension will rise by 6.3 per cent compared to 2022 because of increases in the national and guarantee pension indexes. At higher income levels the net pension will rise by 5.3–8.5 per cent.

As inflation is expected to come in at 4.2 per cent in 2023, the purchasing power of pensions will increase nominally for guarantee pension earners by 2.0 per cent. For other income cohorts, the purchasing power of pensions will increase nominally by 1-4 per cent. However, it is noteworthy that the real level of pensions was significantly affected by 2022 inflation, which caused the purchasing power of pensions to decline in 2022 by approximately 3–4 per cent.

Contents

Summary	5
1 Introduction	9
2 Earnings-related pensions	11
2.1 Old-age pension	11
2.2 Partial old-age pension	12
2.3 Disability benefits	13
2.4 Years-of-service pension	14
2.5 Survivors' pensions	15
2.6 Unsalariated periods	17
2.7 Indices	18
2.8 Life expectancy coefficient	19
3 National pension benefits	20
3.1 National pension	20
3.2 Guarantee pension	22
3.3 Survivors' pension	24
3.4 Pension assistance	25
3.5 National pension index	26
3.6 Length of residence requirements and adjustment of Kela pensions to length of residence	26
3.7 Housing allowance for pensioners	27
3.8 Other supplements	28
4 Primary benefits	29
5 Taxation	31
5.1 Deductions in earned income taxation	31
5.2 Taxes on earned income and statutory social insurance contributions	32
5.3 Differences in the taxation of pensioners and employees	35
5.4 Taxation of earnings consisting of both pension and wage income	41
5.5 International situations	43
5.6 Capital income taxation – voluntary personal pension insurance and long-term saving	44
6 Total pension income	46
6.1 Determination of total pension: some examples	48
6.2 Change in net pension income	52
Appendices	54
Appendix 1. Deductions in earned income taxation, municipal and state taxation	54
Appendix 2. Time series	59
References	68

1 Introduction

The Finnish statutory pension system consists of the statutory earnings-related pension and the residence-based national pension and the guarantee pension. Earnings-related pensions are intended to ensure that people retiring from work can maintain a reasonable level of consumption level compared to their pre-retirement income. The national pension and the guarantee pension, on the other hand, ensure a minimum level of pension income for persons who worked for such a short period of time of whose earnings were so low that they have only a small or no earnings-related pension at all. In addition, pensioners may also receive a housing allowance for pensioners and other benefits paid by Kela.

Pensioners may also be eligible to receive compensation under motor liability, workers' compensation or military accident insurance (LITA), which take precedence over earnings-related pensions. These compensations are subject to tax under the same principles as earned income. As of 2021, benefits paid under the Patient Insurance Act no longer take precedence over earnings-related pensions.

The economic welfare of pensioners depends first and foremost on their monthly pension income and on how it compares with their pre-retirement earnings. When earnings-related pension legislation was drafted in the 1960s, the target was to peg pensions at 40 per cent of earned income after 40 years' employment. Following the step increase in the 1970s, the target was raised to 60 per cent. At the same time, pensions were capped at 60 per cent of the individual's highest earnings during their career. Since the 2005 pension reform it has been harder to establish an exact target for the level of earnings-related pension. The reform included the introduction of a life expectancy coefficient, which impacts the amount of monthly pension payable. The most recent pension reform in 2017 included the decision to incrementally raise the statutory retirement age and to harmonize pension accrual rates at different ages.

Because of progressive taxation, the net pension to pre-retirement net earnings ratio is higher than the gross ratio. In other words, an individual's pension is taxed with a lower average tax rate than their wage because their pension is lower than their wage. Differences in tax deductions and allowances and social security contributions furthermore mean that pensions and wages also differ in terms of their tax and contribution burdens. Persons who receive only a national pension pay no tax on their pension income.

The earnings-related pension scheme has been phased in incrementally. The amount of earnings-related pension as a proportion of overall pension income has steadily increased, while the share of national pension has decreased accordingly. Until 1995 the national pension consisted of a universal basic amount and an additional amount dependent on other pension income. Since 1996 persons receiving a specified minimum in earnings-related pension have no longer been eligible to receive a national pension. The guarantee pension was introduced in March 2011 to secure a minimum pension income for persons with a low earnings-related or national pension.

Discretionary increases have been made to national pensions from time to time. In the 2000s, discretionary increases were made to national pension in 2001, 2005, 2006, 2008 and 2020 and to the guarantee pension in 2016, 2018, 2019 and 2020. The discretionary increases made to the guarantee pension have been targeted more directly at recipients of the smallest pensions while the increases to the national pension have been targeted also to all recipients who get both an earnings-related and a national pension. As a result of the discretionary increases of the national pension, the number of pension recipients entitled to a national pension also grows.

At year-end 2021, around 64 per cent of Finnish resident recipients of a pension in their own right had only an earnings-related pension (old-age, disability and farmers' special pensions; excluding part-time pension and partial old-age pension). Around 31 per cent had a pension under both the national pension and the earnings-related pension scheme, and five per cent received only a national pension. National pensions were paid to 479,000 persons, of whom around 80,000 received the pension in full. In 2021 there were 114,000 guarantee pension recipients with an average monthly guarantee pension of 189 euros. The total number of Finnish resident recipients of a pension in their own right at year-end 2021 was 1,568,000.

In 2021 the average monthly pension of Finnish resident old-age and disability pension recipients was 1,784 euros, with the earnings-related pension accounting for an average 1,639 euros, the Kela pension for 129 euros and LITA pensions for 16 euros. The average monthly pension income for persons receiving both a Kela pension and an earnings-related pension was 1,107 euros, with earnings-related pension accounting for 817 euros, Kela pension for 285 euros and LITA pension for five euros. The total monthly pension income for persons who received only a national pension was 811 euros (including the guarantee pension), while the average for persons who had only an earnings-related pension was 2,188 euros. These figures include any survivors' pension paid to the pensioner. The average monthly earnings-related old-age pension for new retirees in 2021 was 1,933 euros.

Statistics Finland figures show that the average monthly earnings of full-time wage and salary earners in 2021 stood at 3,734 euros. The average earnings-related old-age pension for persons retiring that year was thus around 52 per cent of average wage and salary earnings.

This report examines the effects of different factors on overall pensions and net pension income in 2023. Chapter 2 looks at how earnings-related pensions are determined. Chapter 3 deals with national pensions, national pension supplements and the guarantee pension, and Chapter 4 moves on to compensations from motor liability and workers' compensation. Chapter 5 covers the general principles of taxation and compares the taxation of pensioners and employees. It also considers situations where earned income includes both pension and employment income, as in the case of partial old-age pensions. Chapter 6 describes the formation of gross and net pensions at different income levels and looks at how net pension income has changed over the past 10 years. The appendices provide time series on sums and contributions that impact on total pension income. The data of the graphs in this report are available as excel files on the report's website.¹

1 <https://urn.fi/URN:NBN:fi-fe2022021719710>

2 Earnings-related pensions

A Finnish earnings-related pension is payable in the form of an old-age pension, disability pension, years-of-service pension and survivors' pension as well as a partial old-age pension or part-time pension. New part-time pensions were no longer granted as of early 2017, but existing part-time pensions are still paid out.

Earnings-related pension accrual has been calculated on a calendar year basis since 2005. Pension rights accrued before 2005 are calculated based on legislation in force at the time. Pension entitlements accrued for service under different earnings-related pension acts and for self-employment are added together. The total amount of earnings-related pension earned is finally multiplied by the life expectancy coefficient.

Earnings-related pensions are integrated with statutory benefits paid out under the Workers' Compensation Act and the Motor Liability Insurance Act. These benefits take precedence over earnings-related pension, which is only payable to the extent that it exceeds these benefits. As of 2021, benefits paid under the Patient Insurance Act no longer take precedence over earnings-related pensions.

Statutory earnings-related pension provision for employees and the self-employed is managed by pension insurance companies, industry-wide and company pension funds and special pension institutions. Earnings-related pensions in current payment are primarily financed with insurance contributions paid by employers, employees and the self-employed, with accumulated pension assets and returns from these assets.

2.1 Old-age pension

The age of eligibility for old-age pension is being progressively raised by 3 months a year from 63 to 65 years for persons born in 1955 and later (Table 2.1). For persons born in 1965 and later, the threshold for old-age pension will be tied to life expectancy. The first increase of no more than two months to the 65-year retirement age for persons born in 1965 will be endorsed in 2027 and take effect in 2030. The upper age limit for insurance obligation and for pension accrual will also rise, but in full years. Projections on the retirement age for persons born in 1965 and later have been presented in Table 2.8 in the appendix.

Table 2.1

Old-age pension: retirement age, age at which insurance obligation and pension accrual ends, by year of birth

Year of birth	Retirement age	Age at which insurance obligation/ pension accrual ends
1954	63 yrs	68 yrs
1955	63 yrs 3 mos	68 yrs
1956	63 yrs 6 mos	68 yrs
1957	63 yrs 9 mos	68 yrs
1958	64 yrs	69 yrs
1959	64 yrs 3 mos	69 yrs
1960	64 yrs 6 mos	69 yrs
1961	64 yrs 9 mos	69 yrs
1962–1964	65 yrs	70 yrs
1965 and younger	to be confirmed later	70 yrs

The pension accrual rate is 1.5 per cent for each year of service from the age of 17, for self-employed persons from the age of 18. For persons aged 53–62 the accrual rate for the transition period (2017–2025) is 1.7 per cent of earnings. Earnings-related pensions are adjusted using the life expectancy coefficient (see chapter 2.5). Pension accrued before 2017 are subject to the rules that were valid at the time of work.

The rate of pension accrual for earnings on which social security benefits are based (unpaid periods) is 1.5 per cent. The same rate of 1.5 per cent applies to earnings from paid employment and self-employment while receiving a pension, up to the upper age limit for insurance obligation. A person receiving an old-age pension may take up work without reductions to their earnings-related pension.

The pension will be increased by 0.4 per cent for each month of deferral (past the retirement age). Persons born between 1949 and 1953 are eligible to receive an increase for late retirement no earlier than from the beginning of 2017.

When pensions are calculated, career lifetime earnings are adjusted to the level of the first year of pension using a wage coefficient.

2.2 Partial old-age pension

It is possible to take payment of 25 or 50 per cent of the accrued pension in the form of a partial old-age pension. The amount of partial old-age pension is calculated based on the pension rights accrued by the end of the year preceding the year the pension commences. Eligibility for a partial old-age pension starts at age 61; there is no upper age limit. The age limit will rise to 62 years for persons born in 1964. The age limit will subsequently be tied to changes in life expectancy and will rise along with the old-age retirement age.

The portion of pension taken out early is subject to an early retirement reduction, which is 0.4 per cent for each month that the pension is taken early. For instance, a partial old-age pension taken one year early is permanently reduced by 4.8 per cent. Persons who take payment of a partial old-age pension starting from the calendar month after they have reached their retirement age will receive an increase for deferred retirement, which is 0.4 per cent for each month that the pension is deferred.

Partial old-age pensions are adjusted using a life expectancy coefficient confirmed for the year that the pension starts, if this is before the year the person turns 62. If the partial old-age pension starts during the year the person reaches age 62, or later, the adjustment will be made using the life expectancy coefficient confirmed for the person's age group.

A partial old-age pension awarded at 25 per cent can be exchanged for a 50 per cent pension, but no other changes can be made to the amount of pension payable. The pension cannot be discontinued, but it can be cancelled within three months of pension commencement.

There are no employment or earnings restrictions while drawing a partial old-age pension. Old-age pension accrues at a rate of 1.5 per cent on income from employment while drawing a partial old-age pension, or at a rate of 1.7 per cent during the transition period (2017–2025). The remainder of the pension is granted at the earliest age of retirement without a deduction for early retirement, or later, with an increase for late retirement.

Part-time pensions have not been granted since the beginning of 2017. Pensions granted before the scheme was discontinued at the start of 2017 are still being paid according to the rules in force before 2017. At the end of November 2022, part-time pensions were still paid out to around 50 persons. Part-time pensions will end by the end of 2023.

2.3 Disability benefits

Disability benefits under the earnings-related pension scheme are the disability pension, partial disability pension, cash rehabilitation benefit and partial cash rehabilitation benefit. A full disability pension is paid to a person suffering a loss of at least three-fifths of working capacity; the criterion for a partial pension is a loss of at least two-fifths of working capacity. A partial disability pension is half the amount of the full disability pension for the insured person. The cash rehabilitation benefit is always granted for a fixed period, and it is the same amount as the disability pension.

A disability pension consists of the pension that the individual has accrued by the time of disability onset and the projected pension component. The projected pension component is calculated from the beginning of the year of the pension contingency to the end of the month when the individual reaches old-age retirement age. If the retirement age has not yet been set for the age group, the termination age for the projected pension component is the corresponding age specified for the nearest age group. For persons born in 1965 and later, the termination age for the projected

pension component is currently 65 years, which is the earliest age of eligibility stipulated in the law for persons born in 1964. As a rule, the projected pension component is calculated based on earnings over five years before the year of the pension contingency. The accrual rate for the projected pension component is 1.5 per cent.

The disability pension is multiplied by the life expectancy coefficient issued for the age group turning 62 during the year of the pension contingency. The coefficient is applied only to the portion of the pension earned before the beginning of the disability. The coefficient will therefore have a lesser effect than in determining the amount of old-age pension. The life expectancy coefficient does not change when the disability pension is converted into an old-age pension.

A permanent lump-sum increase is added to the disability pension or cash rehabilitation benefit when five full calendar years have elapsed since the commencement of pension payments. The increase depends on the person's age at the start of the year that the increase is made. For employees aged 31 and younger, the pension increase is 25 per cent, and from age 31 the increase drops by one percentage point per year of age. Persons over 55 at the beginning of the year no longer receive the lump-sum increase.

While drawing a pension, disability pension recipients may earn up to 40 per cent and partial disability pension recipients up to 60 per cent of their average pre-disability earnings. How the earnings limits are applied is also affected by for how long the earnings limits are exceeded. According to the temporary act for the promotion of return to work, both full and partial disability pension recipients may in any case earn at least 922.42 euros a month (in 2023). The act expires at the end of 2024.

When the disability pension recipient's earned income exceeds the 60 per cent limit or the highest earnings limit, pension payments will be suspended for a minimum of three months and a maximum of two years. Pension accrues for income earned while pension payments are suspended at a rate of 1.5 per cent on annual earnings.

A full disability pension is converted into an old-age pension and a partial disability pension into an old-age pension equivalent to a full disability pension from the beginning of the month after the pensioner reaches their retirement age. If the disability started before 2017, the pension is converted into an old-age pension at the age of termination of the projected pension component for the disability pension concerned.

2.4 Years-of-service pension

The years-of-service pension can be claimed no earlier than at age 63. The age limit is tied to life expectancy as of the 1965 birth cohort. For this and subsequent cohorts the age limit is always two years lower than the full retirement age. In 2023 a years-of-service pension can be claimed by the 1960 birth cohort, whose retirement age is 64 years and six months. The maximum duration of payment for years-of-service pensions for that cohort is thus one year and three months before the pension is converted to an

old-age pension. The first years-of-service pensions were granted in 2018. In 2018–2023, a total of around 300 persons have been granted a years-of-service pension, but only 99 of them were still in payment in November 2022.

A years-of-service pension requires loss of working capacity, but to a lesser extent than in the case of disability pension. Eligibility requires an employment history spanning at least 38 years and involving high physical and mental stress. The individual may have claimed maternity, paternity or parental allowance for no more than three years. The length of employment criterion is verified on the basis of data in the earnings- and accrual register of the earnings-related pension system and reliable documentation submitted by the pension claimant.

The amount of years-of-service pension is calculated based on the pension rights accrued by the end of the month before the pension starts. The years-of-service pension is smaller than the disability pension because it does not include a projected pension component.

2.5 Survivors' pensions

Under certain conditions, the surviving spouse's pension is paid to the married surviving spouse and, as of the beginning of 2022, also to the surviving common-law spouse. A cohabiting spouse is entitled to the surviving spouse's pension if they have a dependent child together with the deceased and the cohabiting had lasted for at least five years. A partner in a same-sex registered partnership is treated in the same way as a spouse. The orphan's pension can be claimed by the deceased person's children under age 20.

Earnings-related survivors' pensions are based on the deceased person's old-age or disability pension at the time of death. If the deceased person was not yet retired with an earnings-related pension or had not reached their retirement age, the survivors' pensions are determined based on the earnings-related pension they would have received had they lost their ability to work at the time of death.

The survivors' pension cannot exceed the deceased person's full earnings-related pension. The shares of the deceased person's earnings-related pension received by the surviving spouse and children are shown in Table 2.2. As of the beginning of 2022, if there is no surviving spouse who is entitled to the surviving spouse's pension, the imputed share of the surviving spouse's pension is paid as an orphan's pension to the children.

The 2022 reform of the survivors' pension scheme limits the payment of the surviving spouse's pension to 10 years for those born in 1975 or later. However, the surviving spouse's pension is paid at least until the youngest child receiving an orphan's pension turns 18 years. Surviving spouse's born before 1975 are granted a surviving spouse's pension for life. The surviving spouse's pension of a common-law spouse continues until the youngest child that the common-law spouses had together turns 18 years. The orphan's pension is paid until the child turns 20 years.

Table 2.2.

Survivors' shares of the survivors' pension

Number of children	0	1	2	3	4–
Surviving spouse's pension	6/12	6/12	5/12	3/12	2/12
Orphan's pension	-	4/12	7/12	9/12	10/12
Total	6/12	10/12	12/12	12/12	12/12

If there are no underage children and the surviving spouse is not retired, he or she will be paid a full (6/12) surviving spouse's pension for six months. After these six months, the surviving spouse's own imputed earnings-related pension income will reduce the amount of surviving spouse's pension paid out.

Any pension received by the surviving spouse that is over and above 779 euros a month (in 2023) will reduce the amount of survivors' pension payable to the surviving spouse. This threshold for the reduction of the surviving spouse's pension is adjusted in line with the wage coefficient. If the surviving spouse's own earnings-related pension income falls below the threshold, the surviving spouse's pension will not be reduced.

The reduced surviving spouse's pension is calculated using the following formula (if the surviving spouse's own pension is larger than the reduction threshold and there are no underage children):

$$\text{Reduced surviving spouse's pension} = 0.5 \times \text{deceased person's pension} - 0.5 \times (\text{surviving spouse's own pension} - \text{€779})$$

Table 2.3 lists some examples of a reduced surviving spouse's pension.

Table 2.3.

Reduced surviving spouse's pension (€)

	Deceased person's pension								
	500	1,000	1,500	2,000	2,500	3,000	3,500	4,000	
Surviving spouse's own earnings-related pension									
0	250	500	750	1,000	1,250	1,500	1,750	2,000	
500	250	500	750	1,000	1,250	1,500	1,750	2,000	
1,000	140	390	640	890	1,140	1,390	1,640	1,890	
1,500	0	140	390	640	890	1,140	1,390	1,640	
2,000	0	0	140	390	640	890	1,140	1,390	
2,500	0	0	0	140	390	640	890	1,140	
3,000	0	0	0	0	140	390	640	890	
3,500	0	0	0	0	0	140	390	640	
4,000	0	0	0	0	0	0	140	390	

2.6 Unsalariated periods

Sickness and rehabilitation benefits, parental allowances, unemployment benefits and training and education subsidies add to pension entitlements (see Table 2.4). Pension-like benefits also accrue for periods of caring for a child under three and periods of study, as stipulated in separate provisions of law. For periods on earnings-related social benefits, pension rights accrue according to the earnings on which the social benefit concerned is determined. Calculations of accrued pension and the projected pension component take these earnings into account in different ways.

For periods on daily allowances pursuant to the Health Insurance Act, the pension is based on the same annual income for 12 calendar months that the benefit is based on. The earnings that form the basis of the following benefits are calculated as follows: the parenthood allowance as 121 per cent, Kela's rehabilitation allowance as 55 per cent, the sickness allowance as 62 per cent, and the earnings-related unemployment allowance as 75 per cent.

Benefits that accrue under the Act on Compensation for Pension Accrual from State Funds for Periods of Childcare and Periods of Study are based on the same fixed amount. Benefit earnings are counted as double in the projected pension component.

Studies leading to a higher university degree afford entitlement to pension accrual for five years, a polytechnic bachelor's degree for four years and a university bachelor's degree and a vocational upper secondary qualification for three years. However, persons completing more than one qualification or degree can only accrue pension entitlement for a maximum of five years in total.

The pension accrual rate is 1.5 per cent of earnings on which benefits are based. Pension is earned for periods on social security benefits if the person's lifetime career earnings are at least 19,578.92 euros (at 2023 level). No pension accrues for the benefit for time during which pension under an earnings-related pension act is paid. A pension paid from abroad does not prevent pension from accruing for unsalariated periods.

As benefits may be calculated on an annual or monthly basis but are usually paid per diem, the earnings used in determining benefits must be converted into daily earnings for purposes of pension calculation. These daily earnings are multiplied by the number of benefit days to obtain the annual earnings for the calculation of the benefit scheme concerned.

Table 2.4.

How earnings used in social benefit determination count towards pension entitlement (2023 values)

Benefit	Percentage or amount of basis for benefit counted towards earned pension	Percentage or amount of basis for benefit counted towards projected pension component
Maternity, paternity and parental allowance	121%	121%
– For period paid to employer (employer pays maternity pay)	21%	21%
– Minimum	€815.79/month	€815.79/month
Earnings-related unemployment allowance	75%	100%
Rehabilitation allowance (Kela)	55%	100%
Rehabilitation allowance (earnings-related pension acts, LITA)	65%	100%
LITA compensation for loss of income	65%	100%
Adult education allowance	65%	100%
Sickness allowance and special care allowance	62%	100%
Infectious disease allowance	65%	100%
Job alternation compensation	55%	100%
Basic daily allowance and labour market support under the Unemployment Security Act	0%	€1,631.57/month
Sickness allowance after basic daily allowance	0%	€1,631.57/month
Child home care allowance	€815.79/month	€1,631.57/month
Degree	€815.79/month	€1,631.57/month

2.7 Indices

Pensions in payment are adjusted at the start of each year using an earnings-related pension index, in which changes in earnings level have a weighting of 0.2 and changes in consumer prices a weighting of 0.8. In 2023 the earnings-related pension index increased by 6.8 per cent from the previous year to 2874 points.

When pensions are calculated, career lifetime earnings are adjusted to the level of the first year of pension using a wage coefficient. The wage coefficient in 2023 is 1.558, up 3.8 per cent from the year before. In the wage coefficient, changes in earnings level have a weighting of 0.8 and changes in consumer prices a weighting of 0.2. The wage coefficient is also used to annually adjust the monetary amounts specified in earnings-related pension acts, which among other things determine the terms and conditions for pension insurance and accrual.

The wage coefficient and the earnings-related pension index are determined based on official Statistics Finland time series of wage and salary indices and consumer

price indices. The index of wage and salary earnings measures the development of all employees' earnings from regular working hours. Prices are monitored using the national consumer price index. The development of earnings and consumer prices is measured by annual third quarter change. The wage coefficient and the earnings-related pension index is issued by the Ministry of Social Affairs and Health each year by the end of October.

2.8 Life expectancy coefficient

Since 2010 all new old-age pensions have been adjusted using a life expectancy coefficient to automatically account for changes in life expectancy. In times of rising life expectancy, the coefficient will reduce the monthly pension payout, but not the lifetime amount of old-age pension received by the beneficiary if they live out the new projected life expectancy.

A life expectancy coefficient is set for each birth cohort at age 62. In 2023 the life expectancy coefficient is fixed at 0.94419, which applies to old-age pensions for persons born in 1961. The coefficient also applies to younger age groups who are granted an early old-age pension, a disability pension or a partial old-age pension in 2023.

Pensions granted to persons retiring in 2023 at their retirement age or older are adjusted by a coefficient that was confirmed for the age group (Table 2.8 in the appendix). The method used to calculate the coefficient changes for those born in 1965 or later as the retirement age is tied to life expectancy.

The life expectancy coefficient impacts on survivors' pensions via the deceased person's pension. The coefficient is not applied to survivors' pensions themselves, but its effect is mediated through the deceased person's earnings-related pension on the basis of which survivors' pensions are calculated.

The life expectancy coefficient is not applied to the national pension. The national pension and guarantee pension contribute to offset in part the reduction in earnings-related pension caused by the life expectancy coefficient.

3 National pension benefits

Administered by Kela, the national pension scheme offers national pension and guarantee pension benefits to provide a basic pension income for persons with limited or no earnings-related pension. Funding for national pension benefits and the operating costs of the National Pension Fund comes from the state budget.

The National Pensions Act provides for three types of pension benefits that are paid out by Kela: the old-age pension, the disability pension and survivors' pensions. The old-age pension and disability pension are subject to the same rules of determination. These pensions are supplemented by a guarantee pension for individuals with inadequate overall pension income. The determination of survivors' pensions is covered in a separate chapter below.

Pensioners may also qualify for Kela's housing allowance for pensioners, care allowance for pensioners, child increase or front-veteran's supplement.

3.1 National pension

3.1.1 Entitlement to national pension

Entitlement to a full **old-age pension** under the National Pensions Act begins at age 65. For persons born in 1965 or later, the age limit for national old-age pension will be tied to the age group's retirement ages set out in the relevant earnings-related pension act. Persons are entitled to an early old-age pension at age 64. Persons born in 1962 or later cannot take early payment of a national pension.

Long-term unemployed individuals who receive additional days of unemployment benefit are entitled to a national old-age pension under the National Pensions Act with no reduction for early retirement at age 64. Long-term unemployed persons born in 1962 or later are not entitled to receive an unreduced old-age pension before reaching full retirement age.

Persons with an illness, handicap or injury that prevents them from earning a reasonable income may be eligible to receive a **disability pension** under the National Pensions Act. A reasonable income is defined as monthly earnings of over 922.42 euros.

Persons with only a partial old-age pension or years-of-service pension do not qualify for a national pension if they do not meet the requirements for Kela's old-age or disability pension.

3.1.2 Amount of national pension

The amount of national pension is dependent on other pension income, family circumstances and time spent residing in Finland. The full national pension will increase by 4.2 per cent in 2023. A discretionary increase of 3.5 per cent was also made to the

national pension in August 2022. The combined increase to the national pension, compared to early 2022, is thus 7.8 per cent. The full pension for a single person living alone is 732.67 euros a month and for a married or cohabiting person 654.13 euros a month. The amount of national pension decreases with increasing pension income, as one-half of the beneficiary's earnings-related pension is deducted from the full national pension. However, deductions from the national pension are only made when the earnings-related pension income exceeds the threshold income of 61.95 euros a month (in 2023). The minimum national pension paid out in 2023 is 7.46 euros a month.

$$\text{National pension} = \text{Full national pension} - 0.5 \times (\text{other pension income} - \text{€}61.95)$$

Table 3.1.

Full national pension in 2023 (€/month)

	Full national pension	Earnings-related pension income ceiling for national pension eligibility
Single	732.67	1,512.38
Married or co-habiting	654.13	1,355.30

An old-age pension that is taken early is permanently reduced by 0.4 per cent for each month the pension is claimed before reaching one's retirement age. A deferred national pension is increased by 0.6 per cent for each month that the pension is postponed beyond one's retirement age. For persons born in 1962 or later, the national pension is increased by 0.4 per cent for each month that the pension is postponed beyond one's retirement age.

Kela calculates the amount of national pension payable based on annual euro values. The monthly earnings-related pension is multiplied by 12 and rounded to the nearest euro. Threshold incomes are included in the calculations on an annual basis. The final monthly national pension is rounded to the nearest cent. The amount of a national pension in payment is reviewed in the event of a change in marital status or other than an indexation change in the beneficiary's earnings-related pension.

3.1.3 Earnings considered for the calculation of national pension

The following sources of pension income are considered for purposes of calculating the individual's national pension:

- statutory earnings-related pensions,
- voluntary pension arrangements provided by the employer,
- compensation paid out under the Workers' Compensation Act, the Motor Liability Insurance Act and the Military Accidents Act, excluding any lump-sum increases to these compensations; and
- partial old-age pension including any reduction for early retirement and excluding any increase for deferred retirement.

The following are excluded from earnings-related pension income when calculating the amount of national pension payable:

- the portion of earnings-related pension accrued from employment in 2005–2016 after age 63,
- the increase for deferred retirement on earnings-related pension for periods after reaching full retirement age,
- rehabilitation increase to earnings-related pension,
- portion of pension accrued for studies and for periods of caring for a child under three (applies also to portion included in survivors' pension); and
- lump-sum increase to disability pension after five years (also applies to portion included in survivors' pension).

The national pension is reduced by the full amount of survivors' pension paid out under the earnings-related pension scheme. In other words, the 4.5 per cent accrual rate earned by the deceased person before 2017 for employment at age 63–67 and included in the survivors' pension will also reduce the amount of national pension payable. A partial old-age pension taken early are counted as income without deduction for early retirement.

Pensions and compensation received from abroad will under certain conditions reduce the amount of national pension. An earnings-related pension paid from another EU country will reduce the amount of national pension in the same way as a Finnish earnings-related pension where EU Social Security Regulation 883/2004 is applicable.

The following pension income from abroad will affect the amount of national pension payable:

- statutory and voluntary earnings-related pensions based on an employment and service relationship, as well as self-employment,
- own pensions and survivors' pensions based on accidents at work,
- own pensions and survivors' pensions based on traffic accidents,
- survivor's pensions based on military injuries,
- pensions corresponding to national pension and survivors' pensions under the National Pensions Act.

3.2 Guarantee pension

The guarantee pension is a benefit provided by Kela for low-income pensioners. However, the benefit is not paid to persons who receive only a part-time pension, partial disability pension, survivors' pension or partial old-age pension. The guarantee pension is a taxable benefit and paid only to persons resident in Finland.

In 2023, the full amount of the guarantee pension is 922.42 euros per month. The index increase raised the full amount with 4.2 per cent compared to 2023. In August

2022, the guarantee pension was also increased by 3.5 per cent. The combined increase to the national pension, compared to early 2022, is thus 7.8 per cent. Married or cohabiting persons who receive only a national pension are paid a maximum of 268.29 euros a month in guarantee pension. The lowest amount of guarantee pension paid out is 7.46 euros a month.

The guarantee pension is not increased when taken out late, but the early retirement reduction rules are the same as for the national pension. Therefore, the earliest age at which old-age pension recipients can claim a guarantee pension is the same as for the national pension, that is, 64 years.

The amount of guarantee pension payable depends on the beneficiary's other pension income, including pension payments from abroad. It is not affected by receipt of a pensioner's care allowance, front-veterans' supplement or child increase, nor by earnings from employment, capital income or property, or by receipt of an informal care allowance. However, the amount of guarantee pension is considered when calculating the pensioner's housing allowance. A partial old-age pension does not give its recipients the right to a guarantee pension. If the beneficiary has a partial old-age pension and additionally another pension that qualifies them for a guarantee pension, the partial old-age pension in payment will reduce the amount of guarantee pension payable.

The following will be considered as pension income for purposes of calculating the amount of guarantee pension payable:

- national pension,
- statutory earnings-related pensions,
- voluntary pension arrangements provided by the employer,
- all pensions and compensation received from abroad that, if paid in Finland, would be considered as income,
- compensation paid out under the Workers' Compensation Act, the Motor Liability Insurance Act and the Military Accidents Act, excluding any lump-sum increases to these compensations; and
- partial old-age pension to the amount in payment
- other pensions and compensation (journalist pensions, athlete and artist pensions and survivors' pensions, pensions and survivors' pensions for Artist Professors and artist grant recipients, special compensation paid to spouses of officials in foreign representative offices, survivors' pensions under the Act on Compensation for Crime Damage, survivors' pension under the Patient Injuries Act).

Immigrants aged 65 or over and immigrants over 16 and disabled under the National Pensions Act are also entitled to receive a guarantee pension if they meet the length of residence requirements.

$$\text{Guarantee pension} = \text{€}922.42 - \text{other pension income}$$

3.3 Survivors' pension

3.3.1 Surviving spouse's pension

Entitlement to a surviving spouse's pension under the National Pensions Act is restricted to surviving spouses aged under 65. Under certain conditions, the surviving spouse's pension is paid to the married surviving spouse and, as of the beginning of 2022, also to the surviving cohabiting spouse. A cohabiting spouse is entitled to the surviving spouse's pension if they have a dependent child together with the deceased and the cohabiting had lasted for at least five years. A partner in a same-sex registered partnership is treated in the same way as a spouse.

The surviving spouse's pension consists of an initial pension and a continuing pension if applicable. Surviving spouses can claim an initial pension for six months after the death of their spouse. The initial pension is a fixed amount unaffected by the surviving spouse's income or property assets. In 2023, the initial pension is 362.04 euros a month.

If the surviving spouse has a dependent child under the age of 18, the surviving spouse's continuing pension will include the basic amount (€113.40/month) and, depending on income, an additional amount. The additional amount will not be paid if the surviving spouse's monthly income is more than 1,239.05 euros (€1,080.38 for married or cohabiting persons).

If the surviving spouse does not have a dependent child under the age of 18, the continuing pension may consist only of the additional amount, which is dependent on the claimant's income. If the surviving spouse has a monthly income of over 61.95 euros, half the amount of excess income will be deducted from the full additional amount. The additional amount will not be paid if the surviving spouse's monthly income is more than 1,224.13 euros (€1,065.46 for married or cohabiting persons).

The 2022 reform of the survivors' pension scheme limits the payment of the surviving spouse's pension to 10 years for surviving spouses born in 1975 and later, or at least until the youngest child receiving an orphan's pension turns 18. For surviving spouses born before 1975, Kela's surviving spouse's pension is paid until age 65. The surviving spouse's pension of a common-law spouse continues until the youngest child that the common-law spouses had together turns 18 years.

Other income reduces the surviving spouse's continuing pension. The calculation will consider 60 per cent of earned income, unemployment security, sickness daily allowance and children's home care allowance; and 100 per cent of the surviving spouse's own pension income, survivors' pensions paid to the surviving spouse after the spouse's death, interests and dividends received, other capital income, and confirmed income under the Self-Employed Persons' Pension Act and the Farmers' Pensions Act. The same earnings-related pension components are considered as income as in the calculation of the claimant's own national pension.

Table 3.2.

Amount of surviving spouse's pension in 2023 (€/month)

	€/month
Initial pension (6 months)	362.04
Full continuing pension when claimant has dependant under 18	
living alone	701.97
married or cohabiting	622.64
Full continuing pension when claimant has no dependant under 18	
living alone	588.57
married or cohabiting	509.24

3.3.2 Orphan's pension

Orphan's pensions are paid out by Kela to children under the age of 18: the deceased person's own child, the deceased person's adopted child, or a child who at the time of death was the deceased person's dependant. Kela may also grant a so-called student's pension to full-time students aged over 18 until they turn 21. This benefit only includes the basic amount of the orphan's pension. If both parents or guardians of the child have died, the orphan's pension is paid separately after each of them.

Orphan's pensions include a basic amount that is independent of earnings, plus an additional amount that is paid if survivors' or assistance pensions paid from other than Kela sources come to less than 263.40 euros a month.

$$\text{Orphan's pension} = \text{€}66.61 + (\text{€}100.76 - 0.5 \times [\text{other survivors' pensions} - \text{€}61.95])$$

Table 3.3.

Orphan's pension in 2023 (€/month)

	€/month
Basic amount	66.61
Child's additional amount	100.76
Full orphan's pension	167.37
Threshold income = earnings ceiling for full pension eligibility	61.95

3.4 Pension assistance

Pension assistance is a one-off arrangement intended to provide income security for long-term unemployed persons ahead of their retirement on old-age pension. This scheme was rolled out to apply to persons born before 1 September 1958 who were out of work almost without interruption for five years.

The pension assistance is equal to the amount of the guarantee pension (€922.42/month in 2023). For tax legislation purposes, the pension assistance is subject to

the same rules as pensions. Pension assistance beneficiaries are entitled to a child increase, pensioners' housing allowance and pensioner's care allowance under the National Pensions Act. The pension assistance ends when the beneficiary reaches their retirement age, or at age 65 at the latest. In October 2022, a total of 968 persons received the pension assistance.

3.5 National pension index

Benefits under the national pension scheme are adjusted annually based on the national pension index. The 2023 national pension index is 1805 points, which is 7.8 per cent higher than in early 2022. However, national pensions were preliminary increased by 3.5 per cent in 2022, so national pensions will increase by 4.2 per cent at the beginning of 2023.

The national pension index is adjusted annually based on the cost-of-living index. The index point figure for the following year is calculated by dividing the mean whole number cost-of-living index for the previous year's third-quarter months (July, August and September) with a divider defined in law. Kela confirms the national pension index for the next calendar year by the end of October each year, and benefits under the new index are paid out from the beginning of January the following year.

3.6 Length of residence requirements and adjustment of Kela pensions to length of residence

All persons who live in Finland and who have lived in the country for at least three years after reaching age 16 may be eligible to receive a national pension and a guarantee pension.

Eligibility for a survivors' pension requires that the deceased person had lived in Finland for at least three years after reaching age 16. Furthermore, eligibility for a surviving spouse's pension requires that the surviving spouse has lived in Finland for at least three years before the death of the deceased person and after reaching age 16, and that the surviving spouse has moved to Finland within one year of the death of the deceased person. As for the orphan's pension, it is required that the child has lived in Finland at the time of the death of the deceased person or moved to Finland within one year of the deceased person's death.

Where EU Social Security Regulation 883/2004 is applicable, the accrual of pension rights in another EU country will be considered for the determination of pension rights and the calculation of pensions. Claimants who have not accumulated a one-year insurance period in any country are nonetheless entitled to a national pension if they were last insured in Finland and if their insurance period from all countries is at least three years in total.

If the claimant meets the length of residence requirements but if either the claimant or the deceased person has spent less than 80 per cent of their time between age 16 and the start of the pension or age 65 in Finland, the national pension and the surviving

spouse's pension will be adjusted to the length of time lived in Finland. The orphan's pension and guarantee pension are not adjusted according to length of residence.

3.7 Housing allowance for pensioners

The housing allowance for pensioners can be claimed by single low-income pensioners who receive a pension based on which they qualify for the housing allowance, married or cohabiting couples where one or both receive a pension based on which they qualify for the housing allowance, and households where all receive a pension based on which they qualify for the housing allowance for pensioners. Other households may be eligible to claim general housing allowance.

The housing allowance for pensioners is not granted to persons who receive a partial disability pension, a partial old-age pension or a part-time pension, nor to those who receive a pension based on voluntary pension insurance. These persons may be eligible to claim general housing allowance.

A pensioners' housing allowance may be granted if the claimant's annual housing costs are at least 787 euros (in 2023). The minimum allowance is 7.46 euros a month. The housing allowance for pensioners is 85 per cent of acceptable housing costs exceeding the deductible. The basic deductible for all pensioners is 681.39 euros a year. Depending on the pensioner's and their spouse's income there may be an additional deductible on top of the basic deductible. The additional deductible is 41.3 per cent of the household income exceeding the income limits that are determined according to family status. The amount of pensioners' housing allowance is affected by virtually all regular income received by the claimant and the claimant's spouse. The amount of housing allowance is not adjusted according to length of residence in Finland.

$$\text{Housing allowance} = 0.85 \times (\text{acceptable housing costs} - [\text{basic deductible} + \text{additional deductible if applicable}])$$

The maximum acceptable housing costs are determined according to municipality of residence. In 2023 the maximum amount of acceptable housing costs will rise by 7.8 per cent to reflect the increase in the national pension index.

Table 3.4.

Maximum acceptable housing costs in 2023 (€/year)

Class I municipality	Class II municipality	Class III municipality
9,287	8,541	7,493

Class I municipalities: Espoo, Helsinki, Kauniainen and Vantaa.

Class II municipalities: Hyvinkää, Hämeenlinna, Joensuu, Jyväskylä, Järvenpää, Kerava, Kirkkonummi, Kouvola, Kuopio, Lahti, Lappeenranta, Lohja, Nurmijärvi, Oulu, Pori, Porvoo, Raisio, Riihimäki, Rovaniemi, Seinäjoki, Sipoo, Tampere, Turku, Tuusula, Vaasa and Vihti.

Class III municipalities: other municipalities.

Table 3.5.

Income limits for additional deductible in 2023

	€/year	€/month
Single	10,280	856.67
Spouse not eligible for housing allowance	14,746	1,228.83
Spouse eligible for housing allowance	16,783	1,398.58

Table 3.6.

Maximum housing allowance in 2023 (€/month)

	Class I municipality	Class II municipality	Class III municipality
Single	609.56	556.72	482.49
Spouse eligible for housing allowance	304.78	278.36	241.24

3.8 Other supplements

Table 3.7 lists the amounts of pensioners' care allowances, child increases, front veterans' supplements and veteran's supplements in 2023. Provisions concerning the pensioners' care allowance are laid down in the Disability Allowances Act. The allowance is intended to offset the costs from living at home and special costs incurred by pensioners with illnesses and disabilities. Pensioners' care allowances are granted at three rates – basic, middle and highest – based on the claimants' need for assistance, guidance and supervision and the amount of special costs.

Kela grants a child increase to pensioners for children under age 16. War veterans may be eligible to receive a front-veteran's supplement and an additional front-veteran's supplement. Persons receiving an additional front-veteran's supplement and a middle rate or the highest care allowance are furthermore paid a special veteran's supplement.

Table 3.7.

Amounts of other supplements in 2023 (€/month)

a) Pensioners' disability benefits adjusted to length of residence	€/month
Basic care allowance	78.72
Middle-rate care allowance	171.49
Highest care allowance	362.62

b) Pension benefit components unadjusted to length of residence	€/month
Child increase	24.48
Front-veteran's supplement	138.16
Additional front-veteran's supplement, full amount (living in a single-person household)	284.27
Additional front-veteran's supplement, full amount (married or cohabiting)	248.93
Special veteran's supplement	118.81

4 Primary benefits

Compensation paid under workers' compensation and motor liability insurance takes precedence over earnings-related pensions. In other words, earnings-related pension payments will be made only to the extent that the pension exceeds the amount of primary benefit. However, primary benefits do not reduce the amount of earnings-related pension accrued for employment after the calendar year of the accident. New earnings-related pension is also accrued for periods of daily allowance under workers' compensation insurance and periods of compensation for loss of earnings equivalent to daily allowance under motor liability insurance based on the benefit concerned.

Loss of earnings is compensated out of primary benefits at the actual amount that the injured party would have earned had the accident not occurred. Primary benefits include compensation for loss of earnings or, with certain exceptions, pensions under the following acts:

- Workers' Compensation Act (TyTAL),
- Occupational Accidents and Diseases Act for Farmers,
- Motor Liability Insurance Act (LVL),
- Act on Compensation for Military Accidents and Service-related Illnesses,
- Act on Compensation for Accidents and Service-related Illnesses in Crisis Management Duties, and Patient Injuries Act.

Statutory workers' compensation insurance takes precedence over motor liability insurance.

The Workers' Compensation Act provides for compensation of loss of earnings and medical expenses due to accidents at work and occupational diseases. Daily allowance under statutory workers' compensation insurance is paid out for a maximum of one year. In the event of continued incapacity to work the beneficiary will receive a workers' compensation pension. A rehabilitation allowance may be paid at the same rate as the daily allowance and worker's compensation pension. The insurance also covers medical examination and treatment costs, compensation for permanent harm, the costs of vocational and medical rehabilitation, and a funeral grant and survivors' pension to family members in the case of death.

For the first four weeks after the date of the accident, the amount of daily allowance payable under the Workers' Compensation Act is the same as the amount of sick pay for employees; alternatively, it is determined based on earnings during the four weeks before the accident. After the first four weeks, the daily allowance is 1/360 of the injured person's annual earnings. As a rule, the annual earnings are determined either based on the earnings from the year before or the average earnings of the past five years if the difference between the two is at least 20 per cent. The daily allowance can also be paid out in the form of a partial compensation if the individual's incapacity and

loss of earnings is partial. The person's capacity for work must be reduced by at least 10 per cent.

The full workers' compensation pension is 85 per cent of annual earnings for persons under 65 and 70 per cent of annual earnings for those over 65. The workers' compensation pension can also be paid out in the form of a partial compensation if the person's capacity for work and loss of earnings is at least 10 per cent.

If the accident occurs in employment while receiving an old-age pension, the daily allowance and workers' compensation pension will be paid for a maximum of three years, but not beyond the age at which the insurance obligation ends. In this case the daily allowance and workers' compensation pension are not deducted from the earnings-related pension.

Persons injured in a road accident receive compensation under the **Motor Liability Insurance Act**. Insurance coverage includes medical expenses, loss of earnings, temporary and permanent harm and loss of maintenance to the surviving spouse and children. There is no ceiling for compensation paid for personal injuries; instead, the compensation shall reflect the true loss.

Compensation for personal injury can also be paid under the **Patient Injuries Act**. Between 2017–2020, compensation for treatment injuries was primary in relation to earnings-related benefits, but as of 2021, they are secondary from the point of view of the pension recipient. The earnings-related pension is paid in full and the component exceeding the earnings-related pension is paid under the Patient Injuries Act. As for disability pensions and rehabilitation allowances paid from the earnings-related pension system, compensation paid under the Patient Injuries Act remain primary, which means that the earnings-related pension provider can recover only the component corresponding to the earnings-related component from the Patient Insurance Centre.

5 Taxation

Earnings-related pensions, the national pension and the guarantee pension are taxable income in Finland. However, the national pension child increase, pensioners' care allowance, front-veteran's supplement, special veteran's supplement and housing allowance are exempt from tax.

Pensions paid under workers' compensation, motor liability and patient injury insurance are treated as pension income and taxed as earned income. However, daily allowances paid under these insurances or compensation received based on disability for less than one year are not treated as pension income.

A collective supplementary pension and a lump-sum pension provided by the employer are both taxed as earned income.

A pension based on voluntary personal pension insurance is taxed as capital income under legislation that took effect from the beginning of 2005. Previously this pension was taxed as earned income. Pensions paid out from voluntary personal pension schemes are taxed as earned income or capital income depending on how the corresponding premiums were deducted.

5.1 Deductions in earned income taxation

Expenses incurred from acquiring or managing income are deductible for purposes of income tax. The deductions were reformed when taxation was changed as of the beginning of 2023 because of the structural reform of social and health care. In the future, the determining of taxable income in both municipal and state taxation is the same, which means that the deductibles are the same in both. The income tax allowance for the disabled was abolished in connection with the reform.

In addition to deductions which reduce the amount of taxable income, there are various tax allowances and credits that are subtracted from the individual's tax liability. These include the earned income credit, child maintenance credit, domestic help credit, credit for deficit in capital income, and special deficit credit. The following only covers some of the most important deductions and allowances available to pensioners and employees. Tax deductions are explained in more detail in Appendix 1.

For purposes of municipal and state taxation, **pensioners** may qualify for a pension income allowance and a basic allowance. The maximum basic allowance was increased by 130 euros to 3,870 euros from the beginning of 2023.

The amount of the pension income allowance is determined based on the full amount of national pension. The allowance therefore varies following indexed and discretionary increases to the national pension. In 2022, the pension income allowance changed mid-year because of an additional index adjustment. In 2023, the full pension income allowance is 10,320 euros. If the taxpayer's net earned income exceeds the full

pension income allowance, the deduction is reduced by 51 per cent of the excess. If the taxpayer's net earned income exceeds 22,500 euros, the deduction is reduced by 15 per cent of the excess. The pension income allowance and basic allowance mean that low-income pensioners pay no municipal tax on annual pension earnings of less than 12,882 euros (€1,074/month). Eligibility for pension income allowance extends to annual earnings of 49,887 euros (€4,157/month).

Table 5.1.

Full amount of pension income allowance in 2023, minimum threshold for the taxation of pensions and ceiling for pension income allowance (€)

	Full deduction	Threshold for taxes	No deduction
Pension income allowance	10,320	12,882	49,887

Employees can claim a deduction for work-related expenses, the basic allowance, the earned income allowance and an earned income tax credit. Earnings-related pension contributions, unemployment insurance contributions and health insurance daily allowance contributions paid by employees are all tax deductible.

In 2023, the earned income allowance is 51 per cent of earnings exceeding 2,500 euros up to 7,230 euros, and 28 per cent for the portion exceeding 7,230 euros. The maximum tax credit is 3,570 euros. If the taxpayer's net earned income exceeds 14,000 euros, the amount of the deduction is reduced by 4.5 per cent of the net earned income that exceeds 14,000 euros. The earned income allowance applies to annual earnings up to around 94,000 euros.

In 2023, the earned income tax credit is 12 per cent of the earned income. The lower earnings limit has been abolished in connection with the structural tax reform. In 2023, the earned income tax credit was supplemented by a scaling of its maximum amount so that older workers receive a larger credit. For persons under the age of 60, the maximum earned income tax credit is 2,030 euros, for persons aged 60–61 it is 2,430 euros, and for those aged 65 or more, it is 2,630 euros. If the taxpayer's net earned annual income exceeds 22,000 euros, the credit is reduced by 2.03 per cent. If the taxpayer's net earned annual income exceeds 70,000 euros, the credit is reduced by 1.21 per cent of the excess. The earned income credit for under-60-year-olds applies to annual earnings of up to 157,900 euros.

5.2 Taxes on earned income and statutory social insurance contributions

State income tax is payable on taxable earned income in accordance with the progressive income tax scale. In 2023, the income limits of the taxable earned income scale were changed significantly due to changes in taxation that stems from the structural reform of social and health care since the financing liability of health and rescue services was transferred to the State. However, the aim of the reform was to not increase the taxation burden in any significant way.

Table 5.2.

State income tax scale 2023

Taxable earned income (€)	Tax at lower limit (€)	Tax rate for portion of income exceeding lower limit (%)
0–19,900	0.00	12.64
19,900–29,700	2,515.36	19.00
29,700–49,000	4,377.36	30.25
49,000–85,800	10,215.61	34.00
85,800–	22,727.61	44.00

The rate of additional **tax on pension income** is unchanged from 2022 and will be 5.85 per cent of the annual pension income that exceeds 47,000 euros (€3,917/month).

Public broadcasting tax is levied at the same rate as in 2022, that is, at 2.5 per cent on annual earnings of over 14,000 euros. However, the maximum tax amount is 163 euros. Pensioners must pay public broadcasting tax from earnings of 1,167 euros. The maximum amount is payable on a monthly pension of 1,710 euros and over.

Municipal tax is paid on earned income to the taxpayer's municipality of residence based on the local income tax rate. The average municipal tax rate is 7.38 per cent, which is considerably smaller than in 2022 (20.01). That is because, following the structural reform of social and health care, a large amount of the tax rate was transferred to the state to finance welfare areas. As a result, municipal taxation was cut by 12.64 per cent in 2023. Table 5.3 shows the tax rates for selected municipalities.

Table 5.3.

Income tax rates in selected municipalities and health insurance contribution in 2023

	Municipal income tax rate
Helsinki	5.36
Espoo	5.36
Vantaa	6.36
Tampere	7.61
Oulu	7.86
Turku	6.86
Kuopio	8.11
National average	7.38
Employee's health insurance contribution	0.6
Pensioner's health insurance contribution	1.57

The amount of **church tax** payable is calculated based on taxable earned income according to the local church income tax rate. The average church tax rate is 1.38 per cent and is payable by members of the Evangelical Lutheran Church. The church tax is not included in the calculations presented below.

Employees pay a **health insurance contribution** of 0.6 per cent of their annual wages in 2023. The health insurance contribution payable on pension and benefit income is 1.57 per cent. Employees pay a **daily allowance contribution** at a rate of 1.36 per cent if their annual income is at least 15,703 euros (in 2022, 1.18% on income exceeding 15,128 euros). If they earn less than 15,703 euros, they pay no daily allowance contribution. Self-employed persons insured under the Self-employed Persons' Pensions Act are liable to pay an additional contribution of 0.23 per cent (0.14% in 2022), bringing their daily allowance contribution rate in 2023 to 1.59 per cent. The daily allowance contribution is not payable on pension and benefit income.

In 2023 the employee's **earnings-related pension contribution** for persons aged 17–52 and 63–67 is 7.15 per cent, and for persons aged 53–62 it is 8.65 per cent (as in 2022). The **unemployment insurance contribution** of wage-earners is 1.5 per cent (as in 2022).

The employee's tax and contribution rates vary by age because statutory contributions and earned income credits differ in different age groups (Table 5.4). Earnings-related pension contributions are payable from age 17, unemployment insurance contributions from age 18 and the health insurance daily allowance contribution from age 16. In addition to the contributions listed in the table below (share of gross income), employees pay a health insurance contribution of 0.6 per cent based on their taxable earned income in municipal taxation. The contribution is paid when the monthly income exceeds approximately 1,550 euros. The contribution share of the gross income varies according to income level.

Table 5.4.

Employee contributions in different age groups

Age	Earnings-related pension contribution	Unemployment insurance contribution	Health insurance daily allowance contribution (as of annual income of €15,703)	Total
under 53	7.15%	1.50%	1.36%	10.01%
53–62	8.65%	1.50%	1.36%	11.51%
63–64	7.15%	1.50%	1.36%	10.01%
65–67	7.15%	0.00%	1.36%	8.51%
68–	0.00%	0.00%	0.00%	0.00%

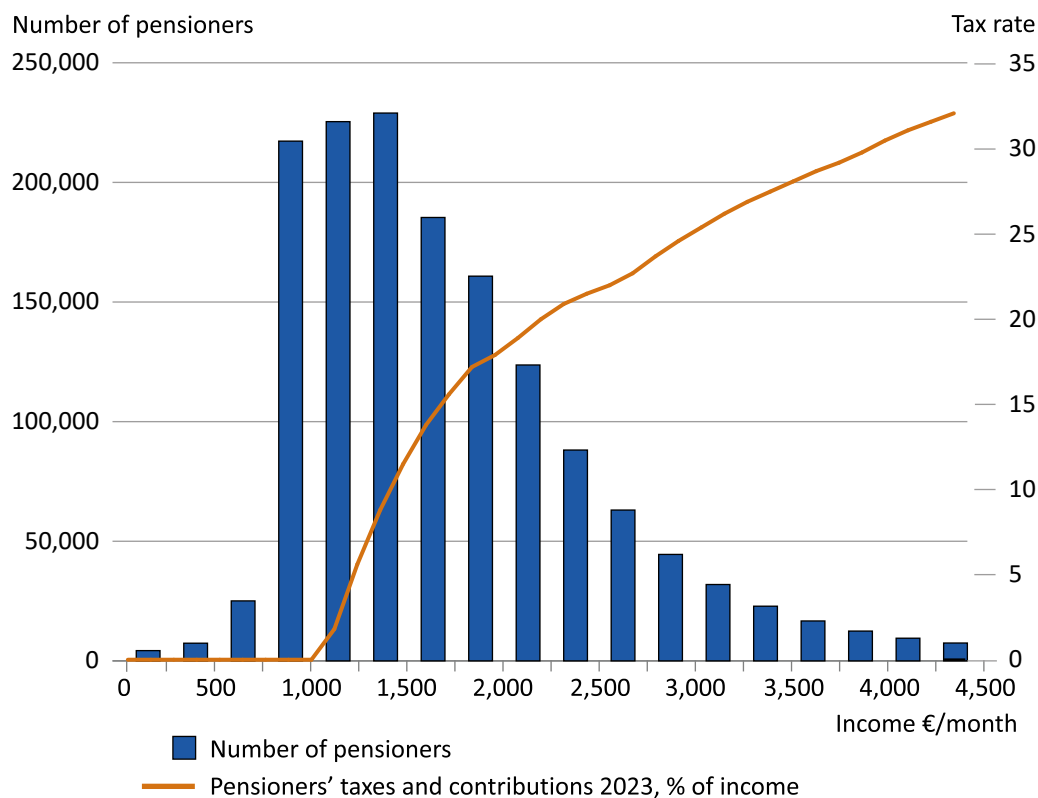
5.3 Differences in the taxation of pensioners and employees

Statutory pensions are taxed in basically the same way as other earned income. However, the tax and contribution burden on pensions and wage income is different because of differences in tax deductions and social insurance contributions.

As shown in Figure 5.1, the number of pensioners is highest in income brackets with low or zero tax rates. One third of pensioners have a monthly pension of less than 1,250 euros and therefore pay less than six per cent in tax. Around 15 per cent have a pension of over 2,500 euros, which attracts a tax rate of over 21 per cent. 3.1 per cent of pensioners have a pension of over 4,000 euros, on which they pay more than 30 per cent in tax. Pensioners' other sources of income are not considered in Figure 5.1.

Figure 5.1.

Pension income distribution for Finnish-resident recipients of pensions in their own right (excluding part-time pension and partial old-age pension) at 31 December 2021, and pensioner's tax and contribution rate in 2023



The following figures and tables compare the taxes paid by pensioners and employees in different income brackets. As a rule, the pensioner's tax rate in 2008–2012 was lower than the employee's tax and contribution rate, which also considers the employee's pension contribution (53–67 yrs) and unemployment insurance contribution. In 2013 an additional tax was introduced to bring the taxation of large pensions in line with the tax and contribution rate for employees aged over 53. Now there is no significant difference to the contribution burden of 53–59-year-olds. Compared to employees aged under 53, the contribution burden of pensioners is a few

percentage points higher with monthly earnings of 1,500–2,750 euros. With higher monthly earnings, the contribution burden is slightly lower than wage earners' when compared to this age group.

The change in the tax and contribution rate of pension and earned income from 2022 varies in different income brackets. When comparing to the previous year's tax rate for the same level of income, and when the municipal tax rates are average, the pensioner's tax rate is reduced by 0.1–2.3 percentage points, most so with a monthly pension of around 1,100–1,400 and 2,000–2,400 euros. The reduction is primarily due to changes in the pension income allowance. From a monthly pension of 2,500 euros, tax reliefs are smaller until, in the highest income brackets, taxation does not change in any significant way. When comparing the tax rate on wage income to the tax rate for the same income in 2022, the tax rate will fall by less than one percentage point.

Figure 5.2 shows the tax and contribution rates for pensioners and wage-earning employees in different income brackets. The employee's tax and contribution rate varies by age because the employee's statutory contributions differ in different age groups and the earned income credit depends on age. Employees aged over 68 no longer pay employee contributions. Due to change in the earned income tax credit, the taxation of 60–64-year-olds is presented separately in Figure 5.3. The taxation of 60–62-year-olds corresponds to that of 53–59-year-olds, which is slightly mitigated by the earned income tax credit's age increase. For 63–64-year-olds, taxation and contributions are mitigated not only by the income tax credit but by the lower earnings-related pension contribution as for the under-53-year-olds.

Figure 5.2.

Employee's and pensioner's taxes and contributions in 2023 (% of income; monthly income is annual income divided by 12)

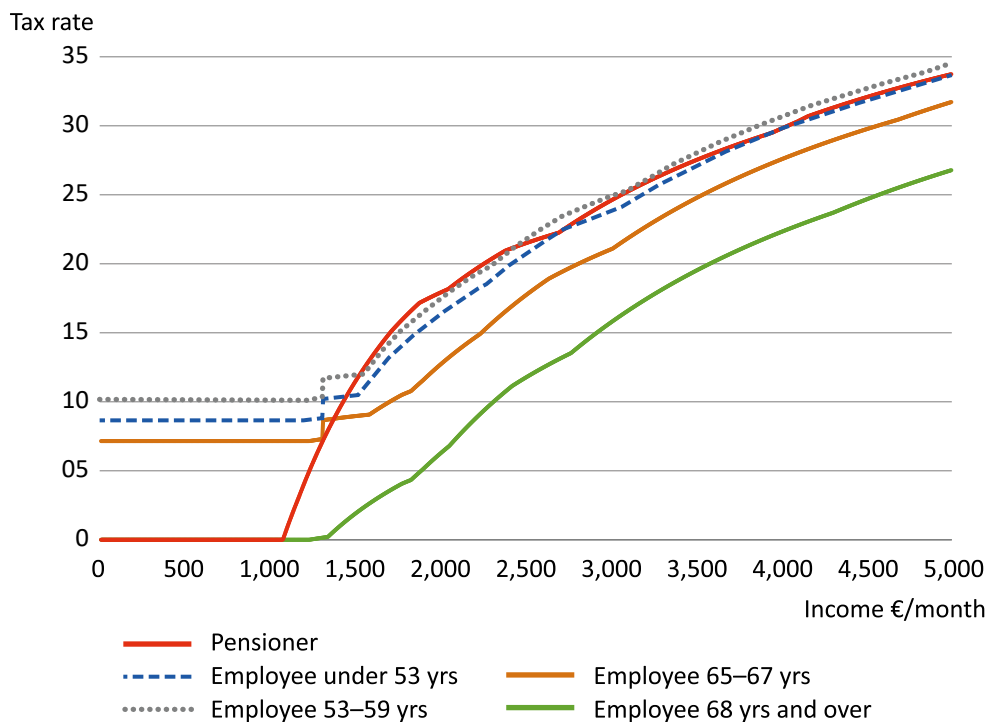


Figure 5.3 presents the taxation of employees aged 60–64, as well. The taxation of these age groups is also affected of the new age-specific earned income credit, as well as the lower contribution level of 63–64-year-olds. The earned income credit is raised by 200 euros for 60–61-year-olds, 400 euros for 62–64-year-olds and 600 euros for those aged 65 or over.

Figure 5.3.

Employee's and pensioner's taxes and contributions in 2023 (% of income; monthly income is annual income divided by 12)

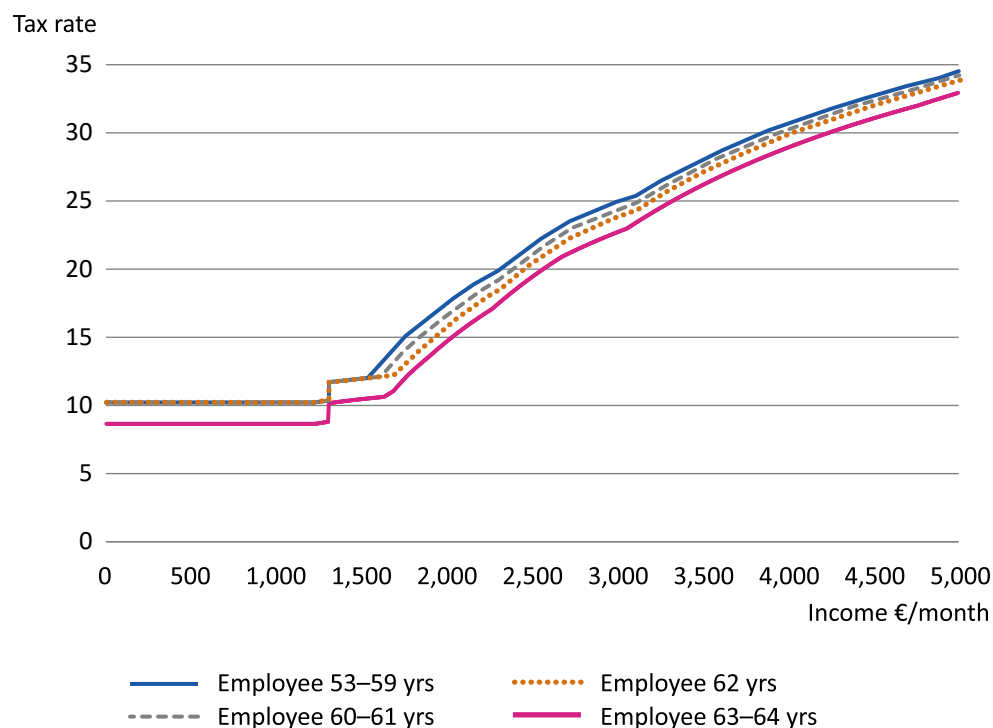


Table 5.5.

Taxes and contributions in 2023 (% of income)

Income €/month (annual income/12)	Pensioner	Employee 68– yrs	Employee 53–59 yrs	Employee 65–67 yrs	Employee 68– yrs
500	0.0	8.7	10.2	7.2	0.0
750	0.0	8.7	10.2	7.2	0.0
1,000	0.0	8.7	10.2	7.2	0.0
1,250	5.6	8.7	10.2	7.2	0.0
1,500	11.5	10.5	12.0	9.0	1.9
1,750	15.6	13.8	15.0	10.4	3.9
2,000	17.9	16.4	17.5	12.7	6.3
2,250	20.0	18.4	19.6	15.1	9.3
2,500	21.5	20.7	21.8	17.7	11.8
2,750	22.7	22.6	23.7	19.7	13.4
3,000	24.6	23.8	24.9	21.1	15.8
3,500	27.5	27.1	28.0	24.8	19.5
4,000	29.8	29.7	30.7	27.6	22.3
5,000	33.7	33.6	34.5	31.7	26.8
6,000	36.3	36.6	37.5	34.9	30.0
7,000	38.0	38.6	39.5	37.1	32.1
8,000	40.5	40.1	41.0	38.8	34.7
9,000	42.5	42.1	42.8	40.8	36.7
10,000	44.1	43.7	44.4	42.5	38.4
15,000	49.0	48.3	49.0	47.4	43.3

Figure 5.4 shows the structure of pensioners' and employees' taxes and contributions in different income brackets. Employees pay an earnings-related pension contribution and unemployment insurance contribution on income that falls below the taxable income threshold. At higher income levels the overall tax rate for pensioners and employees is almost the same, but for employees this also includes earnings-related pension contributions and unemployment insurance contributions, so the share of municipal and state taxes is lower than for pensioners.

Due to the tax reform, there are significant changes in the taxes and structure of contributions compared to 2022. The municipal tax rate has decreased while the state tax rate has increased correspondingly. As a rule, the overall tax burden remains the same as in 2022.

Figure 5.4.
Structure of pensioner's and employee's (53–59 yrs) taxes and contributions in different income brackets in 2023 (% of gross income)

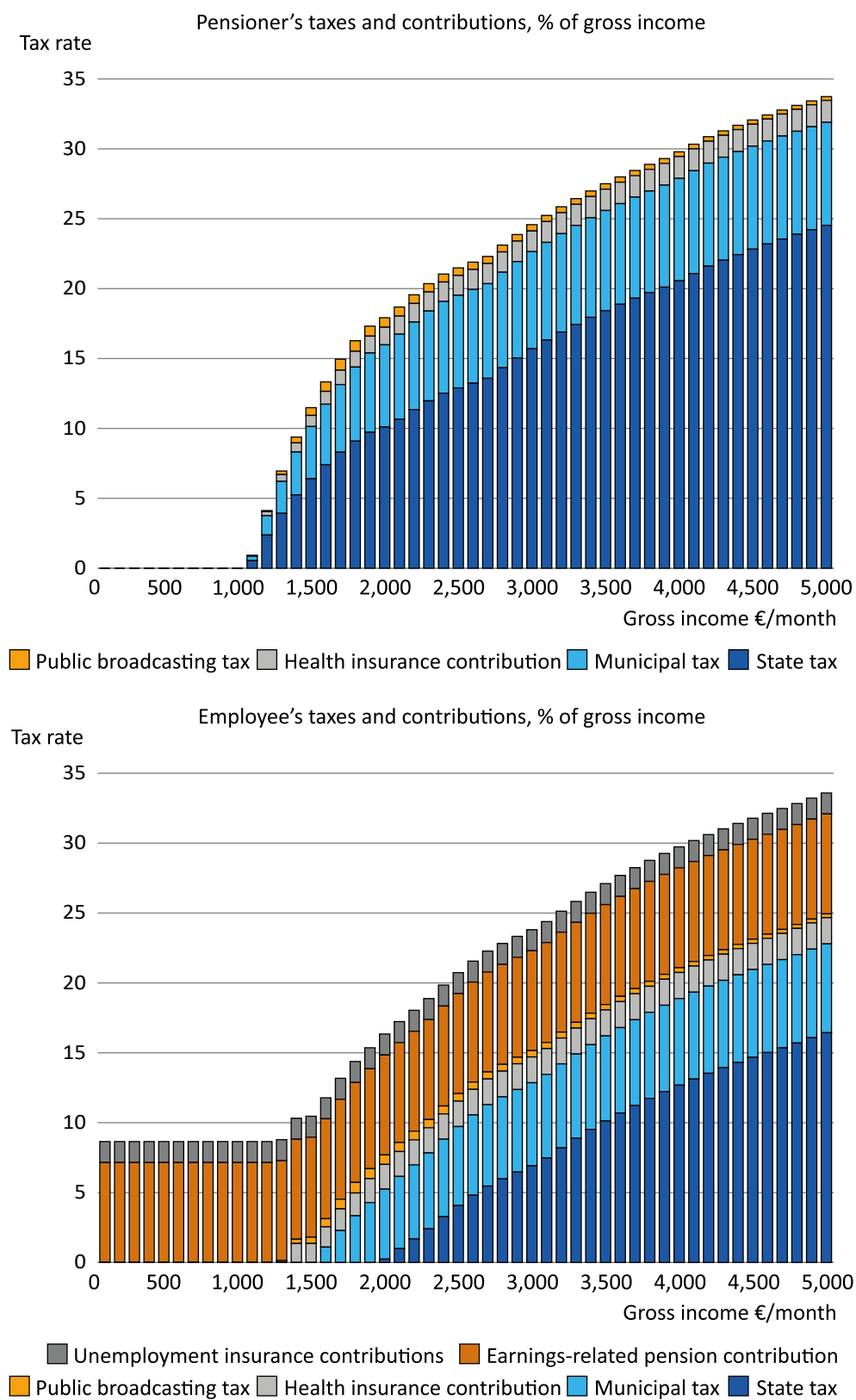


Figure 5.5 shows the share of employees' and pensioners' increased earnings that goes to taxes and contributions in different income brackets. Pensioners' marginal taxation is essentially unchanged from the year before. In municipal taxation the pension income allowance and basic allowance decrease with increasing income, so the pension tax rate rises sharply for monthly incomes of 1,000–1,900 euros. In this income range the pensioner's marginal tax rate for additional income is around 40 per cent.

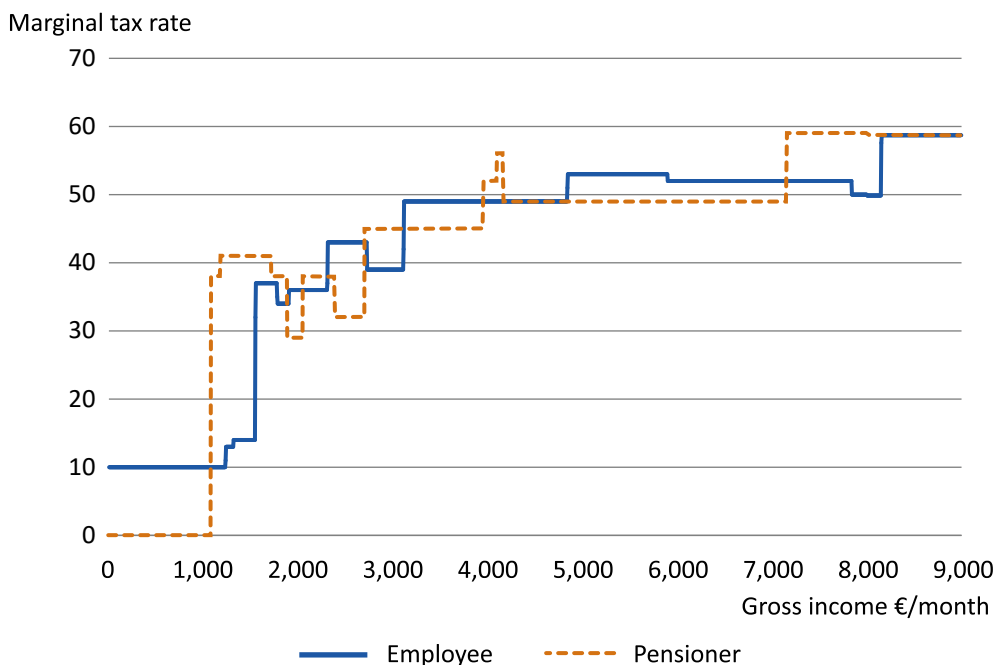
The marginal tax rate increases to 45 per cent for a monthly pension of 2,700 euros, which pushes the taxpayer across another threshold in the state income tax scale (after deductions). Additional income attracts a high tax rate in this income bracket, as well, because the pension income allowance in state taxation decreases with increasing earnings and is no longer granted at a monthly income of around 3,900 euros.

Monthly earnings of over 4,200 euros attract a marginal tax rate of around 49 per cent. In the highest income bracket – over 7,200 euros for pensioners and over 8,200 euros for employees – the marginal tax rate rises to around 59 per cent.

Due to the 2023 tax reforms, there is a slight difference in the marginal tax rate compared to 2022. Since both the pension income allowance and the earned income tax credit became two-tiered, this is reflected in changes to the marginal tax rate at the interface of deductions. Employees' marginal tax rate is also affected by the age-specific earned income credit, but the effect is not reflected in this graph.

Figure 5.5.

Pensioner's and employee's (53–59 yrs) marginal tax rate in 2023 in different income brackets



5.4 Taxation of earnings consisting of both pension and wage income

Pensioners' wage income is taxed on the same basis as any other wage income. Other earned income reduces the pension income allowance: a decreased allowance will increase the tax rate. On the other hand, employees receive a deduction for work-related expense as well as an earned income allowance and an earned income tax credit. Taken together, these deductions mean that the tax and contribution rate for a combination of pension and wage income is generally lower than the same amount of income comprising only a pension income or a wage income.

Employee contributions are withheld also from pensioners' wages. However, unemployment insurance contributions are no longer payable after age 65. Earnings-related pension contributions are paid through to the highest age of insurance obligation for the age group. The health insurance daily allowance contribution is not withheld from wages after age 68.

5.4.1 Wage income alongside old-age or disability pension income

Gainful employment while on old-age pension does not affect the payment of earnings-related or Kela pensions². Table 5.6. shows the tax and contribution rates for pensioners who in addition have a wage income. It also shows how large a share of the income from employment is lost to taxes and contributions. For example, the tax rate for a monthly pension of 1,500 euros is 11.5 per cent. If the pensioner additionally earns 6,000 euros a year in wages, the tax and contribution rate for this additional income is 21.6 per cent. The tax and contribution rate for total income is 14.0 per cent. The taxes and contributions are calculated for pensioners aged 63 who have a reduced earnings-related pension contribution (7.15%) and who also pay an unemployment insurance contribution and health insurance daily allowance contribution.

As shown in the table, an annual income of, for example, 24,000 euros that consists half and half of pension and wage income attracts a tax rate of 10.5 per cent. The tax and contribution rate is 14.0 per cent for the same total income when pension earnings account for three-quarters, and 17.9 per cent when pension earnings account for all of the income.

Persons on a disability pension are allowed to earn up to 40 per cent and those on a partial disability pension up to 60 per cent of their pre-disability earnings, but always at least 922.42 euros a month. Pension payment is suspended when the 60 per cent or 922.42 euro limit is exceeded for at least three months. Under the national pension scheme, persons on a disability pension may earn up to 922.42 euros per month.

² When the pension for work done in retirement is granted, the national pension is recalculated, taking into account the pension earned during retirement as a reducing factor.

Table 5.6.

Taxes and contributions on pensioner's (63–64 yrs) wage income in 2023

Pension €/year	Wage €/year	Total income €/year	Taxes and contributions on wages, %	Tax and contribution rate, %	Tax rate (%) if total income consisted only of pension wages	
12,000	0	12,000	-	0.0	0.0	8.7
12,000	6,000	18,000	16.0	5.3	11.5	10.5
12,000	12,000	24,000	21.0	10.5	17.9	16.4
12,000	18,000	30,000	24.0	14.4	21.5	20.7
18,000	0	18,000	-	11.5	11.5	10.5
18,000	6,000	24,000	21.7	14.0	17.9	16.4
18,000	12,000	30,000	20.9	15.3	21.5	20.7
18,000	18,000	36,000	25.4	18.4	24.6	23.8
24,000	0	24,000	-	17.9	17.9	16.4
24,000	6,000	30,000	21.7	18.7	21.5	20.7
24,000	12,000	36,000	21.4	19.1	24.6	23.8
24,000	18,000	42,000	28.6	22.5	27.5	27.1
30,000	0	30,000	-	21.5	21.5	20.7
30,000	6,000	36,000	25.8	22.2	24.6	23.8
30,000	12,000	42,000	27.6	23.2	27.5	27.1
30,000	18,000	48,000	33.0	25.8	29.8	29.7
36,000	0	36,000	-	24.6	24.6	23.8
36,000	6,000	42,000	34.6	26.0	27.5	27.1
36,000	12,000	48,000	32.0	26.5	29.8	29.7
36,000	18,000	54,000	34.9	28.0	32.1	31.8

5.4.2 Partial old-age pension and wage income

Taxes and contributions are determined in the same manner as above in situations where an employee decides to take a partial old-age pension early and to remain in gainful employment. The progressive tax scale eases the impact of a decline in employment income on the reduction in total income. Correspondingly, taxes will rise if a partial old-age pension is taken early on top of existing earnings.

The amount of partial early old-age pension is calculated based on pension rights earned by the end of the calendar year preceding the start of the pension (see section 2.2). For the purposes of the example in Table 5.7, the accrued amount of monthly pension is 1,500, 2,000 or 3,000 euros, and early payment of the pension is taken at a 50 per cent rate. The earliest full retirement age for the 1962 birth cohort is 65 years, and the pension is taken out 48 months early, bringing the total reduction for early retirement to 19.2 per cent. The partial old-age pension is also multiplied by the life expectancy coefficient confirmed for the first year of the pension. The table describes different scenarios in which the individual does not work while on a partial old-age

pension; reduces their working hours by 50 per cent; or continues to work at the same wage level as before. As the partial old-age pension in the example starts at age 61, the individual will pay an increased earnings-related pension contribution at 8.65 per cent of wages.

The last column of the table also shows the corresponding tax and contribution rate for wage income only, without a partial old-age pension. Progression increases the overall tax rate when earned income includes not only wages but also a pension. At the income levels shown in the example, the additional income from the partial old-age pension means that the overall tax rate is 1.3–4.7 percentage points higher than the tax and contribution rate for wage income alone.

Table 5.7.

Partial old-age pension and wage income (€) for person born in 1962

Pension earned by the start of partial old-age pension	Partial old-age pension	Wages during partial old-age pension	Gross income total	Net income	Tax rate, %	Tax rate on wages without partial-old-age pension
1,500	572	0	572	582	0.0	0.0
1,500	572	1,500	2,072	1,798	9.8	12.0
1,500	572	3,000	3,572	2,594	23.3	24.3
2,000	763	0	763	776	0.0	0.0
2,000	763	2,000	2,763	2,200	15.9	16.6
2,000	763	4,000	4,763	3,218	30.0	30.2
3,000	1,144	0	1,144	1,101	2.4	0.0
3,000	1,144	3,000	4,144	2,934	26.8	24.3
3,000	1,144	6,000	7,144	4,405	36.6	37.2

5.5 International situations

Pensions paid abroad are taxed in the same way as pensions paid to Finnish residents. The tax rate, deductions and tax return procedure are all the same. All taxes paid by pensioners who live abroad, including imputed municipal tax calculated based on the average municipal tax rate, go to the state.

In some situations, tax treaties mean that pensions are not taxed in Finland at all but only in the pensioner's country of residence. The tax treatment of pensions depends on the tax treaty signed between Finland and the country in question to avoid double taxation. Finland has entered into double tax agreements with more than 60 countries.

For example, Finland was previously unable to impose taxes on pensions paid to Portugal, apart from public sector pensions. In 2018 Finland terminated the tax treaty it agreed with Portugal in 1970, and Portugal failed to accept the new treaty in the agreed period. As of 2019, there is no tax treaty in place between Finland and Portugal, which means that tax on pensions paid from Finland is paid to Finland.

Finland and Spain signed a new tax treaty, which took effect on 1 January 2019. Under the tax treaty, pensions received in Spain from Finland are subject to Finnish tax. For private sector pensions there was a three-year transition period from 2019-2021 during which no taxes were payable in Finland. As of the beginning of 2022, tax on private sector earnings-related pensions are also paid to Finland. Pensions based on motor liability insurance or other comparable risk insurance policies will continue to be taxed only in Spain.

Pensions paid from abroad are often taxed in the source country. In this case no income tax will be imposed on the pension in Finland, but the pension will increase the amount of tax payable on income received from Finland through progression. As a rule, the health insurance contribution is usually payable on pensions received from other countries. Pensions from some countries are not taxed in the country of origin, and in these cases Finland will levy tax on pension income as per normal provisions. For example, as of 2018, under the tax treaty between Finland and Germany, Finland has a right to tax all pensions received from Germany if the person resides in Finland.

EU officials' pensions are not taxed in Finland. If EU pension rights are transferred to the Finnish earnings-related pension scheme, the pension will be treated in full as taxable earned income in the same way as other pensions under the earnings-related pension scheme.

5.6 Capital income taxation – voluntary personal pension insurance and long-term saving

The capital income tax rate is 30 per cent, rising to 34 per cent for annual income exceeding 30,000 euros. Since 2006 voluntary personal pension insurance payments have also been subject in full to capital income tax. Voluntary personal pension insurance premiums are deductible from taxable capital income in the year the premiums are paid. Pension income from such insurance will be subject to capital income tax in due course.

Voluntary personal pension insurance and long-term savings premiums have been eligible for tax deductions only on condition that pension payments start after age 68, the age of eligibility for deferred retirement under the Employees Pensions Act. The age limit was raised from 63 to 68 years from the beginning of 2013. The 2017 pension reform also introduced new rules for the tax deductibility of premiums paid: eligibility for tax deductions required that pension payments can only start after the age that the age group's obligation to insure ends. This age limit is 68 years for persons born in 1957 or earlier, 69 years for those born between 1958 and 1961 and 70 years for those born later. Premiums on voluntary personal pension insurance and long-term savings contracts taken out before 2013 are deductible under previous rules.

The higher age limit also applies to collective additional pension insurance insofar as the employee pays part of the insurance premiums. If the premiums are paid in full by the employer, the pension can be claimed at an earlier age. Pension income through

additional pension insurance cover provided by the employer is taxed as earned income.

An annual deduction of up to 5,000 euros can be claimed against capital income for premiums paid on voluntary pension insurance and long-term savings schemes. If the employer has taken out voluntary pension insurance for the employee, the maximum tax deduction for premiums paid by the employee on their own insurance or long-term savings scheme is 2,500 euros.

Returns earned on savings are not taxed during the saving period. Payments received after retirement age are treated as capital income. Pension insurance policies cannot be repurchased nor can assets in long-term savings be withdrawn before retirement age except in the case of unemployment lasting at least one year, permanent or partial disability, spousal death or divorce.

Pensions paid out from voluntary personal pension schemes are taxed as earned income or capital income depending on how the corresponding premiums were deducted. In old pension insurance policies taken out before 6 May 2004, the share of pension that accumulated on premiums paid before 2006 is taxed as earned income, and the share accumulated on premiums since 2006 is taxed as capital income.

6 Total pension income

As stated earlier, statutory pension provision in Finland consists of the earnings-related pension, the national pension and the guarantee pension. Individuals may also be eligible to receive benefits that take precedence over an earnings-related pension, for instance under workers' compensation or motor liability insurance. In this instance earnings-related pension is paid only to the extent that it exceeds the primary benefit.

Earnings-related pensions are intended to ensure that in retirement, people can maintain a reasonable level of consumption compared to their pre-retirement income. The national pension and guarantee pension are intended to ensure a minimum level of pension income for people who worked for such a short period of time or whose earnings were so low that they have only a small earnings-related pension, or who are not entitled to receive an earnings-related pension at all.

The amount of national pension payable decreases with increasing pension income, as one-half of the amount of earnings-related pension is deducted from the full national pension (see section 3.1). No national pension is paid to single persons living alone with an earnings-related pension of over 1,512 euros, or to persons living with a spouse or partner and receiving an earnings-related pension of over 1,355 euros.

Figure 6.1 shows how earnings-related pension, national pension and guarantee pension income contribute to total pension income according to career wage earnings. Pensioners may also receive a means-tested housing allowance, which is included in Figure 6.2.

The amount of housing allowance is calculated based on assumed monthly housing costs of 555 euros (estimated average housing costs in 2023). At the end of October 2022, a total of 206,000 persons received a pensioner's housing allowance at an average of 252 euros per month.

In Figures 6.1 and 6.2 the earnings-related pension is 50 per cent of wage income and payable to a pensioner living alone. The national pension and guarantee pension are payable from age 65. The Figures are based on the assumption that the full amount of earnings-related pension is taken into account in calculating the amount of national pension.

The earnings-related and the national pension schemes are mutually complementary even with respect to survivors' pensions. A child and a surviving spouse under 65 may simultaneously receive a survivors' pension through both systems. A surviving spouse and a child may also be eligible to receive a survivors' pension or assistance pension under workers' compensation or motor liability insurance. If these survivors' pensions provide adequate income security, Kela will not pay the additional amount to the survivors' pension (see section 3.2).

Figure 6.1.
Total pension income in 2023

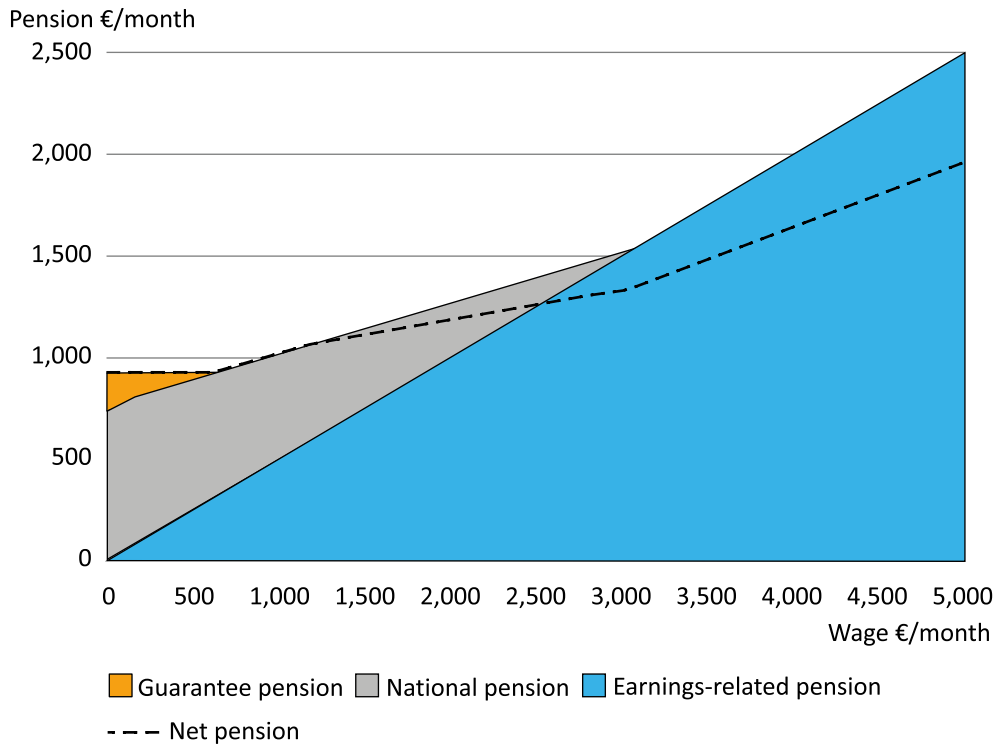
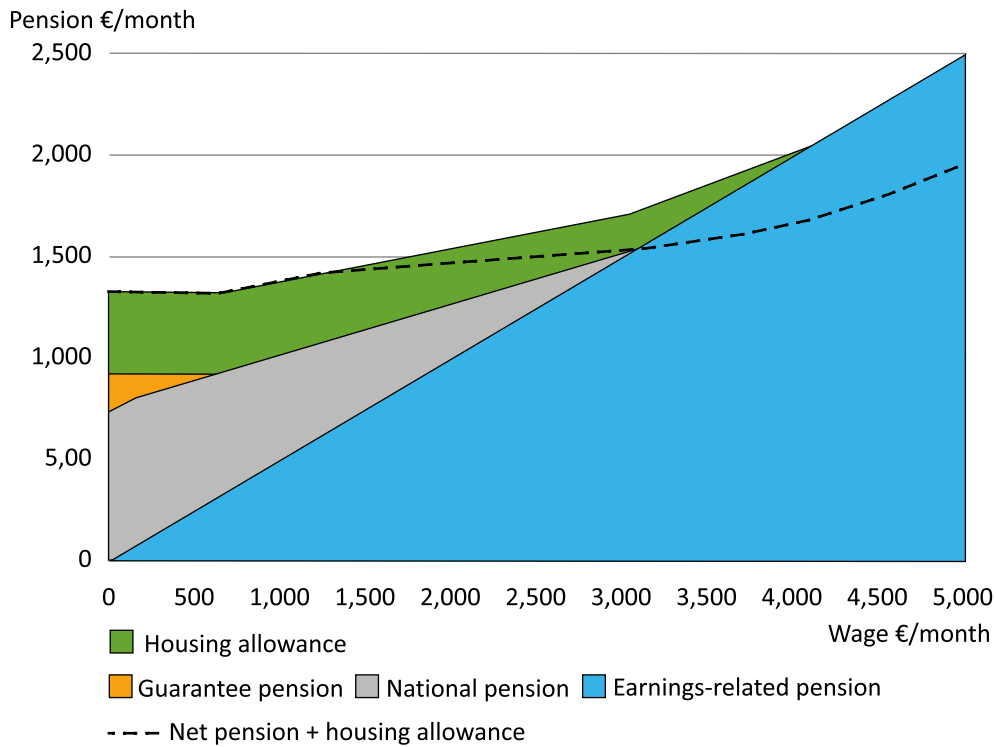


Figure 6.2.
Earnings-related pension, national pension, guarantee pension and housing allowance in 2023



6.1 Determination of total pension: some examples

The following tables provide some examples of private sector employees' earnings-related pensions, national pensions and guarantee pensions and how they add up in their gross and net total pension income. It is assumed that the earnings-related pension is 50 per cent of the individual's earnings prior to adjustment with the life-expectancy coefficient. Net earnings and net pension amounts are calculated based on 2023 tax returns, assuming that earnings are the same for the whole year and that annual income is 12 times the monthly income. The municipal tax rate is set at 7.38 per cent, that is, the national average. Employee contributions and deductions are calculated for persons aged 63–64. Housing allowance calculations are based on assumed housing costs of 555 euros a month, the estimated average for housing allowance recipients in 2023.

Table 6.1 illustrates a simplified situation where the national pension is reduced by the full amount of earnings-related pension, and the national pension is a full pension payable at age 65 without a reduction for early retirement. Earnings-related pensions will typically also include components that do not reduce the amount of national pension, such as the increase for deferred retirement.

For those who have only an earnings-related pension, the gross pension ratio (gross pension/gross earnings) is just under 50 per cent because of the life expectancy coefficient. Persons receiving a Kela pension have had a low income and therefore have a high pension-to-wage ratio. Because of progressive taxation, the net pension to pre-retirement net earnings ratio is higher than the gross ratio. For those who have only an earnings-related pension the ratio in the example is 55–59 per cent in net terms. The last columns include housing allowance based on average housing costs.

Table 6.1.

Total pension income and net pension in 2023, pensioner aged 65, living alone. National pension is reduced by full amount of earnings-related pension. Life expectancy coefficient 0.95404. Housing costs €555/month.

Gross wage (GW) €/month	Net wage (NW) €/month	Earnings-related pension €/month	National pension + guarantee pension	Total gross pension income €/month	% of GW	Net €/month	% of NW	+ housing allowance €/month	% of NW
0	0	0	733+190	922	-	922	-	1,323	-
250	228	119	704+99	922	369	922	404	1,323	579
500	457	239	644+40	922	184	922	202	1,323	290
750	685	358	585	943	126	943	138	1,336	195
1,000	914	477	525	1,002	100	1,002	110	1,375	150
1,250	1,141	596	466	1,062	85	1,062	93	1,413	124
1,500	1,343	716	406	1,121	75	1,103	82	1,434	107
1,750	1,541	835	346	1,181	67	1,139	74	1,449	94
2,000	1,706	954	287	1,241	62	1,175	69	1,463	86
2,500	2,015	1,193	167	1,360	54	1,245	62	1,492	74
3,000	2,319	1,431	48	1,479	49	1,315	57	1,520	66
3,500	2,584	1,670	0	1,670	48	1,428	55	1,566	61
4,000	2,844	1,908	0	1,908	48	1,577	55	1,631	57
4,500	3,103	2,147	0	2,147	48	1,736	56	1,736	56
5,000	3,353	2,385	0	2,385	48	1,885	56	1,885	56
5,500	3,595	2,624	0	2,624	48	2,046	57	2,046	57
6,000	3,837	2,862	0	2,862	48	2,187	57	2,187	57
7,000	4,328	3,339	0	3,339	48	2,449	57	2,449	57
8,000	4,823	3,816	0	3,816	48	2,711	56	2,711	56
9,000	5,244	4,293	0	4,293	48	2,951	56	2,951	56
10,000	5,664	4,770	0	4,770	48	3,195	56	3,195	56

Table 6.2 shows the calculated total pension income for a person born in 1959 who is retiring at the age cohort's earliest age of eligibility (64 yrs and 3 mos). A national pension taken before age 65 is subject to a monthly reduction of 0.4 per cent for early retirement: in the example the pension is taken nine months early, which adds up to a reduction of 3.6 per cent.

Table 6.2.

Total pension income and net pension in 2023 at the age cohort's earliest age of eligibility for old-age pension (64 yrs 3 mos), person born in 1959, living alone. Life expectancy coefficient 0.94984. Housing costs €555/month.

Gross wage (GW) €/month	Net wage (NW) €/month	Earnings-related pension €/month	National and guarantee pension	Total gross pension €/month	% of GW	Net €/month	% of NW	+ housing allowance €/month	% of NW
0	0	0	706+183	889	-	889	-	1,301	-
250	228	119	679+92	889	356	889	389	1,301	570
500	457	237	622+30	889	178	889	195	1,301	285
750	685	356	564	921	123	921	134	1,322	193
1,000	914	475	507	982	98	982	108	1,362	149
1,250	1,141	594	450	1,044	83	1,044	91	1,402	123
1,500	1,343	712	393	1,105	74	1,093	81	1,429	106
1,750	1,541	831	336	1,167	67	1,131	73	1,446	94
2,000	1,706	950	278	1,228	61	1,167	68	1,460	86
2,500	2,015	1,187	164	1,351	54	1,240	62	1,490	74
3,000	2,319	1,425	49	1,474	49	1,312	57	1,519	66
3,500	2,584	1,662	0	1,662	47	1,423	55	1,564	61
4,000	2,844	1,900	0	1,900	47	1,571	55	1,628	57
4,500	3,103	2,137	0	2,137	47	1,730	56	1,730	56
5,000	3,353	2,375	0	2,375	47	1,878	56	1,878	56
5,500	3,595	2,612	0	2,612	47	2,039	57	2,039	57
6,000	3,837	2,850	0	2,850	47	2,180	57	2,180	57
7,000	4,328	3,324	0	3,324	47	2,441	56	2,441	56
8,000	4,823	3,799	0	3,799	47	2,701	56	2,701	56
9,000	5,244	4,274	0	4,274	47	2,941	56	2,941	56
10,000	5,664	4,749	0	4,749	47	3,184	56	3,184	56

Table 6.3 shows the total pension income for a person aged 65 retiring in 2023. The retirement age of a person born in 1958 is 64 years, and the person continues working for 12 months past their retirement age, deviating from the example in Table 6.1. The increment for late retirement does not reduce the national pension. The example assumes that the earnings-related pension accrued by the retirement age is 50 per cent of earnings before adjustment with the life expectancy coefficient. The accrual rate of the pension based on earnings after the retirement age is also calculated based on the same pay level.

Table 6.3

Total pension income and net pension at age 65 in 2023, person born in 1958, living alone. Life expectancy coefficient 0.95404. Housing costs €555/month.

Gross wage (GW) €/month	Net wage (NW) €/month	Earnings-related pension, which reduces national pension	Earnings-related pension, which does not reduce national pension	National pension + guarantee pension	Total gross pension €/month	% of GW	Net €/month	% of NW	+ housing allowance	% of NW
0	0	0	0	733+190	922	-	922	-	1,323	-
250	228	123	6	702+91	922	369	922	404	1,323	579
500	457	246	12	641+24	922	184	922	202	1,323	290
750	685	368	18	579	966	129	966	141	1,351	197
1,000	914	491	24	518	1033	103	1033	113	1,395	153
1,250	1,141	614	29	457	1,100	88	1,090	95	1,428	125
1,500	1,343	737	35	395	1,168	78	1,131	84	1,446	108
1,750	1,541	860	41	334	1,235	71	1,171	76	1,462	95
2,000	1,706	983	47	272	1,302	65	1,211	71	1,478	87
2,500	2,015	1,228	59	149	1,437	57	1,290	64	1,510	75
3,000	2,319	1,474	71	27	1,571	52	1,370	59	1,542	67
3,500	2,584	1,720	83	0	1,802	51	1,508	58	1,600	62
4,000	2,844	1,965	94	0	2,060	51	1,682	59	1,682	59
4,500	3,103	2,211	106	0	2,317	51	1,842	59	1,842	59
5,000	3,353	2,457	118	0	2,575	51	2,013	60	2,013	60
5,500	3,595	2,702	130	0	2,832	51	2,170	60	2,170	60
6,000	3,837	2,948	142	0	3,089	51	2,312	60	2,312	60
7,000	4,328	3,439	165	0	3,604	51	2,594	60	2,594	60
8,000	4,823	3,931	189	0	4,119	51	2,864	59	2,864	59
9,000	5,244	4,422	212	0	4,634	51	3,125	60	3,125	60
10,000	5,664	4,913	236	0	5,149	51	3,389	60	3,389	60

6.2 Change in net pension income

Table 6.4 describes how a pension that started in 2013 has developed through to 2023. The national pension has increased in accordance with the national pension index and the earnings-related pension in accordance with the earnings-related pension index. The minimum pension consists of a national pension and a guarantee pension.

Table 6.4.

Change in nominal pensions that started in 2013, from 2013–2023

Gross pension €/month 2013	Net pension €/month 2013	Annual change %					2013–2023	Net pension €/month 2023
		2019	2020	2021	2022	2023		
739	734	1.2	6.4	0.4	3.6	6.3	25.7	922
783	777	0.5	5.2	0.4	3.2	6.4	18.4	921
908	897	0.8	2.8	0.5	2.9	6.6	17.3	1,052
1,033	972	1.1	2.3	0.6	3.1	6.4	18.1	1,148
1,158	1,048	1.2	1.9	0.6	3.0	6.3	17.7	1,234
1,283	1,124	1.3	1.5	0.6	2.9	6.4	17.4	1,319
1,500	1,255	1.3	1.6	0.6	2.8	6.5	17.2	1,471
1,750	1,412	1.3	1.5	0.6	2.9	7.6	17.9	1,664
2,000	1,579	1.1	1.2	0.4	2.9	7.8	16.9	1,846
2,250	1,744	1.3	1.1	0.4	2.6	8.5	17.0	2,039
2,500	1,908	1.4	1.2	0.4	2.9	6.8	15.8	2,209
2,750	2,043	1.4	1.2	0.4	2.8	6.9	16.0	2,369
3,000	2,178	1.4	1.2	0.4	2.8	6.9	16.1	2,528
3,250	2,313	1.4	1.1	0.6	2.6	6.9	16.2	2,688
3,500	2,442	1.5	1.3	0.7	2.6	5.9	16.2	2,839
3,750	2,586	1.5	1.3	0.8	2.5	5.3	15.3	2,983
4,000	2,715	1.4	1.2	0.8	2.5	5.3	15.3	3,131

In 2023, the net pension income of persons who have only a pension from Kela will increase by 2.1 per cent from the year before due to the index increases of the national and guarantee pensions. In higher income levels, the net pension income will increase by 5.3–8.5 per cent. The comparison with 2022 considers the index increase made mid-year. In the 2022 level, Kela pensions are taken into account as average pensions relative to number of months of contributions.

With an expected inflation of 4.2 per cent in 2023 (Finnish Centre for Pensions' economic forecast 16 January 2023), the pension income of a guarantee pension recipient will increase by around two per cent in real term. Higher pensions will rise about 1–4 per cent more than the price level, which means that the purchasing power of the pension income increases. The highest increase in purchasing power is at the

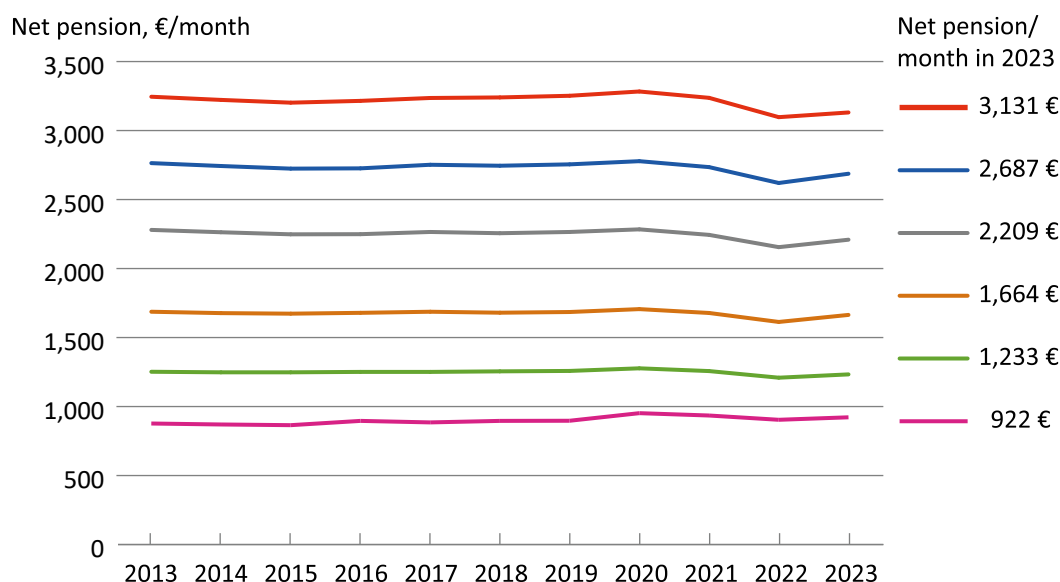
level of a gross pension of 2,500 euros. It is worth noting that the purchasing power of pensions decreased by around 3–4 per cent in all income brackets in 2022 due to inflation so, overall, the purchasing power of pensions has fallen compared to the beginning of 2022.

Figure 6.3 presents the development of pensions that started in 2013. The euro amounts have been adjusted in line with the development of consumer prices to the 2023 price level. In other words, the figure shows the development of the purchasing power of pensions over the last decade.

Over the decade, the pension of recipients receiving only a Kela pension has grown in real terms by around 5 per cent. Pensions higher than that have decreased by around 1–4 per cent due to the high inflation in 2022. The highest fall in purchasing power has occurred in the highest income brackets in Figure 6.3. The lower the income bracket, the smaller the fall in purchasing power.

Figure 6.3.

Net pension income in 2013–2023, at 2023 prices



Appendices

Appendix 1 Deductions in earned income taxation, municipal and state taxation

Municipal and state taxation
Total earned income
– Production-of-income expenses
Net earned income
– Statutory insurance contributions
– Collective supplementary pension insurance contributions
– Deduction for reduced capacity to pay taxes
– Pension income allowance
– Sailors' earnings allowance
– Student grant allowance
– Earned income allowance
– Basic allowance
= Earned income for tax year

Deductions on earned income in state and municipal taxation

Expenses incurred in acquiring and maintaining income

- Standard deduction for work-related expenses 750 euros for all employees, but not exceeding the amount of wage income.
- Commuting expenses over 750 euros up to a maximum of 7,000 euros.
- Trade union membership fees and unemployment fund contributions.
- Other expenses insofar as they exceed the standard deduction for work-related expenses (for example, expenses for professional literature, office [€920 a most], work tools).
- Maximum deduction for second home for work 450 euros/month.

Deductions on net earned income

Statutory insurance contributions

- Employee's statutory earnings-related pension contribution (7.15% / 8.65%)
- Unemployment insurance contribution (1.5%)
- Health insurance daily allowance contribution (1.36% of total earned income if annual earnings exceed €15,703; no contribution is payable if annual earnings are less than €15,703).

Collective supplementary pension insurance contributions

Contributions by taxpayers for collective supplementary pension insurance provided through a company pension fund, industry-wide pension fund or insurance company to the amount of five per cent of wages up to a maximum of 5,000 euros a year but not exceeding the amount paid by the employer. A further requirement is that the pension shall not commence before the age when the insurance obligation under the Employees Pensions Act ends.

Sailors' earnings allowance

The deduction is 20 per cent of sailors' earnings up to a maximum of 7,000 euros. When total earnings exceed 50,000 euros, the sailors' earnings allowance is reduced by five per cent for the portion exceeding 50,000 euros.

Deduction for reduced capacity to pay taxes

A discretionary allowance that is granted in the event of a substantial reduction in the individual's capacity to pay taxes for reasons of unemployment, illness or child maintenance obligations, for instance. In the event of illness, the capacity to pay taxes is considered substantially reduced if the combined medical expenses of the individual and their family members during the tax year are 700 euros or more and at least 10 per cent of the sum total of the individual's net capital and earned income. The maximum deduction is 1,400 euros.

Pension income allowance

The full amount of pension income allowance is calculated by multiplying the full amount of national pension by 1.173 and rounding the product up to the next 10 euros. The allowance cannot be more than the amount of pension income. In 2023, the maximum pension income allowance is 10,320 euros. If the taxpayer's net earned income exceeds the full pension income allowance of 10,320 euros, the allowance is reduced by 51 per cent of the amount of the excess. If the taxpayer's net earned income exceeds 22,500 euros, the deduction is reduced by 15 per cent of the excess.

When pension income < €10,320

Deduction = pension income

When pension income > €10,320

€10,320 – 0.51 x (net earned income – €10,320)

When pension income > €22,500

€10,320 – 0.51 x (€22,500 – €10,320) – 0.15 x (net earned income – €22,500)

Student grant allowance

The maximum student grant allowance is 2,600 euros but no more than the amount of the grant. The deduction is reduced by 50 per cent for the amount of net annual earned income that exceeds 7,800 euros.

Earned income allowance

The earned income allowance is calculated based on taxable wages or other earned income from work done for another person and a partner's earned income share of business profits or agricultural income, but not on pension income or daily unemployment benefits.

The earned income allowance is 51 per cent of earnings exceeding 2,500 euros up to 7,230 euros, and 28 per cent for the portion exceeding 7,230 euros. The maximum tax credit is 3,570 euros. If the taxpayer's net earned income exceeds 14,000 euros, the amount of the deduction is reduced by 4.5 per cent of the net earned income that exceeds 14,000 euros. Net earned income includes any pension income and other benefits.

Earned income allowance = $0.51 \times (\text{Earned income} - \text{€}2,500)$,
up to $\text{€}7,230 + 0.28 \times (\text{Earned income} - \text{€}7,230)$ for earnings exceeding $\text{€}7,230$, maximum $\text{€}3,570$

If net earned income > 14,000 euros:
Earned income allowance – $0.045 \times (\text{Net earned income} - \text{€}14,000)$

Basic allowance

The basic allowance is calculated on net earned income reduced by other granted deductions. If the taxpayer's net earned income after these deductions does not exceed 3,870 euros, this full amount will be deducted from net earned income. If the amount of net earned income exceeds the full amount of the basic allowance, the allowance is reduced by 18 per cent of the excess.

$\text{€}3,870 - 0.18 \times (\text{Net earned income} - \text{€}3,870)$

Earned income credit

The earned income credit is calculated based on the same earnings as the earned income allowance in municipal taxation. In 2023, the earned income credit is 12 per cent of the earned income. The maximum tax credit is 2,030 euros. The earned income credit is increased by 200 euros if the taxpayer has turned 60 but not yet 62 before the beginning of the fiscal year; by 400 euros if the taxpayer has turned 62 but not yet 65 years before the beginning of the fiscal year; and by 600 euros if the taxpayer has turned 65 years before the beginning of the fiscal year.

If the taxpayer's net earned income exceeds 22,000 euros, the credit is reduced by 2.03 per cent of the excess. If the taxpayer's net earned income exceeds 70,000 euros, the credit is reduced by 1.21 per cent of the excess. The earned income credit is given before the deficit credit and special deficit credit. If the credit exceeds the amount of

tax on earned income, it is deducted proportionally from municipal tax, the medical care contribution and church tax.

If net earned income < 22,000 euros:
 $0.12 \times \text{Earned income}$

If net earned income > 22,000 euros:
 $0.12 \times \text{Earned income} - 0.0203 \times (\text{Net earned income} - \text{€}22,000)$

If net earned income > 70,000 euros:
 $0.12 \times \text{Earned income} - 0.0203 \times (\text{€}70,000 - \text{€}22,000) - 0.0121 \times (\text{Net earned income} - \text{€}70,000)$

Child maintenance credit

The child maintenance credit is 1/8 of the amount of maintenance allowance paid, subject to a maximum of 80 euros per child.

Domestic help credit

The maximum annual credit is 2,250 euros. Taxpayers are entitled to deduct the employer's social security contributions, statutory pension contributions, workers' compensation insurance contributions, group life assurance contributions and unemployment insurance contributions (but not the employee's share of these contributions) paid on housekeeping work, care and nursing provision, and maintenance and renovation work on their home or holiday home as well as 15 per cent of wage remuneration paid. In 2023, domestic help credit can be claimed on 40 per cent of wage payments to a person registered in the prepayment register. The own risk is 100 euros.

The maximum domestic help credit is 3,500 euros as for those who give up oil heating in 2022–2027 and as for domestic, nursing and care work in 2022–2023. During these periods, a deduction of 30 per cent of paid wages and 60 per cent of the employment remuneration can be made.

In addition, electricity costs between 2,000 and 6,000 euros during the period 1 January–30 April 2023 for a permanent home entitle to a tax credit of 60 per cent of the part that is higher than 2,000 but lower than 6,000 euros. This electricity credit has no impact on the work costs that qualify for the usual credit for household expenses and has no impact on the maximum creditable value of these costs. The creditable costs include costs for electric power (incl. VAT) and the related basic charge for electric power, but not the charge for electricity transmission.

As a rule, the credit is deducted from state income tax. If the credit exceeds the amount of state income tax, the excess can also be deducted from municipal tax, the medical care contribution and church tax in proportion. The excess can also be transferred to the other spouse if one's own state tax is not big enough for making the deduction. In the case of tax on earned income the credit is deducted after other deductions and before the credit for deficit in capital income.

Credit for deficit in capital income

Credit for deficit in capital income can be claimed on interest payments on housing loans, student loans and debt incurred in acquiring or maintaining income. A deficit is created if the taxpayer has no capital income or if deductible expenses against capital income are higher than the capital income itself. The deficit credit can be deducted from earned income tax at the capital tax rate (30%). The maximum amount of deficit credit is 1,400 euros. The maximum child increment is 400 euros for one and 800 euros for two or more children.

Special deficit credit

A special deficit in capital income may also be created based on voluntary pension insurance premiums that are deductible from capital income. If the sum total of deductible insurance premiums exceeds the total of taxable capital income, 30 per cent of the excess will be deducted from the tax payable on earned income. The amount of special deficit credit is not included in the calculation of the maximum amount of credit for deficit in capital income.

Tax allowance for entrepreneurial and self-employment income

Five per cent of net income from business, agriculture and reindeer farming is deductible for tax purposes when that income is declared in the tax returns of a natural person or an estate of a deceased person. The corresponding allowance is granted in forestry taxation.

Appendix 2 Time series

Appendix Table 2.1.

Full pension income allowance in municipal and state taxation in 1990–2023 (€)

	Pension income allowance in municipal taxation, single person	Pension income allowance in municipal taxation, spouse	Pension income allowance in state taxation
1990	4,692.44	3,733.77	3,528.70
1991	4,995.18	4,204.70	3,767.40
1992	5,197.01	4,372.89	4,087.00
1993	5,382.01	4,541.07	4,389.70
1994	5,382.01	4,541.07	4,221.50
1995	5,516.56	4,641.99	4,255.20
1996	5,533.38	4,658.81	4,120.60
1997	5,567.02	4,709.26	3,851.50
1998	5,684.75	4,810.17	3,885.10
1999	5,785.66	4,894.27	3,868.30
2000	5,869.76	4,961.54	3,902.00
2001	6,273.41	5,331.56	1,463.20
2002	6,540	5,580	1,500
2003	6,640	5,660	1,550
2004	6,690	5,710	1,530
2005	6,810	5,830	1,430
2006	6,950	5,960	1,460
2007	7,150	6,140	1,590
2008	7,710	6,670	11,060

	Pension income allowance in municipal taxation	Pension income allowance in state taxation
2009	8,130	12,490
2010	8,130	11,300
2011	8,170	11,150
2012	8,530	11,660
2013	8,880	12,630
2014	8,950	12,610
2015	9,140	12,540
2016	9,110	12,230
2017	9,040	11,860
2018	9,040	11,560
2019	9,050	11,590
2020	9,230	11,540
2021	9,270	11,150
2022	9,500	11,190
2023	10,320*	10,320*

* The pension income allowance merged in the reform of state and municipal taxation.

Appendix Table 2.2.

State income tax threshold and average municipal and church tax rates in 1990–2023

	State income tax threshold	Average municipal tax rate, %	Average church tax rate, %
1990	6,391	16.47	
1991	6,728	16.62	1.28
1992	6,728	16.88	1.28
1993	6,728	17.20	1.3
1994	6,896	17.52	1.3
1995	7,064	17.53	1.3
1996	7,232	17.51	1.3
1997	7,568	17.43	1.3
1998	7,737	17.54	1.3
1999	7,905	17.62	1.3
2000	8,006	17.67	1.3
2001	11,100	17.67	1.3
2002	11,500	17.78	1.3
2003	11,600	18.03	1.3
2004	11,700	18.12	1.3
2005	12,000	18.29	1.33
2006	12,200	18.40	1.33
2007	12,400	18.46	1.33
2008	12,600	18.55	1.33
2009	13,100	18.59	1.32
2010	15,200	18.98	1.33
2011	15,600	19.17	1.34
2012	16,100	19.25	1.4
2013	16,100	19.38	1.4
2014	16,300	19.74	1.42
2015	16,500	19.82	1.43
2016	16,700	19.86	1.43
2017	16,900	19.91	1.37*
2018	17,200	19.86	1.39
2019	17,600	19.88	1.39
2020	18,100	19.97	1.39
2021	18,600	20.02	1.39
2022	19,200	20.01	1.39
2023	0**	7.38	1.38

* Technical changes were made in the calculation method of the church tax rate in 2017; in reality, the church tax rate is unchanged from the year before.

** The state tax rate changed significantly due to the structural reform of social and health care.

Appendix Table 2.3.

Pensioner's and employee's national pension contribution and health insurance contribution in 1990–2023

	National pension contribution		Medical care contribution under national health insurance (Health insurance contribution until 2005)			Daily allowance contribution under national health insurance
	Pensioner	Employee	Pensioner	Employee	Increase for earnings of over FIM 80,000 (€13,455)	Employee
1990	0	1.55	1.7	1.7		
1991	0	1.55	1.7	1.7	1	
1992	3.05	3.05	2.2	2.2	1.5	
1993	2.8	1.8	3.9	1.9	1.5	
1994	2.55	1.55	4.9	1.9	1.9	
1995	1.55	0.55	4.9	1.9	1.9	
1996			4.9	1.9	1.45	
1997			4.9	1.9	0.45	
1998			4.2	1.5	0.45	
1999			3.9	1.5		
2000			3.2	1.5		
2001			2.7	1.5		
2002			1.9	1.5		
2003			1.5	1.5		
2004			1.5	1.5		
2005			1.5	1.5		
2006			1.5	1.33		0.77
2007			1.45	1.28		0.75
2008			1.41	1.24		0.67
2009			1.45	1.28		0.7
2010			1.64	1.47		0.93
2011			1.36	1.19		0.82
2012			1.39	1.22		0.82
2013			1.47	1.3		0.74
2014			1.49	1.32		0.84
2015			1.49	1.32		0.78
2016			1.47	1.3		0.82
2017			1.45	0		1.58
2018			1.53	0		1.53
2019			1.61	0		1.54
2020			1.65	0.68		1.18
2021			1.65	0.68		1.36
2022			1.50	0.53		1.18
2023			1.57	0.6		1.36

Appendix Table 2.4.

Employee's earnings-related pension insurance contribution and unemployment insurance contribution in 1993–2023

	Employee's earnings-related pension insurance contribution, % under 53 yrs	Employee's earnings-related pension insurance contribution, % 53 yrs –	Unemployment insurance contribution, %
1993	3.0	3.0	0.20
1994	3.0	3.0	1.87
1995	4.0	4.0	1.87
1996	4.3	4.3	1.50
1997	4.5	4.5	1.50
1998	4.7	4.7	1.40
1999	4.7	4.7	1.35
2000	4.7	4.7	1.00
2001	4.5	4.5	0.70
2002	4.4	4.4	0.40
2003	4.6	4.6	0.20
2004	4.6	4.6	0.25
2005	4.6	5.8	0.50
2006	4.3	5.4	0.58
2007	4.3	5.4	0.58
2008	4.1	5.2	0.34
2009	4.3	5.4	0.20
2010	4.5	5.7	0.40
2011	4.7	6.0	0.60
2012	5.15	6.50	0.60
2013	5.15	6.50	0.60
2014	5.55	7.05	0.50
2015	5.70	7.20	0.65
2016	5.70	7.20	1,15
2017*	6.15	7.65	1.60
2018*	6.35	7.85	1.90
2019*	6.75	8.25	1.50
2020*	7.15	8.65	1.25
2021*	7.15	8.65	1.40
2022*	7.15	8.65	1.50
2023*	7.15	8.65	1.50

* Since 2017 persons aged 17–52 and 63–67 have had a reduced earnings-related pension contribution rate and persons aged 53–62 an increased contribution rate.

Appendix Table 2.5.

National pension index, TEL halfway index, earnings-related pension index and wage coefficient in 1990–2023

	National pension index		TEL halfway index (50/50)		Earnings-related pension index (20/80)		Wage coefficient	
	Point figure	Change %	Point figure	Change %	Point figure	Change %	Point figure	Change %
1990	1,045	7.1	1,481	6.8				
1991	1,104	5.6	1,595	7.7				
1992	1,139	3.2	1,682	5.5				
1993	1,170	2.7	1,688	0.4				
1994	1,170	0.0	1,688	0.0				
1995	1,192	1.9	1,712	1.4	1,712			
1996	1,195	0.3	1,760	2.8	1,737	1.5		
1997	1,202	0.6	1,791	1.8	1,754	1.0		
1998	1,223	1.7	1,825	1.9	1,783	1.7		
1999	1,239	1.3	1,868	2.4	1,812	1.6		
2000	1,253	1.1	1,903	1.9	1,838	1.4		
2001	1,302	3.9	1,981	4.1	1,912	4.0		
2002	1,333	2.4	2,054	3.7	1,968	2.9		
2003	1,349	1.2	2,103	2.4	2,002	1.7		
2004	1,357	0.6	2,151	2.3	2,028	1.3	1,000	
2005	1,362	0.4	2,191	1.9	2,047	0.9	1,028	2.8
2006	1,377	1.1	2,246	2.5	2,081	1.7	1,063	3.4
2007	1,401	1.7	2,311	2.9	2,127	2.2	1,100	3.5
2008	1,436	2.5	2,363	2.3	2,178	2.4	1,124	2.2
2009	1,502	4.6	2,494	5.5	2,286	5.0	1,192	6.0
2010	1,502	0.0	2,538	1.8	2,292	0.3	1,231	3.3
2011	1,508	0.4	2,578	1.6	2,323	1.4	1,253	1.8
2012	1,565	3.8	2,663	3.3	2,407	3.6	1,291	3.0
2013	1,609	2.8	2,738	2.8	2,475	2.8	1,327	2.8
2014	1,630	1.3			2,509	1.4	1,350	1.7
2015	1,637	0.4			2,519	0.4	1,363	1.0
2016	1,631	-0.4			2,519	0.0	1,373	0.7
2017	1,617	-0.9			2,534	0.6	1,389	1.2
2018	1,617	0.0			2,548	0.6	1,391	0.1
2019	1,617	0.0			2,585	1.5	1,417	1.9
2020	1,633	1.0			2,617	1.2	1,446	2.0
2021	1,639	0.0			2,631	0.5	1,465	1.3
2022	1,674	2.1			2,691	2.3	1,501	2.5
8/2022	1,733	3.5			-	-	-	-
2023	1,805	4.2			2,874	6.8	1,558	3.8

Appendix Table 2.6.

Full amount of national pension, income limits and step increases to national pension in 1990–2023 (€)

	Full national pension	Annual income limits for full national pension eligibility, €	Annual income limits for minimum national pension eligibility, €	Step increase
1990	372.36	428.90		
1991	393.39	454.10		
1992	405.84	467.60		
1993	416.94	481.00		
1994	416.94	481.00		
1995	424.84	489.40		
1996	425.85	491.10	8,907.20	
1997	428.37	494.50	10,533.60	
1998	435.77	502.90	10,718.60	
1999	441.49	509.60	10,858.20	
2000	446.54	514.70	10,979.30	
2001	464.03	534.80	11,409.90	12.28 €/month
2002	487.60	549	11,987	
2003	493.45	555	12,130	
2004	496.38	559	12,203	
2005	505.24	561	12,247	ca €7/month
2006	515.86	567	12,553	€5/month
2007	524.85	577	12,895	
2008	558.46	591	13,851	€20/month
2009	584.13	618	14,488	
2010	584.13	618	14,488	
2011	586.46	621	14,546	
2012	608.63	644	15,095	
2013	630.02	667	15,628	
2014	633.91	671	15,723	
2015	636.63	674	15,790	
2016	634.30	671	15,732	
2017	628.85	666	15,598	
2018	628.85	666	15,598	
2019	628.85	666	15,598	
2020	662.86	672	16,418	€34/month
2021	665.29	675	16,476	
2022	679.50	689	16,831	
8/2022	703.45	713	17,425	
2023	732.67	743	18,149	

The figures given apply to a person living alone in a municipality ranked in the highest (I) cost-of-living category. The municipal cost-of-living classification was discontinued from the beginning of 2008. Since 1996 all sources of pension income have affected the amount of national pension payable. Previously the national pension consisted of a basic amount payable to all and an additional amount.

Appendix Table 2.7.

Full guarantee pension (at full national pension) and minimum pension in 2011–2023 (€)

	Full guarantee pension, single	Full guarantee pension, married or cohabiting	Minimum pension	Step increases
2011	101.28	167.55	687.74	
2012	105.10	173.88	713.73	
2013	108.80	179.99	738.82	
2014	109.47	181.11	743.38	
2015	109.94	181.88	746.57	
2016	132.55	204.23	766.85	€23.27/month
2017	131.41	202.47	760.26	
2018	146.42	217.48	775.27	€15.01/month
2019	155.67	226.73	784.52	€9.25/month
2020	171.66	242.73	834.52	€50/month
2021	172.30	243.62	837.59	
2022	175.98	248.83	855.48	
8/2022	182.18	257.6	885.63	
2023	189.75	268.29	922.42	

Appendix Table 2.8.

Life expectancy coefficient and retirement age by age cohort. The life expectancy coefficients are projections for persons born in 1962 and later and the retirement ages for persons born in 1965 and later. The projections are based on Statistics Finland's population projection of 2021 and mortality rate for 2021 and 2022.

Year of birth	Life expectancy coefficient	Reducing effect of life expectancy coefficient on monthly pension. %	Retirement age
1947	1	0.0	63 yrs
1948	0.9917	0.8	63 yrs
1949	0.98689	1.3	63 yrs
1950	0.98351	1.6	63 yrs
1951	0.97914	2.1	63 yrs
1952	0.97552	2.4	63 yrs
1953	0.972	2.8	63 yrs
1954	0.968	3.2	63 yrs
1955	0.96344	3.7	63 yrs 3 mos
1956	0.96102	3.9	63 yrs 6 mos
1957	0.95722	4.3	63 yrs 9 mos
1958	0.95404	4.6	64 yrs
1959	0.94984	5.0	64 yrs 3 mos
1960	0.94659	5.3	64 yrs 6 mos
1961	0.94419	5.6	64 yrs 9 mos
1962	0.945	5.5	65 yrs
1963	0.941	5.9	65 yrs
1964	0.938	6.2	65 yrs
1965	0.939	6.1	65 yrs 2 mos
1966	0.935	6.5	65 yrs 3 mos
1967	0.93	7.0	65 yrs 5 mos
1968	0.93	7.0	65 yrs 7 mos
1969	0.927	7.3	65 yrs 8 mos
1970	0.927	7.3	65 yrs 10 mos
1971	0.924	7.6	65 yrs 11 mos
1972	0.922	7.8	66 yrs
1973	0.919	8.1	66 yrs 1 mos
1974	0.919	8.1	66 yrs 3 mos
1975	0.916	8.4	66 yrs 4 mos
1976	0.914	8.6	66 yrs 5 mos
1977	0.912	8.8	66 yrs 6 mos
1978	0.912	8.8	66 yrs 8 mos
1979	0.91	9.0	66 yrs 9 mos

Year of birth	Life expectancy coefficient	Reducing effect of life expectancy coefficient on monthly pension. %	Retirement age
1980	0.908	9.2	66 yrs 10 mos
1981	0.905	9.5	66 yrs 11 mos
1982	0.903	9.7	67 yrs
1983	0.904	9.6	67 yrs 2 mos
1984	0.902	9.8	67 yrs 3 mos
1985	0.9	10.0	67 yrs 4 mos
1986	0.898	10.2	67 yrs 5 mos
1987	0.897	10.3	67 yrs 6 mos
1988	0.895	10.5	67 yrs 7 mos
1989	0.893	10.7	67 yrs 8 mos
1990	0.892	10.8	67 yrs 9 mos
1991	0.89	11.0	67 yrs 10 mos
1992	0.889	11.1	67 yrs 11 mos
1993	0.887	11.3	68 yrs
1994	0.886	11.4	68 yrs 1 mos
1995	0.884	11.6	68 yrs 2 mos
1996	0.883	11.7	68 yrs 3 mos
1997	0.882	11.8	68 yrs 4 mos
1998	0.881	11.9	68 yrs 5 mos
1999	0.88	12.0	68 yrs 6 mos
2000	0.879	12.1	68 yrs 7 mos
2001	0.878	12.2	68 yrs 8 mos
2002	0.877	12.3	68 yrs 9 mos
2003	0.873	12.7	68 yrs 9 mos
2004	0.872	12.8	68 yrs 10 mos
2005	0.872	12.8	68 yrs 11 mos

References

Hallituksen esitys eduskunnalle laiksi vuoden 2023 tuloveroasteikosta ja eräiden tuloverotusta koskevien säännösten muuttamisesta ja kumoamisesta [Government proposal to Parliament for an act on the 2023 income tax scale and on amendments and the repeal of certain regulations concerning income tax]. https://www.eduskunta.fi/FI/vaski/KasittelytiedotValtiopaivaasia/Sivut/HE_153+2022.aspx

Kela – The Social Insurance Institution. <http://www.kela.fi>

Kansaneläkelaki 568/2007. [National Pensions Act] <https://www.finlex.fi/fi/laki/ajantasa/2007/20070568>

Laki takuueläkkeestä 20.8.2010/703. [Act on Guarantee Pension] <https://www.finlex.fi/fi/laki/ajantasa/2010/20100703>

Työeläkelakipalvelu – ohjeistot. [Earnings-related pension legislation service – instructions.] Finnish Centre for Pensions. <http://www.tyoelakelakipalvelu.fi>

Verohallinto. Eläketulon verotus. [Tax Administration. Taxation of pension income]. <https://www.vero.fi/syventavat-vero-ohjeet/ohje-hakusivu/48865/elaketulon-verotus6/>

Verohallinto. Verohallinnon päätös ennakonpidätysprosenttien laskentaperusteista palkkatuloa varten ja ennakonkannossa määrättävän ennakkoveron laskentaperusteista vuodelle 2023. [Decision of Tax Administration on the basis of calculation of the withholding tax rates for wage income and the basis of calculation for withholding tax determined in prepayment of taxes for 2023] <https://www.vero.fi/syventavat-vero-ohjeet/paatokset/47176/verohallinnon-p%C3%A4%C3%A4t%C3%B6s-ennakonpid%C3%A4tysprosenttien-laskentaperusteista-el%C3%A4kett%C3%A4-ja-el%C3%A4kkeensaajan-palkkatuloa-varten-sek%C3%A4-ennakonkannossa-m%C3%A4%C3%A4r%C3%A4tt%C3%A4v%C3%A4n-ennakkoveron-laskentaperusteista-vuodelle-2023//>

Verohallinto. Verohallinnon päätös ennakonpidätysprosenttien laskentaperusteista palkkatuloa varten ja ennakonkannossa määrättävän ennakkoveron laskentaperusteista vuodelle 2023. [Decision of Tax Administration on the basis of calculation of the withholding tax rates for wage income and the basis of calculation for withholding tax determined in prepayment of taxes for 2021] <https://vero.fi/syventavat-vero-ohjeet/paatokset/47363/verohallinnon-p%C3%A4%C3%A4t%C3%B6s-ennakonpid%C3%A4tysprosenttien-laskentaperusteista-palkkatuloa-varten-ja-ennakonkannossa-m%C3%A4%C3%A4r%C3%A4tt%C3%A4v%C3%A4n-ennakkoveron-laskentaperusteista-vuodelle-2023/#4.5-verosta-teht%C3%A4v%C3%A4t-v%C3%A4hennykset>

Verohallinto. Verotettavan tulon laskeminen henkilöverotuksessa [Tax Administration. Calculation of taxable income in personal taxation] <https://www.vero.fi/syventavat-vero-ohjeet/ohje-hakusivu/49038/verotettavan-tulon-laskeminen-henkil%C3%B6verotuksessa5/>



Finnish Centre for Pensions,
Reports

Total pension in Finland 2023

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

In this review, we bring together the components which affect the determination of the total pension in Finland in 2023. The amount of the take-home net pension is affected by how the earnings-related and national pension benefits, as well as the taxation of pensions, are determined. The examples and figures illustrate what the Finnish total net pension consists of in the various income brackets. Due to various tax deductions and contributions, the net pension is determined differently for pension recipients and wage earners. This review compares the tax and contribution burden of Finnish pension recipients and wage earners. It also looks at the taxation of pension recipients' wage income.

Finnish Centre for Pensions, Reports

The Finnish Centre for Pensions, an expert on earnings-related pensions, is a statutory body that develops pension provision and produces joint services for all parties to the scheme. In the Reports series, we publish reviews, surveys and projections that serve the assessment and development of the pension provision.



Finnish Centre for Pensions
ELÄKETURVAKESKUS