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Finnish Centre for Pensions, Reports

# Summary

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## Total pension in Finland 2024

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

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 2024. 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 at the beginning of 2024 by 5.7 per cent in line with the earnings-related pension index. The wage coefficient, which is used among other things to revalue earnings for purposes of calculating pension benefits, was up 5.1 per cent. Exceptionally, the earnings-related pension index that is mainly based on price development thus grew more than the wage coefficient, as in 2023. However, this year, the gap between the indexes is considerably smaller than a year ago.

In 2024, the earnings-related old-age pension may begin at the retirement age of those born in September-December 1959 (64 years and 3 months) and those born in January-May 1960 (64 years and 6 months).

Starting earnings-related pensions are adjusted using the life expectancy coefficient. The 2024 coefficient for old-age pensions awarded to persons born in 1962 or for starting pensions awarded in 2024 to persons before they reach age 62, has been confirmed at 0.94692. The coefficient will reduce the monthly pension by around 5.3 per cent. The life expectancy coefficient confirmed for 2024 will exceptionally reduce the monthly pension by less than the previous year's coefficient. This is due to the high mortality rates during the years of the corona pandemic.

The amounts of national pension and guarantee pension were raised in line with the national pension index by 5.9 per cent from the beginning of 2024. In 2024 the full amount of the monthly national pension for a single person is 775.70 euros and for a married or cohabiting person 692.54 euros. Together with the guarantee pension, the minimum pension in 2024 is 976.59 euros per month for both single and married or cohabiting persons.

Thus, Kela pensions were index adjusted as usual, but other benefits linked to the national pension index were frozen. For example, the index adjustments to the housing allowance for pensioners were frozen for the period 2024–2027.

In 2024, the tax on earned income will be reduced. An index adjustment of 2.8 per cent was made to the income tax bases to prevent the tax from being tightened as a result of earnings growth. The indexation adjustment was reduced in line with the reduction in unemployment insurance contributions. The index adjustment is made by increasing the income limits of the income tax scale and by increasing the ceilings and income limits for the basic deduction and the earned income tax credit.

The tax burden on high-income earners will be reduced since the temporary two-percentage-point additional tax (the so-called solidarity tax) levied in the top bracket of the state income tax scale is paid on income exceeding 150,000 euros (in 2024) instead of 85,800 euros (in 2023).

As a result of the large index increases, the pension income deduction linked to the full amount of the national pension will increase by 600 euros to 10,920 euros. The taxation of pension income is also affected by changes to the income tax scale and the basic deduction.

The increase in the earned income deduction that aims to encourage older people to work will be reallocated in 2024. The increase introduced in 2023 applied to wage earners aged 60 and over and increased in steps according to age. In 2024, the increase applies only to those aged 65 and over. The maximum income tax credit is 2,140 euros for those under 65 and 1,200 euros higher for those aged 65 and over.

The average municipal tax rate in 2024 is 7.46 per cent (7.38% in 2023). The public broadcasting tax is 2.5 per cent (but no more than €163.00) of the annual income that exceeds 14,000 euros.

In 2024, the earnings-related pension contribution for employees aged 17–52 and 63–67 is 7.15 per cent, and for those aged 53–62, it is 8.65 per cent. Both figures have been on the same level since 2020. Employees' unemployment insurance contribution decreases to 0.79 per cent (1.5% in 2023).

The medical care insurance contribution for employees decreases to 0.51 per cent in 2024 (0.6% in 2023), and the medical care insurance contribution levied on pension and other benefit income decreases to 1.48 per cent (1.57% in 2023). Employees with annual earnings of at least 16,499 euros (€15,703 in 2023) pay a health insurance daily allowance contribution of 1.01 per cent (1.36% in 2023).

The change in the tax and contribution rates for pension and earned income from 2023 varies on different income levels. 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 around 1 percentage points.

In 2024 the net pension income of persons who receive only a national pension will rise by 5.9 per cent compared to 2023 because of increases in the national and guarantee pension indexes. At higher income levels the net pension will rise by 5–6 per cent. As inflation is expected to come in at 1.8 per cent in 2024, the purchasing power of pensions will increase for guarantee pension recipients by around 4 per cent. For other income brackets, the purchasing power of pensions will increase by 3–4 per cent.

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