



# EUROMOD Country Report - Finland

2021-2024

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EUROMOD is the tax-benefit microsimulation model for the European Union (EU). It enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD covers the 27 Member States and is yearly updated to cover the most recent changes in countries' policy systems. It uses input databases which are also updated on a yearly basis, coming mainly from the European Union Statistics on Income and Living Conditions (EU-SILC) and Household Budget Surveys (HBS). The model yearly update is supported by the following Directorate-Generals of the European Commission: DG EMPL, DG ECFIN, DG TAXUD, DG REFORM, DG JRC, DG ESTAT.

Originally maintained, developed and managed by the Institute for Social and Economic Research (ISER), since 2021 these responsibilities are taken over by the Joint Research Centre (JRC) of the European Commission, in collaboration with Eurostat and 27 national teams from the EU countries.

The EUROMOD governance structure consists of a Steering Committee, allowing partner DGs to monitor the process of the EUROMOD update, and a Scientific Advisory Board to monitor and guide the scientific development of the model.

This report documents the work done in the most recent annual update for Finland. This work was carried out by the EUROMOD core development team, based at the JRC in Seville, in collaboration with the national team.

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The results presented in this report are derived using EUROMOD version J1.0+. EUROMOD is continually being improved and the results presented here may not match those that would be obtained with earlier or later versions of EUROMOD.

For more information see:

EUROMOD documentation: <https://euromod-web.jrc.ec.europa.eu/resources/documentation>

Glossary of EUROMOD terms: <https://euromod-web.jrc.ec.europa.eu/resources/glossary>

Policy parameters used in EUROMOD: <https://euromod-web.jrc.ec.europa.eu/resources/parameters>

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## **1. BASIC INFORMATION<sup>1</sup>**

### **1.1 Basic information about the tax-benefit system**

- The Finnish tax-benefit system is largely a uniform national system. The main exceptions are local tax rates which differ across municipalities and churches, and housing benefits which differ in different parts of the country.
- The “fiscal year” in taxation is the calendar year.
- The personal income tax system is individual with spouses being assessed independently. However, in some cases, it is possible to transfer tax deduction between spouses.
- Compulsory school starts normally in the year when the child turns seven years. The age when obligatory schooling ends is normally 17 years.
- Dependent child is generally defined as being less than 18 years old. For some instruments the dependent children are defined as below 17 years old.
- There are two complementary pension systems, a national pension based on the residence and an earnings-related pension based on the employment history.
- Until 2016, the earnings-related pension system allowed a person to choose the retirement flexibly between the age of 63 and 68 years. Starting from year 2017, the earliest eligibility age for old-age pension (and upper age limit) rises 3 months/age cohort to 65 years, after which it is linked to life expectancy. It is also possible to continue working after the upper age limit or retire earlier. In the first case the amount of pension increases and in the second case decreases permanently. The retirement age for national pension is 65 years for both men and women. For persons born after 1965, the retirement age is linked to life expectancy.
- For benefit purposes lone parents are defined as parents with dependent child and not co-habiting with another person in a marriage-like relationship.
- The benefit schemes are basically divided into two types depending on how they are financed. With some exceptions the basic (minimum) social security benefits are financed by the state and earnings-related contributory benefits by employees, self-employed and employers.
- Earnings-related benefits are calculated on the basis of annual or monthly income. They are usually paid out on a daily basis (except pensions which are paid on a monthly basis). Unemployment benefits are paid out on a working day basis (from Monday to Friday), whereas other daily allowances are paid out on a weekday basis (from Monday to Saturday).
- Almost all social benefits are adjusted annually either by price index or by “mixed” indices. None of the social benefits are adjusted by earnings index.
- Means-testing is defined as testing against spouse’s, household’s or person’s own income.
- Earnings-related benefits are not means-tested except the survivor’s pension, which is means-tested against person’s other pensions.
- Taxable benefits are paid to individuals. Non-taxable benefits are paid to individuals and households or, in case of local income support / social assistance, to individuals and families.

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<sup>1</sup> All sources referred in this report are listed in References in Chapter 5.

- Eligibility considerations for unemployment benefits can entail means-testing if a person is partly-employed. Partly employed persons may receive unemployment benefits and wage income at the same time if certain conditions are met (so-called conciliated adjustable allowance). In this case the unemployment benefit is cut by half of the wage income. Beginning in 2014 there is a free amount, 300 euros/month, which can be earned without affecting the unemployment benefit (abolished since April 2024).
- Basic or minimum social security benefits may be means-tested or not. Family benefits are generally not means-tested with an exception of child home care allowance.
- Most of the benefits are subject to income tax. The most important non-taxable benefits are housing allowances, child benefit and local authority income support / social assistance. Some disability benefits are also non-taxable.
- Tax liability is based on annual income, and tax allowances and thresholds are referred to in annual terms.
- Personal income taxation is based on a dual income tax system where all incomes are divided into earned and capital income. Both income types are taxed separately with different rates. Earned income includes employment, pension and other benefit incomes. Capital income includes, e.g., return on deposits, property and investment, as well as gains from sale of property. Only net incomes are taxed meaning that expenses directly related to the income are deductible in both capital and earned taxation.
- Income from self-employment is divided into earned and capital income in personal taxation. This is to address the fact that income is generated both from labour and capital inputs committed by self-employed. Two main types of self-employed are entrepreneurs and farmers.
- Monetary tax parameters are not automatically indexed with the exception of pension deduction parameters in state and local taxation. These deductions are based on full national pension which is adjusted by price index. All other possible changes in tax rules (deductions, income limits in the schedule, marginal rates, etc.) are decided annually.
- There are three taxes based on earned income: state tax, municipal tax and church tax. The latter is based on voluntary membership in church.
- The earned income subject to tax is the same in state and local taxation but tax allowances, and thus tax bases, differ.
- Municipal and church tax rates are flat and applied to local tax base. They are decided independently by municipalities and parishes.
- A progressive tax schedule is applied to earned income tax base in state taxation.
- Although earned income and capital income are taxed separately there are links between them. Some tax credits are subtracted both from earned and capital income taxes. Some interests are deductible in capital taxation but may also be deductible (a share of them) from earned income taxes.
- Consumption taxes consist of (1) VAT with three rates (one standard and two reduced), (2) harmonised excises on tobacco, alcohol, and energy, and (3) purchase of motor vehicles.
- The policy parameters saved as constants in the model and their values for the most recent year are available at <https://euromod-web.jrc.ec.europa.eu/resources/parameters>.



### 1.2 Social benefits

Social security benefits can be divided into three different categories. The first consists of *contributory* earnings-related benefits. Entitlements to these benefits are usually based on contributions paid by employees, self-employed and employers. The second type of benefits is *non-contributory, non-means-tested* benefits. These benefits depend on specific conditions such as disability or parenthood. The third type of benefits is *means-tested benefits* which depend on a range of personal or family circumstances, and on own or family incomes.

#### 1.2.1 Contributory benefits

All the contributory benefits (incl. pensions) are earnings-related. The contributions depend on the size of earnings with an exception of earnings-related unemployment allowance where the fee to the fund may be a flat amount. Most of the contributory schemes are statutory for employees. The contributory benefits, as all other earnings replacement benefits, are taxable and usually not subject to any means-testing. There is no upper limit for employee, self-employed or employer contributions. Neither there is any ceiling in any of the contributory benefits. The main such benefits are the following:

**Earnings-related pension** (*työeläke*) is paid as disability pension, unemployment pension or old-age pension.

**Earnings-related disability pension** (*työkyvyttömyyseläke*) is allowed to a person aged between 18–62 years and who is incapable to work because of illness, handicap or injury. Since 2017, the upper age limit follows the earliest eligibility age of the old-age pensions (see paragraph 1.1). Depending on the reduction in work ability the disability pension is paid either as a full or partial pension. Often a temporary **earnings-related rehabilitation subsidy** (*kuntoutustuki*) is paid before the disability pension benefit. The amount of the rehabilitation subsidy is the same as disability pension. It is also paid either as a full or partial benefit.

**Earnings-related old-age pension** (*vanhuuseläke*) scheme is flexible. Before 2017, a person could choose to retire between 63–68 years of age. Since 2017, the age limits increase 3 months/age cohort yearly until the lower limit reaches 65 years. For persons born after 1965, the age limits are linked to life expectancy. There is an incentive to carry on working in the sense that the employment income accrues more pension income in the old ages. In the pension reform 2017, a new increment for deferred retirement age was introduced. The pension may be deferred beyond the age of 68 (or the upper age limit in the new system). In this case the pension is increasing by 0.4 per cent for every postponed month.

**Years-of-service pension** (*työuraeläke*) is a new pension type introduced in 2017. A person is eligible to the years-of-service pension if she/he has been working life-spanning 38 years and works in strenuous and wearing work. The age limit for the pension is 63 years, until the earliest eligibility age for old-age pension has increased to 65 years. After that, the age limit is linked to life expectancy. The level of years-of-service pension is somewhat lower than the disability pension.

**Part-time pension** (*osa-aikaeläke*) is designed for an employee or self-employed who wants to work less and retire (partly) earlier. The age limits when it is possible to retire are the following: a) 58–64 if born before 1947, 58–67 if born in 1947–1952, 60–67 if born in 1953, and 61–67 if born after 1953. To be eligible to the benefit, earnings must also be reduced by 35–70 per cent from full-time work to part-time work. The amount of the part-time pension is 50 per cent of the difference between the full-time and part-time earnings, but at most 75 per cent of that old-age pension which is accrued up to the start of the part-time pension. The full-time earnings are calculated as the mean of the previous five years monthly wage. Since 2017, part-time pension was replaced by partial old-age pension (*osittainen varhennettu vanhuuseläke*). The age limit will

rise to 62 years in 2025, after which it will be increased along with the increase in the earliest eligibility age for the old-age pension. In the new system, there is no requirements concerning the reduction of the number of working hours. The partial old-age pension amounts to 25 % or 50 % of the accrued pension. A reduction for early retirement will be made to a pension drawn before the earliest eligibility age for old-age pension.

**Survivors' pension** (*perhe-eläke*) can be paid to a surviving spouse, former spouse (in some cases) and to a child of the deceased. The pension is divided into two types: surviving spouse's pension and orphan's pension.

**Workers' compensation pension** (*tapaturmaeläke*) is paid to all employees and farmers in case of accident at work or on the journey between home and work. The pension is paid to the injured after the daily allowance period has expired (maximum one year). The full work injury pension amounts to 85 per cent of annual earnings if a person is less than 65 years and 70 per cent if at least 65 years. The pension may be paid as full or partial.

**Earnings-related unemployment allowance** (*ansiopäiväraha*) is an allowance for unemployed persons aged between 17–64 years who are registered as full-time job seekers at the employment office. The claimant must be a member of unemployment fund and meet the working condition. The allowance is payable for a maximum of 500 working days. From 2017, the maximum period is 400 days, and unemployed persons with an employment history of three years or less will be able to get the benefit for a maximum of 300 days.

**Sickness leave benefit** (*sairauspäiväraha*) is paid from the sickness insurance. Eligible are 16–67 years old employees and self-employed. The benefit is normally paid for maximum of 300 weekdays. The benefit amount is based on person's previous employment income reported to the tax authorities or on the last 6 months average employment income. Starting 1 January 2020, the daily allowances will be calculated on the basis of annual income. The annual income is calculated for a reference period of 12 calendar months prior to the month that precedes the start of the entitlement to the allowance. For self-employed the benefit is based on the estimated employment income which is the base for all their contributory benefits.

**Special care allowance** (*erityishoitoraha*) is paid during the hospital treatment of a child under the age of 16 and during the subsequent care at home. In order for a parent to be granted special care allowance, a medical statement must be issued by the attending physician regarding the seriousness of the illness and the necessity for the parent to participate in the care and treatment of the child. The special care allowance is intended to compensate for loss of income if the parent has to stay home from work without pay because the child is undergoing medical treatment.

**Maternity leave benefit** (*äitiysraha*) is paid for 105 weekdays. **Parental leave benefit** (*vanhempainraha*) is paid either to a mother or to a father when the maternity leave period has expired. The benefit is paid for 158 weekdays to the parent who stays at home and takes care of the child. Both parents cannot receive the parental leave benefit at the same time. Increased parental leave benefit is paid for the first 30 days of parental leave (the increase was abolished since 2016). Since April 2019, mothers raising a child on their own will become eligible for an additional 54 working days of parental allowance payments. **Paternity leave benefit** (*isyysraha*) is paid to a father for 54 days. The benefit can be divided into maximum of four distinct periods during the maternity or parental leave periods. Of these 54 days 18 days can be taken at the same time as the maternity leave. The standard amount of paternity leave benefit equals the standard parental leave benefit. Since April 2019, paternity allowance is paid for an additional 18 working days for each child born or adopted at the same time.

After the new family leave reform went into effect on 1 August 2022, the maternity leave benefit and paternity leave benefit will be abolished. The pregnant parent will be paid a new **pregnancy allowance** (*raskausraha*) for 40 working days preceding the parents' entitlement to a parental allowance. **Parental allowance** for one child is paid for a total of 320 working days. If a child

has two parents who are entitled to a parental allowance, both parents can take one half of the full entitlement, i.e., 160 days, and a parent can turn over up to 63 parental allowance days to the other parent.

Basically, all contributory benefits are paid as non-contributory minimum benefits if a person has no work history and is thus not entitled to employment pension.

### 1.2.2 Non-contributory, non-means-tested benefits

**Basic unemployment allowance** (*peruspäiväraha*) is payable to an unemployed person aged between 17–64 years who is registered as a full-time job-seeker at the employment office and meets the working condition. The allowance is payable for a maximum of 500 working days. It is taxable. From 2017, the maximum period is 400 days, and unemployed persons with an employment history of three years or less will be able to get the benefit for a maximum of 300 days.

**Child benefit** (*lapsilisä*) is a universal flat-rate benefit paid for every child under 17 years of age and resident in Finland. The benefit is paid regardless of any other benefits (or any other reasons). The amount of the child benefit per child is larger if there are more children in household, up to the fifth child. Parents may choose which one of them receives the benefit. The child benefit is not taxable.

**Disability allowance** (*vammaistuki*) is designed to provide financial support to disabled persons in everyday life. There are two types of the disability allowances with different conditions and amounts: one paid to disabled persons between 16–64 years and another paid to children aged less than 16 years. **Disability allowance for children** (*alle 16-vuotiaan vammaistuki*) is intended to provide support in the daily lives of children under 16 years who have an illness or a disability. The child can be awarded disability allowance if he or she needs regular care, attention and rehabilitation due to illness or disability. The need of care and attention must be greater than normal and last for at least six months. Both types of the allowances have three categories depending on the nature of the illness or handicap and the size of special costs. Full-time pensioners are not entitled to the disability allowance. The disability allowance is not taxable.

**Care allowance for pensioners** (*eläkettä saavan hoitotuki*) is designed to give financial support to long-time sick or disabled pensioners. Care allowance for pensioners is scaled into three groups based on the need for assistance and the size of special costs. The allowance is not taxable.

**Home care allowance** (*omaishoidon tuki*) is a compensation paid to a person who takes care of an elderly, disabled or ill person at their home. It is possible to pay the allowance to a family member, a relative or a friend. The home care allowance can also be provided in the form of services (e.g., food or transport services). The allowance is arranged by municipalities. It is taxable if paid in cash.

**Pension assistance** (*eläketuki*) was introduced in June 2017. Pension assistance is aimed to provide income security for elderly long-term unemployed persons who were over 60 years of age on 1 September 2016. To be entitled, one has to have received any of the unemployment benefits for 1,250 days during the last six years. The benefit is not a pension as such, although it is by definition equal to the amount of the guarantee pension.

**Family leave compensation for employers** (*perhevapaakorvaus työnantajalle*) was introduced in April 2017. Family leave compensation is a one-time payment of €2,500 available to employers with paid staff who are on maternity leave or on a post-adoption parental leave. To qualify for the compensation, employers must pay the employee who is on leave a salary for at least one month. Applications for the family leave compensation must be submitted within six months of the date on which payment of maternity, paternity or parental allowance ended.

**Maternity grant** (*äitiysavustus*) can be received as a maternity package and a tax-free lump-sum cash benefit of €170 (in 2019). The maternity grant can be claimed after 154 days of pregnancy (about 5 months). To be eligible one must visit a doctor or a maternity and child welfare clinic for a health check before the 5th month of pregnancy.

**Flexible care allowance** (*joustava hoitoraha*) is paid to parents who work for 30 hours per week or less and for the rest of the time look after their child under 3 years. The amount of the flexible care allowance is determined on the basis of the number of working hours. The flexible care allowance is taxable income. It is paid for one child at a time.

**Partial care allowance** (*osittainen hoitoraha*) is paid for children who are in the first or second year of school. One can receive partial care allowance if working no more than 30 hours a week while looking after a child.

**Adoption grant** (*adoptiotuki*) can be claimed to meet some of the cost of the adoption if one adopts a child from abroad. Adoption grant is not available if one adopts a child from Finland. The adoption grant is a tax-free lump sum payment.

### 1.2.3 Means-tested benefits

**National pension** (*kansaneläke*) is a basic minimum pension. The national pension is paid as disability pension (at the age of 16–64 years), as unemployment pension and as old-age pension (from the age of 65 years or from the age of 63 years if anticipated old-age pensioner). The age limit for the old-age pension is 65 years which is different from the contributory earnings-related pension where the retirement age is flexible between 63–68 years. For persons born after 1965, the retirement age is linked to life expectancy. The national pension is means-tested against person's contributory pension income. Pensioner's other income or wealth does not affect the national pension, neither does spouse's income or wealth. The amount of the national pension is different for single persons and couples who may be married or co-habiting. If a person has lived abroad long enough, the national pension is reduced in relation to the time lived abroad. The national pension is subject to tax.

**Guarantee pension** (*takuueläke*) guarantees a certain level of pension to all pensioners. It is equal for singles and spouses and it is means-tested only against other pension income. Other income than pension income or wealth does not affect it. Unlike the national pension, it doesn't depend on the time lived in Finland. The guarantee pension is subject to tax. If the pensioner has no other income than the national pension and the guarantee pension, no taxes (with the exception of the broadcasting tax for some years) are paid because of pension deductions in taxation.

**Labour market subsidy** (*työmarkkinatuki*) is granted to an unemployed person aged between 17–64 years who is registered as a job-seeker at the employment office. The benefit is designed for people who do not meet the working condition or have received the earnings-related or basic unemployment allowance the maximum of 400 (or 500) benefit days. In the latter case, the labour market subsidy is not means-tested for the first 180 days. If the unemployed person is living together with his or her parents, the income of the parents is also taken into account. There is no time limit for the labour market subsidy. The benefit is taxable.

**Child home care allowance** (*kotihoidon tuki*) is designed to support the child care of small children at home. The child home care allowance includes two components: an allowance and a supplement. The first is a flat-rate benefit and the second is means-tested against other family income. In addition, municipalities may pay additional supplements and decide on the rules applied to them. The benefit is taxable. Partial or flexible care allowance may be paid out if parents reduce their working hours due to childcare (see previous section for non-contributory and non-means-tested benefits).

**Study grant** (*opintoraha*) is a benefit paid for full-time studies after comprehensive school, i.e., for upper secondary school studies or vocational, supplementary and higher degree education. The study grant is means-tested against student's other income and, in some cases, against parents' income too. It is a taxable benefit. The study grant is one component of the student's financial aid, which consists of study grant, student housing supplement (until July 2017) and student loan as well as certain subsidies, such as meal and travel subsidy.

**Housing allowance for pensioners** (*eläkkeensaajan asumistuki*) is paid to pensioners with low income. The housing allowance for pensioners can be paid to rented, right-of-occupancy and owner-occupied dwellings and also to the residential care homes. The size of the allowance depends on housing costs and on whether the pensioner lives alone or with a partner, as well as on the income and wealth of the pensioner and the partner. The housing allowance for pensioners is not taxable.

**General housing allowance** (*yleinen asumistuki*) compensates for the housing costs of low-income households. The household is defined as all persons living in the same dwelling. The housing allowance can be paid to the households living in rented, right-of-occupancy or owner-occupied dwellings (until the end of 2024). The allowance covers only the acceptable housing costs. The size of the allowance depends also on the number of adults and children living in the household, the monthly household income and the location of the dwelling. General housing allowance is not taxable.

**Local authority income support / social assistance** (*toimeentulotuki*) provides last resort income security. It ensures the minimum subsistence to all persons and families regardless of any preconditions. Any person (or family) whose income and wealth are insufficient to meet the subsistence needs is entitled to the income support. The benefit includes two components: a) a basic component which covers basic needs (e.g., costs of food, clothing, transport, and minor health care costs) and b) a supplementary component which covers certain other expenses (e.g., housing costs and child day care fees). The basic component is a fixed amount and it depends on the number of adults and children in the family. The supplementary component depends on the actual costs and it is subject to the discretion of the authority. The income support is means-tested against all personal or family income after taxes, contributions and costs due to working (e.g., commute costs). In addition, the income support is also means-tested against the wealth of the family. Until 2016, the benefit was paid by the local authorities. Since 2017, the basic component is paid by the Finnish Social Insurance Institution. It is not taxable.

**Child maintenance allowance** (*elatustuki*) is paid in a separation or divorce by the Social Insurance Institution if the parent liable for maintenance does not pay it or if the amount of child support is lower than the amount of child maintenance allowance. Child maintenance allowance is also payable when there is no parent with maintenance liabilities. This is the case if, for example, one has adopted a child as a single parent or if the child was born out of wedlock and the paternity has not been confirmed. The allowance is not taxable.

### 1.2.4 Not strictly benefits

There are elements in the Finnish social security which are not strictly benefits. Sometimes these payments may be seen as substitutes for benefits. The most important such payments are the following:

**Municipal child day-care fee** (*lasten päivähoitomaksu*) is a service charge paid by families for municipal child day-care. The municipal child day-care is an alternative to the child home care and to the private child day-care. Before 2016, all families had a "subjective right" to full-time child day-care. Entitlement begins when the period of parental allowance ends. In some cases, e.g., if the child participates in pre-school education before starting the comprehensive school, the day-care may be arranged on a part-time basis. From 2016, there are new restrictions to the



entitlement to child day-care: all children under school age (7 years) are entitled to max 20 hours of child day-care (early education) per week. Families still have a “subjective right” to full-time child day-care if both parents are working, they are full-time students or in case of other special circumstances. However, some of the municipalities do not intend to limit the subjective right to the municipal day-care. The municipal child day-care fee is based on the family income. For low-income families the municipal child day-care is free of charge.

**Private day-care allowance** (*yksityisen hoidon tuki*) is paid for families whose children are in private day-care. The entitlement to the private day-care is similar to the municipal day-care (see “Municipal child day-care fee”). The private day-care allowance is paid as a flat care allowance and as a means-tested care supplement. Both are paid for each child. The care supplement is means-tested against all family income in the same way as the child home care supplement. The allowance is paid directly to the private day-care centre or to the private childminder.

### 1.3 Social insurance contributions

Social insurance contributions are used to finance contributory pensions and other contributory benefits, public health care, and to some extent national pensions (up to 2010). Employees have four statutory social security contributions. Three of them, earnings-related pension contribution, unemployment insurance contribution, and daily allowance contribution, are based on gross wage (incl. taxable in-kind-benefits). They are all deductible in personal taxation.

Entrepreneurs have two statutory social security contributions: earnings-related pension contribution and daily allowance contribution. In addition, farmers have to pay accident and group life insurance contributions. Self-employed persons, entrepreneurs and farmers, may pay and deduct their pension contributions either in their business and farming activity or in their personal taxation. In the first case the contributions are not anymore deductible in personal taxation. The daily allowance contributions are deductible only in personal taxation. Farmers subtract accident insurance and group life insurance contributions in their farming activity.

The base for all social insurance contributions of self-employed persons is a “hypothetical” YEL-income (entrepreneurs) and MYEL-income (farmers). These are not actual incomes received from self-employment but estimated employment incomes. Ideally, they correspond to the income paid to an employee who would do the same work as the self-employed and with the equal professional skill.

The medical care contribution is based on the local tax base and is paid by all individuals who have positive tax base. The contribution of self-employed persons is not based on the actual local tax base but on the “hypothetical” tax base. In this tax base the actual self-employment income is replaced by YEL- or MYEL-income and the local tax deductions are subtracted from this income, except the pension contribution. We may call this the “adjusted” local tax base.

Employers finance the same contributory benefits as employees and self-employed. In addition, they have to pay some other contributions. On average, the employer contribution rate is approximately five times higher than the employee contribution rate.

#### 1.3.1 Social contributions for employees and self-employed

**Earnings-related pension contribution** (*työeläkevakuutusmaksu*) is statutory for all employees and self-employed. The employee contribution is based on the gross wage and the self-employed contribution on the estimated employment income (YEL- or MYEL-income). The contribution rate is the same for all individuals with certain exceptions. People aged 53–62 years have higher contribution rate than younger (and older during 2017–2025) persons. In addition, self-employed have higher contribution rate than employees. Farmers’ contribution rate depends to some extent on the size of the income from farming.

**National pension contribution** for individuals was abolished in 1996.

**Unemployment insurance contribution** (*työttömyysvakuutusmaksu*) is statutory for all employees but voluntary for self-employed. The contribution rate is the same for all employees. The employee unemployment contribution is an exception among social contributions in the sense that it is based on wage but it is not directly connected to the contributory benefit. To be entitled to the contributory earnings-related unemployment benefit another “contribution” is required, **the fee to the unemployment fund**. The membership of the fund is voluntary. The fee may be either a percentage share of wage or a flat-rate fee. To be entitled to the earnings-related unemployment benefit, the wage earner must have been working and being a member of the unemployment fund for at least 26 weeks before unemployment (12 months since September 2024).

**Daily allowance contribution** (*päivärahamaksu*) is statutory for all employees and self-employed. The base for the employee contribution is the gross wage. For self-employed the base is the estimated employment income (YEL- and MYEL-income). The contribution rate is the same for wage and farming income but higher for entrepreneurial income.

**Medical care contribution** (*sairaanhoitomaksu*) is based on the local tax base. This means that people with very low income do not pay the contribution. For benefit and pension income the contribution rate is higher than for employment income – the contribution rate is higher if daily allowance contribution is not paid from that income. As described above for self-employed the calculation of the contribution is based on the “adjusted” local tax base where employment income is replaced by the estimated YEL- or MYEL-income. Medical care contribution and daily allowance contribution make together **the health insurance contribution** (*sairausvakuutusmaksu*).

### 1.3.2 Employer contributions

All employers’ contributions are based on gross wage but the contribution rates differ depending on, e.g., the number and age of employees, the institutional sector, the wage sum and responsibilities to pay disability or unemployment pensions. This means that contributions are different for most of the employers. Only the health insurance contribution rate is the same for all employers. Employers, as employees, pay earnings-related pension contribution, unemployment insurance contribution and health insurance contributions. In addition, they have to pay the following contributions:

**Accident insurance contribution** (*tapaturmavakuutusmaksu*) covers all employees. The size of the contribution is determined according to different criteria, which may be slightly different in each insurance company. The accident insurance contribution is statutory also for farmers but voluntary for entrepreneurs.

**Group life insurance contribution** (*henkivakuutusmaksu*) is not based on legislation but on trade union agreements. Nevertheless, it includes most of the employees and all farmers.

**National pension contribution** (*kansaneläkemaksu*) was abolished in 2010. Until 2009 employers were obliged to contribute to the national pension scheme. Now the national pension system is financed wholly with taxes.

## 1.4 Taxes

Excluding tax on deposit interest, corporate income tax, inheritance tax, gift tax, real estate tax and indirect taxes, the EUROMOD covers nearly 60 per cent of the total tax and social contribution revenue. A short outline of all taxes is presented in this chapter.

### 1.4.1 Direct taxes

**Income taxes** (*tuloverot*) are the most important direct taxes. The corporate and individual taxation is based on net income (“pure income”), which is defined as income after all expenses related to that income are subtracted. In the dual tax system, all personal incomes are divided into capital and earned income and taxed separately.

*Corporate income* is taxed with a flat tax rate 20% since 2014.

The tax rate of personal *capital income* is 30% for incomes up to 30 000 euros and 34% for incomes exceeding 30 000 euros. Interests paid to individuals from domestic bank deposits or from bonds offered to the public are also capital income. As an exception to other capital incomes these interests are taxed at source. The capital income tax is levied by the state.

A progressive tax schedule is applied to personal *earned income* in state taxation, while flat tax rates are used in local taxation. There are two kinds of local taxes: a municipal tax and “a church tax”. Municipalities and churches decide the tax rates independently before the end of the year. The same local tax base is applied also to the medical care contribution. Tax bases in state and local taxation are different because tax allowances in state and local taxation are different.

To divide income into capital and earned income on the basis of income source is not always straightforward. As described, income from self-employment is divided into capital and earned income in personal taxation. In addition, dividends from non-listed companies may be capital or earned income. Dividends from publicly listed companies are always capital income. Neither earned income nor capital income dividends are fully taxable. Different rules concerning the tax liability are applied to dividends from publicly listed and from non-listed companies.

The taxation of capital and earned income is not totally separated. Some tax credits are subtracted both from capital and earned income taxes. Neither is the personal tax system entirely individual. There are tax credits which are possible to subtract from spouse’s taxes if own taxes would become negative.

Due to a dramatic rise in the price of electricity, households will be able to apply for support with their electricity expenses in 2023. The primary way to access this support is by claiming tax credit for electricity from the Finnish Tax Administration. In order to qualify for the tax credit, one must have electricity costs exceeding 2,000 euros for the period January to April and have accrued sufficient taxes for the purposes of the credit. Households that have not accrued enough taxes due to low income can apply for the assistance with electricity costs from Social Insurance Institution. More info: <https://www.kela.fi/assistance-with-electricity-costs>.

**Broadcasting tax** (*yleisradiovero*) is designed to finance Finland’s national public service broadcasting company Oy Yleisradio Ab operating several television and radio channels. The tax replaces TV licenses, which until 2012 were obligatory for all households owning a TV receiver. The new tax is individual. Children under 18 years do not pay the tax. The tax base is pure taxable earned and capital income, i.e., taxable income, from which the so-called natural deductions (for example, work expenses) have been made.

**Inheritance tax** (*perintövero*) is a tax on wealth received either as bequest or through testament. A progressive schedule on wealth is applied. The tax is levied by the state.

**Gift tax** (*lahjaverot*) is applied to the value of the gifts according to the same principles as bequests.

**Real estate tax** (*kiinteistövero*) is levied on property. The most important exemptions are forests and agricultural land. The tax is based on taxable value of the property. It is paid to the municipality where the property is located. Municipalities decide the tax rates annually within certain limits that are decided in legislation.



### 1.4.2 Indirect taxes

**Value added tax** (*arvonlisävero*) is a general consumption tax on goods and services. There are three rates: a general rate of 25.5% (24% before 9/2024) is applied to most of the consumption goods, a reduced rate of 14% (earlier 13 or 12%) is applied to food and fodder, and a reduced rate of 10% (correspondingly 9% or 8%) is applied to medicine, books, passenger transportation, accommodation, culture, sports, small repair services etc. The zero rate has been levied on subscribed newspapers and magazines up to 2011, but now the general rate is applied also in this case.

**Excise duties** (*valmisteverot*) are levied on, e.g., alcohol and alcoholic beverages, tobacco products, liquid fuels, electricity and certain fuels, sweets, ice cream and soft drinks (duties on sweets and ice cream were abolished since 2017).

**Taxes on special services** (*veronluonteiset maksut*) consist of fees, which are in principal mandatory but are not enacted as taxes. These include pharmacy fee, fire protection charge, etc.

**Car tax** (*autovero*) is applied to cars and motorcycles registered in Finland for the first time. The amount depends on the type of motor vehicle, CO<sub>2</sub> emission measurement method, and fuel used, and, in addition, calculated CO<sub>2</sub> emissions, or CO<sub>2</sub> emissions (g/km) and size of the engine displacement (cm<sup>3</sup>). **Vehicle tax** (*ajoneuvovero*) is collected on annual basis. The amount depends on the vehicle, CO<sub>2</sub> emission measurement method, and fuel used, and CO<sub>2</sub> emissions.

### 1.4.3 Customs duties

**Customs duties** (*tullimaksut*) levied in Finland are based on a common customs tariff. EU-member states are entitled to a commission of 25 per cent of the customs revenue (20 per cent since 2014).

## **2. SIMULATION OF TAXES, SOCIAL INSURANCE CONTRIBUTIONS AND BENEFITS IN EUROMOD**

### **2.1 Scope of simulation**

The most important taxes, social contributions and benefits are described in the previous section. Not all the taxes and benefits mentioned in the previous section are simulated in EUROMOD (see Tables 1 and 2). Firstly, some are beyond its scope and are neither included in the EUROMOD input database nor in its output income variables. Secondly, some are not possible to simulate accurately with the available data. They are included in the database and may be chosen as components of output variables, but the rules governing them may not be changed by the model. We distinguish benefits/taxes which are included as a separate variable and benefits/taxes which are included as a component of an aggregated variable (in case it is not possible to make a split). Thirdly, other benefits contain complicated rules and/or available data does not provide enough information to be able to simulate the benefits in full detail; such benefits/taxes are partially simulated. Table 1 and Table 2 classify each of the tax-benefit instruments into one of these groups and provide a brief explanation as to why the instrument is not fully simulated if this is the case. The most important benefits which are not simulated are most pensions, sickness leave benefit, disability allowances, pensioner's care allowance and, before the year 2015, general housing allowance.

Table 1. Simulation of taxes and social contributions in EUROMOD.

	Variable name(s)	2019	2020	2021	2022	Why not fully simulated?
<b>Direct taxes</b>						
State tax on capital income	tinny_s	S	S	S	S	
Tax on deposit interest		E	E	E	E	No data
Corporate income tax		E	E	E	E	No data
National state income tax	tinna_s	S	S	S	S	
Municipal income tax	tinmu_s	PS	PS	PS	PS	Average rate is applied
Church income tax	tincr_s	PS	PS	PS	PS	Voluntary but simulated as compulsory. Average rate is applied.
Inheritance tax		E	E	E	E	No data
Gift tax		E	E	E	E	No data
Real estate tax	tpr	I	I	I	I	Lack of information
<b>Indirect taxes</b>						
Value added tax (VAT)		S	S	S	S	Calculations based on extended input files with consumption expenditures from HBS
Excise duties		S	S	S	S	Calculations based on extended input files with consumption expenditures from HBS
Taxes on specific services		E	E	E	E	No data
Car tax and vehicle tax		E	E	E	E	No data
<b>Custom duties</b>		E	E	E	E	No data
<b>Social contributions</b>						
Employee contributions	tscee_s	S	S	S	S	
Entrepreneur contributions	tsce_s	S	S	S	S	Assumed: self-empl.income=YEL-income
Farmer contributions	tscfr_s	S	S	S	S	Assumed: self-empl.income=MYEL-income
Employer contributions	tscer_s	PS	PS	PS	PS	Average tax rates are applied

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Medical care contributions	thl_s	S	S	S	S
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Notes:

E: *excluded* from the model as it is neither included in the micro-data nor simulated;

I: *included* in the micro-data but not simulated;

PS: *partially simulated* as some of its relevant rules are not simulated;

S: *simulated* although some minor or very specific rules may not be simulated.

Table 2. Simulation of benefits in EUROMOD.

	Variable name(s)	2019	2020	2021	2022	Why not fully simulated?
<b>Benefits</b>						
Old-age pensions	poa00	I	I	I	I	Lack of information. Incl. in variable <i>py100</i>
Part-time pensions	poa00	I	I	I	I	Lack of information. Incl. in variable <i>py100</i>
Unemployment pensions	bunot	I	I	I	I	Lack of information. Incl. in variable <i>py090</i>
Disability pensions	pdi00	I	I	I	I	Lack of information. Incl. in variable <i>py130</i>
Survivor's pensions	psu	I	I	I	I	Lack of information. Incl. in variable <i>py110</i>
Workers' compensated pension		E	E	E	E	No data
Guarantee pension	pmmtu_s	S	S	S	S	
Other pensions		E	E	E	E	No data
Basic unemployment allowance	bunnc_s	PS	PS	PS	PS	Eligibility is based on data
Earnings-related unempl. allow.	bunct_s	PS	PS	PS	PS	Eligibility is based on data
Labour market subsidy	bunmt_s	PS	PS	PS	PS	Eligibility is based on data
Other unemployment benefits	bunot	I	I	I	I	Lack of information. Incl. in variable <i>py090</i>
Sickness leave benefit	bhl00	I	I	I	I	Lack of information. Incl. in variable <i>py120</i>
Work injury benefit		E	E	E	E	No data
Other sickness benefits	bhlot	I	I	I	I	Lack of information. Incl. in variable <i>py120</i>
Disability allowances	pdida	I	I	I	I	Lack of information. Incl. in variable <i>py130</i>
Rehabilitation subsidy	poa00	I	I	I	I	Lack of information. Incl. in variable <i>py100</i>
Pensioner's care allowance	poaca, pdica	I	I	I	I	Lack of information. Incl. in variable <i>py100</i> and <i>py130</i>
Home care allowance	poa00	I	I	I	I	Lack of information. Incl. in variable <i>py100</i>
Parental benefits	bma	I	I	I	I	Lack of information. Incl. in variable <i>hy050</i>
Child benefit	bch_s	S	S	S	S	
Child home care allowance	bcc_s	PS	PS	PS	PS	Eligible families are based on data

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Private day-care compensation		E	E	E	E	No data
Child day-care fee		E	E	E	E	No data
General housing allowance	bho00_s	S	S	S	S	Lack of information. Incl. in variable <i>hy070</i>
Pensioner's housing allowance	bhope_s	S	S	S	S	Asset test is not simulated
Other housing benefits	bhoot	I	I	I	I	Lack of information. Incl. in variable <i>hy070</i>
Study grant	bed00_s	S	S	S	S	
Other education benefits	bedot	I	I	I	I	Lack of information. Incl. in variable <i>py140</i>
Local authority income support / social assistance	bsa00_s	S	S	S	S	
Other social assistance benefits	bsaot	I	I	I	I	Lack of information. Incl. in variable <i>py060</i>
Reformed unemployment benefits		E	E	E	E	Lack of information
Temporary labour market subsidy for self-employed	bwkmcsetx_s	-	S	-	-	
Direct grants to self-employed	bwkmcse_s	-	S	-	-	

### Notes:

E: *excluded* from the model as it is neither included in the micro-data nor simulated;

I: *included* in the micro-data but not simulated;

PS: *partially simulated* as some of its relevant rules are not simulated;

S: *simulated* although some minor or very specific rules may not be simulated.

**2.1.1 Partially simulated tax-benefit components**

Among the benefits, the basic unemployment allowance (*bunnc\_s*), the earnings-related unemployment allowance (*bunct\_s*), the labour market subsidy (*bunmt\_s*) and the child home care allowance (*bcc\_s*) are partially simulated. This is for the following reason: as previous earnings are not observed in the SILC data, they are imputed using information on the reported receipt of the respective benefit in the SILC data. Therefore, the benefit simulation is conditional on the reported benefit receipt in the micro-data.

Among the taxes, we part simulate the municipal income tax (*tinmu\_s*), the church income tax (*tincr\_s*) and the employer social security contribution (*tscer\_s*) because of lack of information on the exact rate to be applied. Instead, in these cases, average tax rates are applied.

**2.2 Main policy changes**

Table 3. Main policy changes during 2020–2024.

	2020–2021	2021–2022	2022–2023	2023–2024
<b>Policies</b>	-	New family leave reform replacing maternity, parental, and paternity leave benefits with new pregnancy and parental allowances	-	-
<b>Benefits</b>	-	An additional increase of 3.5% was made to benefits linked to KEL-index on 1/8/2022 due to rapid inflation	-	Most of the benefit amounts linked to KEL-index are freed to their 2023 levels during 2024–2027  Several changes to unemployment benefits: child parts and earnings exempt abolished, staggering of earnings-related unemployment benefit introduced  Several changes to general housing allowance: earnings exempt abolished, maximum housing cost municipality group 1 merged to group 2, compensation percentage reduced, basic deductible increased
<b>Social insurance contributions</b>	-	-	-	-

<b>Direct taxes</b>	-	-	Low earned income allowance, student grant allowance, and basic allowance are given both in local and state taxation	New income bracket added into the state earned income tax schedule
			Pension income allowance is unified across local and state taxation	
			Changes in the calculation rules of low earned income tax credit	
<b>Indirect taxes</b>	-	-	-	-
<b>Other</b>	-	-	Temporary assistance with electricity costs for households with high electricity bills	-

### 2.3 Order of simulation and interdependencies

Benefits, taxes and social contributions which are simulated in EUROMOD, are shown in Table 4. The level of accuracy in simulation varies with different taxes and benefits. One of the reasons is that some of the variables are imputed from aggregate variables and the information is inaccurate. However, these imputed variables are needed to make the simulation framework operational.

The employee, employer and self-employed social contributions are simulated first. The medical care contribution is an exception: it is calculated simultaneously with local taxes because it is based on the local tax base. Taxable benefits are simulated before income taxes and non-taxable benefits so that changes in benefits affect the tax base and means-tested benefits. The last to be simulated is the local authority income support where incomes after taxes are tested.

Several changes took place in the spine in 2007–2016. In 2011 a guarantee pension was introduced. It is simulated as the first policy tool (before social insurance contributions). In 2013 a new broadcasting tax was implemented. It is simulated after all other taxes. In 2015 a new child income tax credit was introduced; it is simulated after low-income tax credit. Finally, in 2015–2018 general housing allowance is simulated in the model because policy rules were simplified. However, this policy is switched OFF in the baseline for consistency with the previous years where this policy was not simulated.

Table 4. EUROMOD spine: order of simulation.

Policy	2007-2020	Description	Main output
SetDefault_fi	on	DEF: SET DEFAULT VALUES	
uprate_fi	on	DEF: UPRATING FACTORS	
ConstDef_fi	on	DEF: CONSTANTS	
ilsdef_fi	on	DEF: STANDARD INCOME CONCEPTS	
ilsUDBdef_fi	on	DEF: UDB INCOME CONCEPTS	
InitVars_fi		DEF: Initialization of variables	



IIDef_fi		DEF: NON-STANDARD INCOME CONCEPTS	
Random_fi		DEF: Random assignment	
TransLMA_fi		DEF: Modelling labour market transitions	
tundef_fi	on	DEF: ASSESSMENT UNITS	
yem_fi	off	DEF: Minimum wage	
neg_fi	on	DEF: Recode negative income to zero	
ysecomp_fi	On (since 2020)	BEN: compensation scheme Covid-19 for the self-employed	bwkmcsetx_s, bwkmcse_s
bchba_fi	off (since 2015)	BEN: Maternity grant (äitiysavustus)	bchba_s
bma_fi	off (since 2015)	BEN: Maternity leave benefit (äitiysraha)	bma_s
bfapl_fi	off (since 2015)	BEN: Parental leave benefit (vanhempainraha)	bfapl_s
bpa_fi	off (since 2015)	BEN: Paternity leave benefit (isyysraha)	bpa_s
pmmtu_fi	on (since 2011)	BEN: Guarantee pension	pmmtu_s
tscee_fi	on	TAX: Employee social contributions	tscee_s
tscer_fi	on	TAX: Employer social contributions	tscer_s
tscse_fi	on	TAX: Self-employed contributions for entrepreneurs	tscse_s
tscfr_fi	on	TAX: Self-employed contributions for farmers	tscfr_s
bed00_fi	on	BEN: Study Grant	bed00_s
bunnc_fi	on	BEN: Basic unemployment allowance	bunnc_s
bunct_fi	on	BEN: Earnings-related unemployment allowance	bunct_s
bunmt_fi	on	BEN: Labour market subsidy	bunmt_s
bcc_fi	on	BEN: Child home care allowance	bcc_s
tiniy_fi	on	TAX: Capital income tax	tiniy_s
tinna_fi	on	TAX: National income tax	tinna_s (gross)
tinmu_fi	on	TAX: Local income tax	tinmu_s, tincr_s, thl_s (gross)
tintcly_fi	on	TAX: Low-income tax credit	
tintcch_fi	on (Since 2015, until 2017)	TAX: Child income tax credit	
tindc_fi	on	TAX: Income tax deficit credit	
tindcsp_fi	on	TAX: Income tax special deficit credit	tinna_s, tinmu_s, tincr_s, thl_s (net)
tbr_fi	on (Since 2013)	TAX: Broadcasting tax	tbr_s
bhope_fi	on	BEN: Pensioner housing allowance	bhope_s
bho00_fi	toggle (Since 2015)	BEN: General Housing allowance	bho00_s
bch_fi	on	BEN: Child benefit	bch_s
bsa00_fi	on	BEN: Local authority income support / social assistance	bsa00_s
tco_fi	on	TAX: Commodities	il_tva, il_txa, il_t xv

output_std_fi	on	DEF: STANDARD OUTPUT INDIVIDUAL LEVEL
output_hh_fi	off	DEF: STANDARD OUTPUT HOUSEHOLD LEVEL

It is convenient to simulate capital income taxes before earned income taxes because some interests are subtracted as natural deductions from capital income. If there is a deficit in the capital income source, the rest of these interests (multiplied by capital income tax rate) are deducted from earned income taxes.

Taxable benefits are always earned income. Thus, changes in these benefits affect only taxable earned income and personal taxes on earned income.

Changes in benefits do not usually affect social contributions paid by employees, self-employed or employers since the basis of these contributions is usually gross earnings from work. As described above there is an exception, the medical care contribution, which is based on the local tax base in earned income taxation.

The last policy included in the spine is *tco\_fi* (consumption taxes). It is placed at the very end because consumption tax liabilities (VAT and excises) depend on household consumption expenditures, and these are estimated by the model based on the income shares (*xs\_\** variables included in the input data) and simulated disposable income (*ils\_dispy*). This is why before running any simulation of consumption tax policy it is required to activate all the other policies intervening in the simulation of disposable income.

### 2.4 Policy extensions

The Finnish model includes various ‘extensions’ (previously called ‘switches’), that enable users to choose whether to account for issues that seriously affect the implementation of most policies. They are indicated by little coloured symbols in the row-number column of the spine. Switchable policies can be turned ON or OFF through the run dialog box without changing the model itself. In the baseline a switchable policy is set to its default (ON or OFF) as specified in this documentation. The Finnish model has four extensions:

**Benefit Take-up Adjustments (BTA)**, allowing the user to apply non-take-up corrections. The extension is used for the simulation of Local authority income support / social assistance (*bsa00\_s*). The default for the baseline is on. When the extension is on, a share of (weighted) eligible observations equal to the take-up rate is selected randomly as beneficiaries, removing the benefit from the rest of the eligible observations; when off, all eligible observations are kept as beneficiaries. This extension shares most of its functions with the BCA extension; as a general rule, only one of the extensions should be on, but if both are, the lowest rate between the take-up rate and the calibration rate will be applied. More details on the specific implementation of BCA and BTA extensions are provided in the subsections describing the corresponding benefit.

**Benefit Calibration Adjustments (BCA)**, allowing the user to calibrate the receipt of benefits to match the simulated total expenditure of a benefit to real expenditure from external statistics. The extension is implemented for the simulation of the Local authority income support / social assistance (*bsa00\_s*). The default for the baseline is off. When the extension is on, a subset of eligible of observations is selected randomly as beneficiaries so that the real expenditure is reached, removing the benefit from the rest of the eligible observations; when off, all eligible observations are kept as beneficiaries. This extension shares most of its functions with the BTA extension; as a general rule, only one of the extensions should be on, but if both are, the lowest rate between the take-up rate and the calibration rate will be applied. More details on the specific

implementation of BCA and BTA extensions are provided in the subsections describing the corresponding benefit.

HHoT – Unemployment extension (HHoT\_un): this extension improves the simulation accuracy of the unemployment insurance benefit when EUROMOD is run with hypothetical data. For instance, in most countries the legislation of this benefit requires information on variables such as individuals' employment history, which are not available in SILC; we can define these variables in HHoT and use them to simulate the policy's rules more precisely when running the model with hypothetical data. This extension is set to on when the model is used with HHoT data.

The Minimum wage (*MWA*) extension is implemented in EUROMOD. Individual earnings in the micro-data have been checked against the minimum wage in force at the 30th of June of the respective policy years. The correction consists of increasing wages of individuals showing lower earnings (adjusted for hours worked and time in employment) than the minimum wage up to the minimum wage threshold. Because there may be many reasons for having earnings lower than the minimum wage, this policy is turned off in the baseline.

The *PBE* (Parental benefit extension) triggers parental benefit simulation [BEN: Maternity grant (*äitiysavustus*), Maternity leave benefit (*äitiysraha*), Parental leave benefit (*vanhempainraha*), Paternity leave benefit (*isyysraha*)]. Due to issues in the validation and consistency over different policy years, the policy is turned "off" in the baseline.

Full-year adjustments (*FYA*): while EUROMOD in general simulates policies as of 30th June in the respective year, it is also possible to simulate within year policy changes. This switch was considered as important because in 2020 the implementation of a number of policies took place after 30th June. More precisely, the temporary compensation due to an epidemic outbreak for basic social assistance clients was introduced for the last 4 months of the year, and during the first 4 months of 2020, the private sector Earnings-related pension contribution was 16.96 percent whereas, for the remaining months it was 14.35 percent.

## 2.5 Benefits

### 2.5.1 Study grant (bed00\_s)

#### *Brief description*

Study grant can be paid for (a) higher level studies (e.g., university) and (b) middle level studies (e.g., upper secondary school, vocational and supplementary studies). The study grant is paid only for a "customary" period which is usually needed for studies. For higher level studies the benefit is paid for a maximum of 70 "study months". The study months are defined as months a person is receiving the study grant.

#### *Eligibility conditions*

Eligible for the study grant are full-time students. Studying at higher level is always considered as full-time studies. General conditions for the study grant are sufficient progress in studies and the need for economic assistance.

The study grant is not paid if a person receives unemployment benefit, pension (survivors' pension is allowed) or sickness leave benefit. A student may receive maternal, paternal or parental leave benefits simultaneously with study grant, but then only the minimum amount of these benefits is paid. If a student is younger than 17 years and eligible for child benefit, the study grant

is not allowed. However, a supplementary allowance may be granted for the purchase of study materials.

***Benefit amount***

The size of the study grant depends on the level of the studies, age, marital status, whether the student has a child or not, whether the student lives with parents or not and on economic circumstances. The study grant is paid only for study months.

Starting January 2018, a guardian of a child under 18 years of age has been paid a provider supplement. The number of children and who they live with does not affect the eligibility for the provider supplement.

The amounts of study grant from August 2020 are summarized in Table 5.

**Table 5. The basic amount of the study grant since August 2020 euro/month.**

	Aug 2020	Aug 2021	Aug 2022	Jan 2023	Aug 2023	Jan 2024
Guardian of a minor child	353.75	355.05	375.40	385.40	401.43	421.01
Married	252.76	253.69	268.23	268.23	279.38	279.38
18+ years, living alone	252.76	253.69	268.23	268.23	279.38	279.38
Under 18 years, living alone	102.75	103.12	109.04	109.04	113.57	113.57
20+ years, living with parents	82.20	82.50	87.23	87.23	90.85	90.85
Under 20 years, living with parents	39.04	39.19	41.43	41.43	43.15	43.15

Note: Since in EUROMOD the policy date is June 30, the parameters from Aug 2020 are applied from policy year 2021, parameters from Aug 2021 from policy year 2022 etc.

Since 1 August 2019, a supplementary allowance for the purchase of study materials to the study can be granted. The grant amounts to 50.16 euro per month since 1 August 2022 and 52.24 euro per month since 1 August 2023. The supplementary allowance can be granted if 1) the student is childless and unmarried, 2) the parents’ total income is less than 41,100 euro per year, and 3) the student lives with parents and is under 20 years of age, or lives independently and is under 18 years of age. Supplementary allowance for the purchase of study materials can be granted for vocational studies and studies in upper secondary school that would be covered under the student financial aid provisions. The supplementary allowance is not granted to students in higher education, students in basic education or students enrolled in a liberal adult education programme, for instance in a folk high school.

The amount of the study grant was increased annually in line with the change in prices (National Pension Index) during 2020–2023 (1 August) but not in 2024.

***Means-testing and taxation***

The study grant is affected by student’s own and parents’ income. Spouse’s income has no effect on the study grant. The wealth of the student, spouse or parents has no effect on the study grant.

***Own income***

The amount of study grant is means-tested against student's all annual taxable gross income (excl. study grant) and scholarships. A student has personal gross income limit, "free income", which is based on the number of months the student has received the grant. From 2018, the limits on

allowable annual income are increased according to the index of wage and salary earnings in the beginning of every second year by legislation. In addition, the income limits were increased temporarily by 25% for the year 2022 and again by 20% for the years 2023–2024. The study months and the corresponding income limits are shown in Table 6.

Table 6. Free gross income limits of the study grant in 2021–2024.

Study months	Free gross income limit 2021, euro/year	Free gross income limit 2022, euro/year	Free gross income limit 2023–2024, euro/year
1	23,554	29,470	35,360
2	22,172	27,740	33,280
3	20,790	26,010	31,200
4	19,408	24,280	29,120
5	18,026	22,550	27,040
6	16,644	20,820	24,960
7	15,262	19,090	22,880
8	13,880	17,360	20,800
9	12,498	15,630	18,720
10	11,116	13,900	16,640
11	9,734	12,170	14,560
12	8,352	10,440	12,480
<b>Allowed excess amount</b>	232	290	348

If the annual taxable gross income exceeds the free income the student must pay back the benefit for equivalent number of months. Assuming that student has received the benefit for nine months, annual earnings can be at most 18,720 euro without having to repay the benefit (2023). If the annual earnings exceed the income limit with amount less than the allowed excess amount (348 euro in 2023), the student is not obliged to pay back the study grant.

*Parents’ incomes*

Parents’ incomes may *decrease* the amount of study grant if the student studies at middle level institute, is less than 20 years old, lives with the parents, and is not married and has no children.

Starting 1 January 2019, annual taxable incomes are used when calculating parental income under the student financial aid scheme. Since January 2019, the study grant is paid in full if parents’ taxable incomes are together less than 43,000 euro. The study grant is decreased by 5%-points for every 1,070 euro the parents’ incomes exceed the limit.

Parents’ low incomes may also *increase* the amount of study grant if the student is 17 years old or older and lives with parents, or lives alone but is less than 18 years old. The full increases of the study grant are shown in Table 7. Since 2019, the increase is paid in full if parents’ annual earned and capital incomes, gross income minus natural deductions, do not together exceed 21,800 euro. The full increase is decreased by 10% for every 2,180 euro/year the parents’ incomes exceed the limit. The total study grant is the basic amount plus the increase.

Table 7. Full increase in the study grant due to low income of parents since August 2017, euro/month.

	Since Aug 2020		Since Aug 2021		Since Aug 2022		Since Aug 2023	
	Study grant	Full increase	Study grant	Full increase	Study grant	Full increase	Study grant	Full increase
Under 18 years, living alone	102.75	102.75	103.12	103.12	109.04	109.04	113.57	113.57
20+ years, living with parents	82.20	102.75	82.50	103.12	87.23	109.04	90.85	113.57
17–19 years, living with parents	39.04	59.59	39.19	59.81	41.43	63.24	43.15	65.87

Note: Since in EUROMOD the policy date is June 30, the parameters on Aug 2020 are applied from policy year 2021, the parameters on Aug 2021 from policy year 2022 etc.

The study grant is taxable income. If there is no other taxable income except the study grant, no income taxes are paid because of the study grant deduction in taxation.

***Changes in benefit rules 2021–2024***

In August 2014, the basic amount of study grant and the full increase of the study grant were indexed by legislation (National Pension Index). However, the amounts were not increased according to the index during 2016–2019 and in 2024.

In August 2022, an additional increase was made to the study grant scheme.

***EUROMOD modelling***

A student may receive maternal, paternal or parental leave benefits simultaneously with study grant, but then only the minimum amount of these benefits is paid. However, this reduction is not simulated in EUROMOD.

Income test on parents’ income cannot be simulated in the model if the students live separately from their parents.

The increase of study grant based on parents’ income is included in the model but is not simulated in the baseline.

**2.5.2 Basic unemployment allowance (bunnc\_s)**

***Brief description***

Basic unemployment allowance is a non-contributory minimum benefit for unemployed persons who have enough work history but are not members of an unemployment fund. Students are not eligible for the allowance. The maximum spell of the basic unemployment allowance is 500 days.

***Eligibility conditions***

Persons are entitled to the basic unemployment allowance if they are 17–64 years of age, available for work, registered at the employment office, seek full-time employment, and satisfy the working condition (see below). It is also required that no suitable job or training has been found.

When a person registers as unemployed, he/she has to wait for five working days before starting to receive any unemployment benefit (seven days since Jan 2024).

***Working condition***

The working condition is satisfied if a person has worked at least 26 weeks (approx. 6 months) within the 28 months immediately preceding the unemployment. The working time should be at least 18 hours per week. The 28-month period may be extended, e.g., because of illness, military service and studies. A self-employed person must have been running the business for at least 15 months in the last 4 years preceding the unemployment. If the work income is very low or the weekly working hours are too few, the working condition is not fulfilled.

Since September 2024, the work requirement applicable to employees will change. It will be extended from approximately six months to 12 months. Wages earned during the calendar month will begin to count towards the work requirement. Each calendar month in which wages total at least 930 euro counts as one month for purposes of meeting the work requirement. Each calendar month in which earnings are at least 465 euro but less than 930 euro counts as half a month towards the work requirement. Like before, the work requirement does not have to be accrued in a consecutive period of time but over a reference period of 28 months.

***Benefit amount***

The amount of basic unemployment allowance consists of a flat amount and a child supplement. The amount of the child supplement depends on the number of dependent children (younger than 18 years). It is paid to both spouses if both are unemployed. The benefit is paid only for working days (5 days in a week). Monthly benefit is calculated by assuming 21.5 working days in a month. If an unemployed has one dependent child, the monthly benefit (in 2021) is calculated as  $21.5 \times (33.78 + 5.30)$ .

The maximum period for basic unemployment allowance is usually 400 days. Unemployed persons with an employment history of three years or less are able to get unemployment allowance for a maximum of 300 days. However, the maximum period is 500 days for unemployed persons who meet the work requirement after reaching age of 58, and who have completed at least five years of employment during the last 20 years.

**Table 8. Characteristics of the basic unemployment allowance in 2021–2024.**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Eligibility</b>				
Contribution period	At least 6 months in the last 28 months	At least 6 months in the last 28 months	At least 6 months in the last 28 months	At least 6 months (12 months since Sep) in the last 28 months
Other conditions	Unemployed individuals 17–64 years	Unemployed individuals 17–64 years	Unemployed individuals 17–64 years	Unemployed individuals 17–64 years
Eligibility of self-employed	Business $\geq$ 15 months in the last 4 years	Business $\geq$ 15 months in the last 4 years	Business $\geq$ 15 months in the last 4 years	Business $\geq$ 15 months in the last 4 years



<b>Payment</b>				
Basic amount	33.78	34.50 (35.72 since Aug 2022)	37.21	37.21
Additional amount:				
- Child supplement, 1 child	5.30	5.41 (5.61 since Aug 2022)	7.01	7.01 (abolished since Apr 2024)
- Child supplement, 2 children	7.78	7.95 (8.23 since Aug 2022)	10.29	10.29 (abolished since Apr 2024)
- Child supplement, >=3 children	10.03	10.25 (10.61 since Aug 2022)	13.26	13.26 (abolished since Apr 2024)
<b>Duration</b>				
Standard (in months)	18.60 (400 days)	18.60 (400 days)	18.60 (400 days)	18.60 (400 days)
Special cases (in months)	23.26 (500 days)/ 13.95 (300 days)	23.26 (500 days)/ 13.95 (300 days)	23.26 (500 days)/ 13.95 (300 days)	23.26 (500 days)/ 13.95 (300 days)
<b>Subject to</b>				
Taxes	Yes	Yes	Yes	Yes
SIC	Yes	Yes	Yes	Yes

Notes: The benefit is calculated on daily basis.

The basic allowance is adjusted annually according to the national pension index (KEL-index). This index is the change of consumer prices from the previous year's third quarter to present year's third quarter. The next year's benefits are then adjusted according to KEL-index.

It is possible that an unemployed person receives wage from part-time work. In this case the unemployed benefit (*the conciliated adjustable unemployment benefit*) is cut by 0.5 euro for each earned euro. From the beginning of 2014, all unemployment benefits have exempt earnings of 300 euros. For instance, if beneficiaries earnings are 400 per month, benefit is cut by  $(400-300)*0.5=50$  euros. The earnings exempt was abolished since April 2024.

In some cases, benefit amount can be increased with a fixed sum (5.29 euros/day in 2023). This fixed sum (called *supplementary allowance*) is granted to the unemployed who are participating in a labour market training. The maximum spell of increased sum is 200 working days.

### ***Means-testing and taxation***

The basic unemployment allowance is not means-tested. It is taxable income.

### ***Changes in benefit rules 2021–2024***

In August 2022, an additional increase was made to the basic unemployment allowance scheme.

Several changes to basic unemployment allowance were introduced in 2024: Own responsibility was increased from 5 to 7 days (since Jan 2024), indexation was freezed (during 2024–2027), child parts were abolished (since Apr 2024), earnings exempt was abolished (since Apr 2024), employment condition was increased to 12 months (since Sep 2024), and employment condition was monetarized (since Sep 2024). Other changes (not simulated in EUROMOD) include the periodisation of the holiday compensation (since Jan 2024) and disregard of wage-subsidized work when counting employment condition (since Sep 2024).



### *EUROMOD modelling*

If the work income is very small or the weekly working hours are too few, the working condition is not fulfilled. This condition is not simulated in the model.

The *conciliated adjustable unemployment benefit* is not possible to simulate because of insufficient information in the data.

The increased benefit (*supplementary allowance*) is not possible to simulate due to lack of sufficient data.

The changes in employment condition (coming into effect in September 2024) are not applied during EUROMOD policy year 2024 (EUROMOD policy date being June 30).

### **2.5.3 Earnings-related unemployment allowance (bunct\_s)**

#### *Brief description*

The earnings-related unemployment allowance is a contributory benefit for unemployed persons. The contribution to unemployment fund, in fact a membership fee, is voluntary. The maximum spell of the earnings-related unemployment allowance is the same as for basic unemployment allowance (see above).

#### *Eligibility conditions*

The unemployed who fulfil both the criteria of unemployment fund membership and the working conditions are eligible for the benefit (see description of basic unemployment allowance above). They must be between 17–64 years of age, available for work, registered at the employment office and seek full-time employment. It is also required that no suitable job or training has been found. Students are not eligible for the benefit.

When a person registers as unemployed, he/she has to wait for five working days (seven days since January 2024) before starting to receive any unemployment benefit.

#### *Benefit amount*

The amount of daily benefit consists of four components:

- a) *The basic component*, which is the same as the basic unemployment allowance.
- b) *The earnings-related component 1*, which is 45% of the difference between daily wage and the basic allowance. The maximum previous daily wage (when calculating this component) is the 95-fold basic allowance divided by 21.5.
- c) *The earnings-related component 2*, if the daily wage exceeds the threshold of 95-fold basic allowance, 20 % of the exceeding amount forms the component 2.
- d) *The child supplement*, which depends on the number of dependent children. The amount is the same as in basic unemployment allowance.

The base for calculation is the regular monthly wage preceding the unemployment. Bonuses and holiday pays are not included. 60% of employee's pension and unemployment insurance and daily allowance contributions (together 4.29% in 2022) are deducted from the gross wage. There are no similar deductions from self-employment income.

**Table 9. Characteristics of earnings-related unemployment allowance.**

	2021	2022	2023	2024
<b>Eligibility</b>				
Contribution period	At least 6 months in the last 28 months	At least 6 months in the last 28 months	At least 6 months in the last 28 months	At least 6 months (12 months since Sep 2024) in the last 28 months
Other conditions	Unemployed individuals 17–64 years old & contribution to unemployment fund	Unemployed individuals 17–64 years old & contribution to unemployment fund	Unemployed individuals 17–64 years old & contribution to unemployment fund	Unemployed individuals 17–64 years old & contribution to unemployment fund
Eligibility of self-employed	Business $\geq$ 15 months in the last 4 years	Business $\geq$ 15 months in the last 4 years	Business $\geq$ 15 months in the last 4 years	Business $\geq$ 15 months in the last 4 years
<b>Payment</b>				
Contribution base	Preceding daily wage*(1-0.0434)	Preceding daily wage*(1-0.0429)	Preceding daily wage*(1-0.0440)	Preceding daily wage*(1-0.0376)
Basic amount	33.78 daily	34.50 daily (35.72 since Aug 2022)	37.21 daily	37.21 daily
Additional amount:				
- Child supplement, 1 child	5.30	5.41 (5.60 since Aug 2022)	7.01	7.01 (abolished since Apr 2024)
- Child supplement, 2 children	7.78	7.95 (8.23 since Aug 2022)	10.29	10.29 (abolished since Apr 2024)
- Child supplement, $\geq$ 3 children	10.03	10.25 (10.61 since Aug 2022)	13.26	13.26 (abolished since Apr 2024)
- 1 <sup>st</sup> earnings-related component	0.45*(contr base-basic amount) if contr base $\leq$ THR OR 0.45*(THR-basic amount) if contr base $>$ THR	0.45*(contr base-basic amount) if contr base $\leq$ THR OR 0.45*(THR-basic amount) if contr base $>$ THR	0.45*(contr base-basic amount) if contr base $\leq$ THR OR 0.45*(THR-basic amount) if contr base $>$ THR	0.45*(contr base-basic amount) if contr base $\leq$ THR OR 0.45*(THR-basic amount) if contr base $>$ THR
- 2 <sup>nd</sup> earnings-related component	0.20*(contr base-THR) if contr base $>$ THR	0.20*(contr base-THR) if contr base $>$ THR	0.20*(contr base-THR) if contr base $>$ THR	0.20*(contr base-THR) if contr base $>$ THR
- Threshold (THR above) for earnings related component	149.26	152.44 (157.80 since Aug 2022)	164.42	164.42
<b>Duration</b>				
Standard (in months)	18.60 (400 days)	18.60 (400 days)	18.60 (400 days)	18.60 (400 days)
Special cases (in month)	23.26 (500 days)/ 13.95 (300 days)	23.26 (500 days)/ 13.95 (300 days)	23.26 (500 days)/ 13.95 (300 days)	23.26 (500 days)/ 13.95 (300 days)
<b>Subject to</b>				
Taxes	Yes	Yes	Yes	Yes
SIC	Yes	Yes	Yes	Yes

Notes: The benefit is calculated on daily basis. Wages are transformed into daily wages assuming that there are 21.5 working days in a month.

The benefit is calculated on daily basis. Wages are transformed into daily wages assuming that there are 21.5 working days in a month.

*Example (2023):* A person has 2 dependent children and the preceding wage has been 3,800 euro/month. After deduction of 4.40% the monthly wage is 3,632.80 euros and the daily wage is 168.97 euros. The 95-fold limit is 164.42 euros ( $95 \times 37.21 \text{e} / 21.5$ ).

<u>Preceding daily wage</u>	168.97
Basic allowance	37.21
Earnings-related component 1: $0.45 \times (164.42 - 37.21)$	57.24
Earnings-related component 2: $0.20 \times (168.97 - 164.42)$	0.91
<u>Child supplement (2 children)</u>	10.29
Earnings-related allowance/day	105.65

Identically to basic unemployment allowance, in certain cases an increased benefit is paid. In earnings-related unemployment allowance the increase (called *supplementary allowance*) is not a fixed sum. Instead, the percentages to calculate the total amount of the benefit are increased. The percentages are increased from 45% and 20% to 55% and 25% respectively. The maximum spell of increased sum is 200 working days.

The basic allowance is adjusted annually according to the national pension index (KEL-index). According to the formula, the earnings-related benefit will also increase along the KEL-index.

It is possible and common for the unemployed to receive wage from part-time work during the unemployment spell. In this case the unemployment benefit is cut by 0.5 euro for each earned euro. From the beginning of 2014 all unemployment benefits have exempt earnings of 300 euros without benefit being cut. The earnings exempt was abolished since April 2024. The maximum amount of daily benefit together with the part-time wage is 90% of the previous daily wage (after the contribution deduction). However, the earnings-related unemployed allowance cannot be less than the corresponding basic allowance.

Since September 2024, the staggering of earnings-related daily allowance will be introduced: after 40 payment days, i.e., about eight weeks of unemployment, the benefit amount falls to 80% of the original level and after 170 payment days, i.e., about 34 weeks, to 75% of the original amount of the daily allowance.

### ***Means-testing and taxation***

The earnings-related unemployment allowance is not means-tested. It is taxable income.

### ***Changes in benefit rules 2021–2024***

In August 2022, an additional increase was made to the earnings-related unemployment allowance scheme.

Several changes to earnings-related unemployment benefits were introduced in 2024: Own responsibility was increased from 5 to 7 days (since Jan 2024), indexation was frozen (during 2024–2027), child parts were abolished (since Apr 2024), earnings exempt was abolished (since Apr 2024), staggering of earnings-related unemployment allowance was introduced (since Sep 2024), employment condition was increased to 12 months (since Sep 2024), and employment condition was monetarized (since Sep 2024). Other changes (not simulated in EUROMOD) include the periodisation of the holiday compensation (since Jan 2024) and disregard of wage-subsidized work when counting employment condition (since Sep 2024).

### *EUROMOD modelling*

Increased benefits (*supplementary allowance*) are not possible to simulate because there is no information in the data about the people receiving these benefits.

There is also no information in the data about the preceding wage of the unemployed. However, the wage is possible to calculate “backwards” using the information of the earnings-related unemployment allowance in the data, benefit months and benefit rules. It should be noted that wages (obtained in this way) are overestimated for the unemployed with increased benefit amounts.

*Conciliated adjustable benefit* is not possible to simulate in the model.

The staggering of earnings-related unemployment allowance and the changes in employment condition, both coming into effect in September 2024, are not applied during EUROMOD policy year 2024 (EUROMOD policy date being June 30).

### **2.5.4 Labour market subsidy (bunmt\_s)**

#### *Brief description*

The labour market subsidy is designed for the unemployed who do not meet the working condition (see basic unemployment allowance for details). It is also paid when a person has received basic or earnings-related unemployment allowance and the maximum spell has been reached. There is no time limit for the labour market subsidy.

#### *Eligibility conditions*

Persons are entitled to the labour market support if they are 17–64 years of age, available for work, registered at the employment office and seek full-time employment. It is also required that no suitable job or training has been found. Students are normally not entitled to the benefit during the time they are studying.

All unemployed who are not entitled to basic allowance or earnings-related allowance are, in principle, eligible for labour market subsidy. However, there are some specific conditions for young people. It is required that persons under 25 years of age have completed vocational training or are in labour market training or on-job training. A benefit suspension of 90 days can be imposed if a person repeatedly refuses job training or education (applies to all unemployment benefits).

When a person registers as unemployed, he/she has to wait for five working days before starting to receive any unemployment benefit (seven days since Jan 2024).

#### *Full benefit amount*

The full amount of labour market subsidy equals the basic unemployment allowance. In addition, the child supplement (abolished since Apr 2024) and the *supplementary allowance* are the same as in basic unemployment allowance scheme.

#### *Means-testing and taxation*

Unlike other unemployment benefits, labour market subsidy is means-tested against person’s own income. The subsidy is also means-tested against the income of the parents if the unemployed person resides in the parents’ household. Basically, all income is taken into account except child benefit, local authority income support / social assistance, housing allowances, pensioner’s care

allowance and some injury-related benefits. In addition, capital income is taken into account. The means-testing is done on basis of monthly income.

If a recipient does not meet the work requirement and lives with the parents, the labour market subsidy will be reduced by 50%. If parents' income does not exceed 1,781 euro per month, the reduction is not made. Each child that lives with the parents and whom the parents are taking care of increases the income limit by 106 euro per month.

If the parents' income exceeds the income limit, the labour market subsidy will be reduced by half of the income that exceeds the income limit. If the recipient does not provide information on the parents' income in the application, the person will automatically be granted 50% of the labour market subsidy.

Labour market subsidy can be paid without any reduction if the recipient can prove that the parents do not provide financial support. During participation in employment promoting measures, the labour market subsidy is paid without any reduction also to persons who live with their parents.

For the unemployed with a spouse or dependent children the subsidy is decreased by 50% of income exceeding 1,044 euros (capital income and social benefits, see above). This income limit is increased by 130 euros for every dependent child. For a single person without dependent children the full labour market subsidy is decreased by 75% of income exceeding 311 euros (for the calculation with the wage from part-time work, see the end of the section).

**Table 10. Means-testing parameters and characteristics of labour market subsidy.**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Means-testing</b>				
Limit / with family	1,044	1,044	1,044	1,044
Increase of limit per child	130	130	130	130
Reduction rate / with family	0.5	0.5	0.5	0.5
Limit / single	311	311	311	311
Reduction rate / single	0.75	0.75	0.75	0.75
<b>Eligibility</b>				
Other conditions	Unemployed individuals 17–64 years old	Unemployed individuals 17–64 years old	Unemployed individuals 17–64 years old	Unemployed individuals 17–64 years old
<b>Payment</b>				
Basic amount	33.78 daily	34.50 daily (35.72 since Aug 2022)	37.21	37.21
Additional amount:				
- Child supplement, 1 child	5.30	5.41 (5.61 since Aug 2022)	7.01	7.01 (abolished since Apr 2024)
- Child supplement, 2 children	7.78	7.95 (8.23 since Aug 2022)	10.29	10.29 (abolished since Apr 2024)
- Child supplement, >=3 children	10.03	10.29 (10.61 since Aug 2022)	13.26	13.26 (abolished since Apr 2024)
<b>Duration</b>				

Standard (in months)

Subject to	No limit	No limit	No limit	No limit
Taxes	Yes	Yes	Yes	Yes
SIC	Yes	Yes	Yes	Yes

Notes: The benefit is calculated on daily basis.

Labour market subsidy is adjusted annually according to the national pension index (KEL-index). It is taxable income.

It is possible that an unemployed person receives wage and labour market subsidy at the same time. In this case the labour market support is cut by 0.5 euro for each earned euro. From the beginning of 2014 all unemployment benefits have exempt earnings of 300 euros without benefit being cut. The earnings exempt was abolished since April 2024.

### *Changes in benefit rules 2021–2024*

In August 2022, an additional increase was made to the labour market subsidy scheme.

Several changes to labour market subsidy introduced in 2024: Own responsibility was increased from 5 to 7 days (since Jan 2024), indexation was frozen (during 2024–2027), child parts were abolished (since Apr 2024), and earnings exempt was abolished (since Apr 2024). Other changes (not simulated in EUROMOD) include the periodisation of the holiday compensation (since Jan 2024).

### *EUROMOD modelling*

The conciliated adjustable benefit is not possible to simulate in the model.

#### **2.5.5 Maternity grant (bchba\_s)**

- *Brief description*

The benefit is received by the mother of a newborn or an adopted child under 18 years old. The maternity grant can be claimed after 154 days of pregnancy (about 5 months).

- *Eligibility conditions*

To be eligible one must visit a doctor or a maternity and child welfare clinic for a health check before the 5<sup>th</sup> month of pregnancy.

- *Income test*

The maternity grant is not a means-tested benefit.

- *Benefit amount*

The benefit can be received either as a maternity package or a tax-free lump-sum cash benefit of €170. The benefit is not taxable.

Table 11. Characteristics of the maternity grant.

		2021	2022	2023	2024
<b>Eligibility</b>	Contribution period	N.A.	N.A.	N.A.	N.A.
	Other conditions	A health check before the 5 <sup>th</sup> month of pregnancy	A health check before the 5 <sup>th</sup> month of pregnancy	A health check before the 5 <sup>th</sup> month of pregnancy	A health check before the 5 <sup>th</sup> month of pregnancy
	Eligibility of self-employed	As above	As above	As above	As above
<b>Payment</b>	Contribution base	N.A.	N.A.	N.A.	N.A.
	Basic amount	170.00 €	170.00 €	170.00 €	170.00 €
	Additional amount	N.A.	N.A.	N.A.	N.A.
	Floor	N.A.	N.A.	N.A.	N.A.
	Ceiling	N.A.	N.A.	N.A.	N.A.
<b>Duration</b>	Standard (in months)	Lump-sum, can be claimed after 154 days of pregnancy (5 months)	Lump-sum, can be claimed after 154 days of pregnancy (5 months)	Lump-sum, can be claimed after 154 days of pregnancy (5 months)	Lump-sum, can be claimed after 154 days of pregnancy (5 months)
	Special cases (in month)	N.A.	N.A.	N.A.	N.A.
<b>Subject to</b>	Taxes	No	No	No	No
	SIC	No	No	No	No

### *EUROMOD modelling*

The policy can be fully/perfectly simulated in EUROMOD, without any particular data or modelling limitations.

#### **2.5.6 Maternity leave benefit (bma\_s)**

- *Brief description*

**Maternity leave benefit is available for families where the estimated due date of the baby was before 4 September 2022. For families where the estimated due date is later, see descriptions of *pregnancy allowance and parental allowance*.**

The maternity leave begins before the expected date of birth for a child. Maternity leave can be taken 30–50 working days or about 5–8 weeks before the expected due date. When the maternity leave starts, one will begin to get maternity allowance from Kela. It is paid for a total of 105 working days, or about 4 months. Working days are Monday to Saturday, with the exception of official holidays.

- *Eligibility conditions*

One becomes entitled to the pregnancy allowance once there are 154 days into the pregnancy.

- *Income test*

Maternity leave benefit is not a means-tested benefit.

• *Benefit amount*

Starting 1 January 2020, the daily allowances payable to parents is calculated on the basis of annual income. The annual income is calculated for a reference period of 12 calendar months prior to the month that precedes the start of the entitlement to the allowance. Included in the annual income are wages and salaries, salaries for insurance purposes, earned income under the self-employed persons' (YEL) and farmers' (MYEL) pension insurance schemes, certain compensations for loss of income, and a number of social benefits including unemployment benefits, sickness allowance and study grants. Insurance contributions are deducted from the annual income. In 2021, the deduction was 9.91%.

The annual income may consist of several sources of income, such as salaries and social benefits. The necessary data is typically obtained from the national incomes register and from insurance providers. If an applicant has no or only very little income for the 12-month reference period, the allowance will be at least a specified minimum amount (29.05 euro per day in 2021).

Maternity allowance based on income (2021):

up to 39,144 euros	$0.7 \times \text{annual income} : 300$ , but at least the basic allowance
39,145 – 60,255 euros	$91.34 + 0.40 \times (\text{annual income} - 39,144) : 300$
over 60,255 euros	$119.44 + 0.25 \times (\text{annual income} - 60,255) : 300$

Maternity allowance is paid at an increased rate of up to 90% of income for the first 56 days of payment.

Maternity allowance based on income, payable for the first 56 working days (2021):

up to 60,255 euros	$0.9 \times \text{annual income} : 300$ , but at least the basic allowance
over 60,255 euros	$180.86 + 0.325 \times (\text{annual income} - 60,255) : 300$

One can work or study during maternity leave and receive a maternity allowance from Kela. The maternity allowance is paid at a minimum rate for the working days. Working on Sundays or other holidays does not affect the maternity allowance, because it is only paid for working days (Mon–Sat). If one is a full-time student and gets maternity allowance, it is paid at a minimum rate on top of any student financial aid one receives.

Maternity leave benefit is taxable income.

**Table 12. Characteristics of the maternity leave benefit.**

		<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Eligibility</b>	Contribution period	N.A.	N.A.	N.A.
	Other conditions	Mothers are entitled to the maternity leave benefit once there are 154 days into the pregnancy	Mothers are entitled to the maternity leave benefit once there are 154 days into the pregnancy	Mothers are entitled to the maternity leave benefit once there are 154 days into the pregnancy



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	Eligibility of self-employed	As above	As above	As above
<b>Payment</b>	Contribution base	Annual income for the previous 12 months *(1-0.0991)	Annual income for the previous 12 months *(1-0.0983)	Annual income for the previous 12 months *(1-0.1001)
	Basic amount	29.05€	29.67€ (30.71€ since Aug 2022)	31.99€
	Amounts based on earnings			
	- first income bracket	0.7 x annual income / 300 (if annual income less than or equal to 39,144)	0.7 x annual income / 300 (if annual income less than or equal to 40,106)	0.7 x annual income / 300 (if annual income less than or equal to 41,629)
	- second income bracket	91.34 + 0.40 x (annual income – 39,144) / 300 (if annual income between 39,145-60,255)	93.58 + 0.40 x (annual income – 40,106) / 300 (if annual income between 40,107-61,705)	97.13 + 0.40 x (annual income – 41,629) / 300 (if annual income between 41,630-64,048)
	- third income bracket	119.44 + 0.25 x (annual income – 60,255) / 300 (if annual income over 60,255)	122.38 + 0.25 x (annual income – 61,705) / 300 (if annual income over 61,705)	127.03 + 0.25 x (annual income – 64,048) / 300 (if annual income over 64,048)
	Increased amounts			
	-first income bracket	0.9 x annual income / 300 (if annual income less than or equal to 60,255)	0.9 x annual income / 300 (if annual income less than or equal to 61,705)	0.9 x annual income / 300 (if annual income less than or equal to 64,048)
	-second income bracket	180.86 + 0.325 x (annual income – 60,255) / 300 (if annual earnings over 60,255)	185.11 + 0.325 x (annual income – 61,705) / 300 (if annual earnings over 61,705)	192.14 + 0.325 x (annual income – 64,048) / 300 (if annual earnings over 64,048)
	Floor	29.05€	29.67€ (30.71€ since Aug 2022)	31.99€
	Ceiling	N.A.	N.A.	N.A.
<b>Duration</b>	Standard (in months)	105 days (4 months)	105 days (4 months)	105 days (4 months)
	Special cases: increased amount (in months)	56 days (2 month)	56 days (2 month)	56 days (2 month)
<b>Subject to</b>	Taxes	Yes	Yes	Yes
	SIC (only medical care contribution)	Yes	Yes	Yes

### *Changes in benefit rules 2021–2024*

On 1 August 2022, the new family leave reform went into effect bringing changes to the duration and timing of parental leaves and parental allowances. The allowances are calculated in the same way as before. After the reform, the pregnant parent is paid a pregnancy allowance for 40 working days preceding the parents' entitlement to a parental allowance. Parental allowance for one child is paid for a total of 320 working days. If a child has two parents who are entitled to a parental allowance, both parents can take one half of the full entitlement, i.e., 160 days. A parent can turn over up to 63 parental allowance days to the other parent. The new family leave provisions apply to families where the estimated due date of the baby is 4 September 2022 or later. The new provisions also apply to parents who are adopting a child who are placed in their care on or after 31 July 2022. Since in EUROMOD the policy date is June 30, the new family leave reform is applied from policy year 2023.

In August 2022, the minimum benefit amount was increased to 30.71 euros per day.

### *EUROMOD modelling*

The following assumptions/modelling choices are taken:

- The simulation is effective until 2023 for 1 year old children in 2023.
- Given the lack of information on the month of birth in recent data, all children are assumed to be born in June.

Please note that the benefits are not simulated in the baseline because not fully validated. Their simulation can be switched on with the Parental benefit simulation extension.

#### **2.5.7 Parental leave benefit (bfapl\_s)**

- *Brief description*

**Parental leave benefit is available for families where the estimated due date of the baby was before 4 September 2022. For families where the estimated due date is later, see descriptions of pregnancy allowance and parental allowance.**

Parental leave benefit is paid either to a mother or to a father when the maternity leave period has expired or a child (age under 18 years since 2019) has been adopted. The benefit is paid for 158 weekdays to the parent who stays at home and takes care of the child (in case of adoption, 233 days since 2019). Both parents cannot receive the parental leave benefit at the same time unless they have two or more siblings that were born at the same time. However, they can share the days in periods (e.g., first mother taking care of the children for some months and then father taking care the rest of the benefit days) or in a part-time manner (both working part-time at the same time).

Since 2015, the families with two or more siblings born at the same time can have 60 additional benefit days for each additional sibling. The parents can take these additional days at the same time.

Since April 2019, mothers can have 54 additional benefit days if the child has no confirmed father and the mother has no spouse.

- *Eligibility conditions*

One becomes entitled to the parental allowance once the maternity leave period has expired.

- *Income test*

The parental allowance is not a means-tested benefit.

- *Benefit amount*

Starting 1 January 2020, the daily allowances payable to parents is calculated on the basis of annual income. The annual income is calculated for a reference period of 12 calendar months prior to the month that precedes the start of the entitlement to the allowance. Included in the annual income are wages and salaries, salaries for insurance purposes, earned income under the self-employed persons' (YEL) and farmers' (MYEL) pension insurance schemes, certain compensations for loss of income, and a number of social benefits including unemployment benefits, sickness allowance and study grants. Insurance contributions are deducted from the annual income. In 2021, the deduction was 9.91%.

The annual income may consist of several sources of income, such as salaries and social benefits. The necessary data is typically obtained from the national incomes register and from insurance providers. If an applicant has no or only very little income for the 12-month reference period, the allowance will be at least a specified minimum amount (29.05 euro per day in 2021).

Parental allowance based on income (2021):

up to 39,144 euros	$0.7 \times \text{annual income} : 300$ , but at least the basic allowance
39,145 – 60,255 euros	$91.34 + 0.40 \times (\text{annual income} - 39,144) : 300$
over 60,255 euros	$119.44 + 0.25 \times (\text{annual income} - 60,255) : 300$

One can work or study during parental leave and receive a parental allowance from Kela. The parental allowance is paid at a minimum rate for the working days. Working on Sundays or other holidays does not affect the parental allowance, because it is only paid for working days (Mon–Sat). If one is a full-time student and gets parental allowance, it is paid at a minimum rate on top of any student financial aid one receives.

Parental leave benefit is taxable income.

Table 13. Characteristics of the parental leave benefit.

		2021	2022	2023
<b>Eligibility</b>	Contribution period	N.A.	N.A.	N.A.
	Other conditions	The benefit is paid to the parent who stays at home and takes care of the child once the maternity leave period has expired	The benefit is paid to the parent who stays at home and takes care of the child once the maternity leave period has expired	The benefit is paid to the parent who stays at home and takes care of the child once the maternity leave period has expired
	Eligibility of self-employed	As above	As above	As above
<b>Payment</b>	Contribution base	Annual income for the previous	Annual income for the previous	Annual income for the previous

	12 months *(1-0.0991)	12 months *(1-0.0983)	12 months *(1-0.1001)
Basic amount	29.05 €	29.67 € (30.71 € since Aug 2022)	31.99 €
Amounts based on earnings			
- first income bracket	0.7 x annual income / 300 (if annual income less than or equal to 39,144)	0.7 x annual income / 300 (if annual income less than or equal to 40,106)	0.7 x annual income / 300 (if annual income less than or equal to 41,629)
- second income bracket	91.34 + 0.40 x (annual income – 39,144) / 300 (if annual income between 39,145- 60,225)	93.58 + 0.40 x (annual income – 40,106) / 300 (if annual income between 40,107- 61,705)	97.13 + 0.40 x (annual income – 41,629) / 300 (if annual income between 41,630-64,048)
- third income bracket	119.44 + 0.25 x (annual income – 60,225) / 300 (if annual income over 60,225)	122.38 + 0.25 x (annual income – 61,705) / 300 (if annual income over 61,705)	127.03 + 0.25 x (annual income – 64,048) / 300 (if annual income over 64,048)
Floor	29.05 €	29.67 € (30.71 € since Aug 2022)	31.99 €
Ceiling	N.A.	N.A.	N.A.
<b>Duration</b>	Standard (in months)	158 days (6 months)	158 days (6 months)
	Special cases (in month) – increased amount	N.A.	N.A.
<b>Subject to</b>	Taxes	Yes	Yes
	SIC (only medical care contribution)	Yes	Yes

### *Changes in benefit rules 2021–2024*

On 1 August 2022, the new family leave reform went into effect bringing changes to the duration and timing of parental leaves and parental allowances. The allowances are calculated in the same way as before. After the reform, the pregnant parent is paid a pregnancy allowance for 40 working days preceding the parents' entitlement to a parental allowance. Parental allowance for one child is paid for a total of 320 working days. If a child has two parents who are entitled to a parental allowance, both parents can take one half of the full entitlement, i.e., 160 days. A parent can turn over up to 63 parental allowance days to the other parent. The new family leave provisions apply to families where the estimated due date of the baby is 4 September 2022 or later. The new provisions also apply to parents who are adopting a child who is placed in their care on or after 31 July 2022. Since in EUROMOD the policy date is June 30, the new family leave reform is applied from policy year 2023.

In August 2022, the minimum benefit amount was increased to 30.71 euros per day.

### *EUROMOD modelling*

The following assumptions/modelling choices are taken:

- The simulation is effective until 2023 for 1 year old children in 2023.
- Given the lack of information on the month of birth in recent data, all children are assumed to be born in June.

Please note that the benefits are not simulated in the baseline because not fully validated. Their simulation can be switched on with the Parental benefit simulation extension.

### 2.5.8 The pregnancy allowance and parental allowance (bpact\_s)

On 1 August 2022, the new family leave reform went into effect bringing changes to the duration and timing of parental leaves and parental allowances. The new family leave provisions apply to families where the estimated due date of the baby is 4 September 2022 or later. The new provisions also apply to parents who are adopting a child who is placed in their care on or after 31 July 2022. Since in EUROMOD the policy date is June 30, the new family leave reform is applied from policy year 2023.

- *Brief description*

Pregnancy allowance: the pregnancy leave begins before the expected date of birth for a child. It can be taken 14–30 working days before the expected due date. When the pregnancy leave starts, one will begin to get pregnancy allowance from Kela. It is paid for a total of 40 working days. Working days are Monday to Saturday, with the exception of official holidays. One can get special pregnancy allowance if one has to stay off work before getting actual pregnancy allowance. This applies if one is exposed to one of the following at the workplace: chemical substances, radiation, or infectious disease. Special pregnancy allowance is paid until the actual pregnancy allowance period starts.

Parental allowance: one can get parental allowance if one is the parent and the legal guardian of a child. A parent may be the biological or adoptive parent of a child. In order for one to get parental allowance, one must care for the child at home and not go to work. Parental allowance for one child is paid for 320 working days. If a child has two parents who are entitled to parental allowance, the days of parental allowance are divided equally between the parents, i.e., they will both be entitled to 160 working days. Birthing parent can take parental leave and get parental allowance after the end of the pregnancy allowance period. The baby's other parent can get parental allowance starting from the day the baby is born.

Parents can get parental allowance at the same time for a maximum of 18 working days if they are taking care of the child, and they are both on parental leave or one of them is on pregnancy leave and the other one on parental leave.

One can give up and turn over a maximum of 63 working days of the quota of 160 parental allowance days to another person who is caring for the child.

- *Eligibility conditions*

One becomes entitled to the parental allowance once the pregnancy leave period has expired.

- *Income test*

The parental allowance is not a means-tested benefit.

- *Benefit amount*

Daily allowances payable to parents is calculated on the basis of annual income. The annual income is calculated for a reference period of 12 calendar months prior to the month that precedes the start of the entitlement to the allowance. Included in the annual income are wages and salaries,

salaries for insurance purposes, earned income under the self-employed persons' (YEL) and farmers' (MYEL) pension insurance schemes, certain compensations for loss of income, and a number of social benefits including unemployment benefits, sickness allowance and study grants. Insurance contributions are deducted from the annual income. In 2023 the deduction was 10.01%.

The annual income may consist of several sources of income, such as salaries and social benefits. The necessary data is typically obtained from the national incomes register and from insurance providers. If an applicant has no or only very little income for the 12-month reference period, the allowance will be at least a specified minimum amount (31.99 euro per day in 2023).

Parental allowance is paid at an increased rate for the first 16 working days. The increased allowance is 90% of earnings, at the maximum. The increase applies to all parental allowance days, including parental allowance days that have been turned over to someone else. Each person who gets parental allowance gets the increase only once.

Standard parental allowance based on income (2023):

up to 41,629 euros	$0.7 \times \text{annual income} : 300$ , but at least the basic allowance
41,630 – 64,048 euros	$97.13 + 0.40 \times (\text{annual income} - 31,629) : 300$
over 64,048 euros	$127.03 + 0.25 \times (\text{annual income} - 64,048) : 300$

Pregnancy allowance as well as the increased parental allowance are based on income and paid at an increased rate of 90% of the income base. Table below summarizes the 2023 rule:

up to 64,048 euros	$0.9 \times \text{annual income} : 300$ , but at least the basic allowance
over 64,048 euros	$192.14 + 0.325 \times (\text{annual income} - 64,048) : 300$

One can work or study during pregnancy leave and receive a pregnancy allowance from Kela. The pregnancy allowance is paid at a minimum rate for the working days. Working on Sundays or other holidays does not affect the pregnancy allowance, because it is only paid for working days (Mon–Sat). If one is a full-time student and gets maternity allowance, it is paid at a minimum rate on top of any student financial aid one receives.

If one takes care of a child part of the day and work part-time at the same time, one can apply for partial parental allowance. The daily working time must be no more than 5 hours per day. When one takes one day of partial parental leave, the number of parental allowance days will decrease by half a day. The amount of the partial parental allowance is half of the full parental allowance.

Working on Sundays or other holidays does not affect the parental allowance, because it is only paid for working days (Mon–Sat).

One can get parental allowance even though one is studying while being on parental leave.

Parental leave benefit is taxable income.

Table 14. Characteristics of the new parental leave benefit since 2022.

		2021	2022	2023	2024
<b>Eligibility</b>	Contribution period	-	N.A.	N.A.	N.A.

	Other conditions	-	Mothers are entitled to the pregnancy allowance once there are 154 days into the pregnancy. The parental allowance is paid to the parent who stays at home and takes care of the child once the pregnancy leave period has expired	Mothers are entitled to the pregnancy allowance once there are 154 days into the pregnancy. The parental allowance is paid to the parent who stays at home and takes care of the child once the pregnancy leave period has expired	Mothers are entitled to the pregnancy allowance once there are 154 days into the pregnancy. The parental allowance is paid to the parent who stays at home and takes care of the child once the pregnancy leave period has expired
	Eligibility of self-employed	-	As above	As above	As above
<b>Payment</b>	Contribution base	-	Annual income for the previous 12 months * (1-0.0983)	Annual income for the previous 12 months * (1-0.1001)	Annual income for the previous 12 months * (1-0.0895)
	Basic amount	-	30.71 €	31.99 €	31.99 €
	Amounts based on earnings				
	- first income bracket	-	0.7 x annual income / 300 (if annual income less than or equal to 40,106)	0.7 x annual income / 300 (if annual income less than or equal to 41,629)	0.7 x annual income / 300 (if annual income less than or equal to 43,740)
	- second income bracket	-	93.58 + 0.40 x (annual income – 40,106) / 300 (if annual income between 40,107-61,705)	97.13 + 0.40 x (annual income – 41,629) / 300 (if annual income between 41,630-64,048)	102.06 + 0.40 x (annual income – 43,740) / 300 (if annual income between 43,741-67,296)
	- third income bracket	-	122.38 + 0.25 x (annual income – 61,705) / 300 (if annual income over 61,705)	127.03 + 0.25 x (annual income – 64,048) / 300 (if annual income over 64,048)	133.47 + 0.25 x (annual income – 67,296) / 300 (if annual income over 67,296)

	Increased amounts (pregnancy allowance and first 16 days of parental allowance)				
	-first income bracket	-	0.9 x annual income / 300 (if annual income less than or equal to 61,705)	0.9 x annual income / 300 (if annual income less than or equal to 64,048)	0.9 x annual income / 300 (if annual income less than or equal to 67,296)
	-second income bracket	-	185.11 + 0.325 x (annual income – 61,705) / 300 (if annual earnings over 61,705)	192.14 + 0.325 x (annual income – 64,048) / 300 (if annual earnings over 64,048)	201.89 + 0.325 x (annual income – 67,296) / 300 (if annual earnings over 67,296)
	Floor	-	30.71 €	31.99 €	31.99 €
	Ceiling	-	N.A.	N.A.	N.A.
<b>Duration</b>	Standard (in months)	-	320 days (13 months) in total	320 days (13 months) in total	320 days (13 months) in total
	Special cases (in month) – increased amount	-	16 days (0.5 months) for both parents	16 days (0.5 months) for both parents	16 days (0.5 months) for both parents
<b>Subject to</b>	Taxes	-	Yes	Yes	Yes
	SIC (only medical care contribution)	-	Yes	Yes	Yes

### *Changes in benefit rules 2021–2024*

On 1 August 2022, the new family leave reform went into effect bringing changes to the duration and timing of parental leaves and parental allowances. The allowances are calculated in the same way as before. After the reform, the pregnant parent is paid a pregnancy allowance for 40 working days preceding the parents' entitlement to a parental allowance. Parental allowance for one child is paid for a total of 320 working days. If a child has two parents who are entitled to a parental allowance, both parents can take one half of the full entitlement, i.e., 160 days. A parent can turn over up to 63 parental allowance days to the other parent. The new family leave provisions apply to families where the estimated due date of the baby is 4 September 2022 or later. The new provisions also apply to parents who are adopting a child who is placed in their care on or after 31 July 2022. Since in EUROMOD the policy date is June 30, the new family leave reform is applied from policy year 2023.

In August 2022, the minimum benefit amount was increased to 30.71 euros per day. During 2024–2027, the minimum benefit amount is not increased according to the index.

### *EUROMOD modelling*

The following assumptions/modelling choices are taken:



- Pregnancy allowance and parental allowance are modelled in the same policy and included in the same variable, *bpact\_s*.
- The simulation is effective from 2023 for new born (age 0). For 1 year old children in 2023, the previous system applies.
- Given the lack of information on the month of birth, all children are assumed to be born in June.
- We assume that the first 200 days (40 days of pregnancy allowance+160 days of parental allowance) are taken by the birthing parent, the subsequent 160 days are taken by the other parent. No sharing of the benefit is modelled.

Please note that the benefits are not simulated in the baseline because not fully validated. Their simulation can be switched on with the Parental benefit simulation extension.

### 2.5.9 Paternity leave benefit (*bpa\_s*)

- *Brief description*

**Paternity leave benefit is available for families where the estimated due date of the baby was before 4 September 2022. For families where the estimated due date is later, see descriptions of pregnancy allowance and parental allowance.**

Paternity leave benefit is paid to a father for 54 days. The benefit can be divided into maximum of four distinct periods during the maternity or parental leave periods. Of these 54 days (around 2 month), 18 days can be taken at the same time as the maternity or mother's parental leave. The standard amount of paternity leave benefit equals the standard parental leave benefit. The benefit is available until the child becomes two years old.

Since April 2019 fathers of families with two or more siblings born at the same time can have 18 additional benefit days for each additional sibling (max. 105 days). The parents can take these additional days at the same time.

- *Eligibility conditions*

One is entitled to a paternity allowance if married to or living together with the child's mother and taking part in the child care responsibilities. A father who is responsible for the care of a child but is not married to or cohabiting with the child's mother, is entitled to a paternity allowance if he assumed the care of the child on or after 1 March 2017. One need not be living with the child, but must be a caregiver for him or her during the paternity leave. Paternity allowance can be paid also to adoptive fathers.

- *Income test*

This is not a means-tested benefit.

- *Benefit amount*

Starting 1 January 2020, the daily allowances payable to parents is calculated on the basis of annual income. The annual income is calculated for a reference period of 12 calendar months prior to the month that precedes the start of the entitlement to the allowance. Included in the annual income are wages and salaries, salaries for insurance purposes, earned income under the self-employed persons' (YEL) and farmers' (MYEL) pension insurance schemes, certain compensations for loss of income, and a number of social benefits including unemployment benefits, sickness allowance and study grants. Insurance contributions are deducted from the annual income. In 2021 the deduction was 9.91%.

The annual income may consist of several sources of income, such as salaries and social benefits. The necessary data is typically obtained from the national incomes register and from insurance providers. If an applicant has no or only very little income for the 12-month reference period, the allowance will be at least a specified minimum amount (29.05 euro per day in 2021).

Paternity allowance based on earnings (2021):

up to 39,144 euros	$0.7 \times \text{annual income} : 300$ , but at least the basic allowance
39,145 – 60,255 euros	$91.34 + 0.40 \times (\text{annual income} - 39,144) : 300$
over 60,255 euros	$119.44 + 0.25 \times (\text{annual income} - 60,255) : 300$

One can work or study during paternity leave and receive a paternity allowance from Kela. The paternity allowance is paid at a minimum rate for the working days. Working on Sundays or other holidays does not affect the paternity allowance, because it is only paid for working days (Mon–Sat). If one is a full-time student and gets paternity allowance, it is paid at a minimum rate on top of any student financial aid one receives.

Paternity leave benefit is taxable income.

Table 15. Characteristics of the paternity leave benefit.

		2021	2022	2023	2024
<b>Eligibility</b>	Contribution period	N.A.	N.A.	N.A.	N.A.
	Other conditions	Fathers who are taking part in the care responsibilities of a child under 3 years old	Fathers who are taking part in the care responsibilities of a child under 3 years old	Fathers who are taking part in the care responsibilities of a child under 3 years old	Fathers who are taking part in the care responsibilities of a child under 3 years old
	Eligibility of self-employed	As above	As above	As above	As above
	<b>Payment</b>				
Contribution base	Annual income for the previous year * (1-0.0991)	Annual income for the previous year * (1-0.0983)	Annual income for the previous year * (1-0.1001)	Annual income for the previous year * (1-0.0895)	
Basic amount	29.05 €	29.67 € (30.71 since Aug 2022)	31.99 €	31.99 €	
Amounts based on earnings					
- first income bracket	$0.7 \times \text{annual income} / 300$ (if annual income less than or equal to 39,144)	$0.7 \times \text{annual income} / 300$ (if annual income less than or equal to 40,106)	$0.7 \times \text{annual income} / 300$ (if annual income less than or equal to 41,629)	$0.7 \times \text{annual income} / 300$ (if annual income less than or equal to 43,740)	

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- second income bracket	91.34 + 0.40 x (annual income – 39,144) / 300 (if annual income between 39,145- 60,225)	93.58 + 0.40 x (annual income – 40,106) / 300 (if annual income between 40,107- 61,705)	97.13 + 0.40 x (annual income – 41,629) / 300 (if annual income between 41,630- 64,048)	102.06 + 0.40 x (annual income – 43,740) / 300 (if annual income between 43,741- 67,296)
- third income bracket	119.44 + 0.25 x (annual income – 60,225) / 300 (if annual income over 60,225)	122.38 + 0.25 x (annual income – 61,705) / 300 (if annual income over 61,705)	127.03 + 0.25 x (annual income – 64,048) / 300 (if annual income over 64,048)	133.47 + 0.25 x (annual income – 67,296) / 300 (if annual income over 67,296)
Floor	29.05 €	29.67 € (30.71 € since Aug 2022)	31.99 €	31.99 €
Ceiling	N.A.	N.A.	N.A.	N.A.
<b>Duration</b>	Standard (in months)	54 days (2 months)	54 days (2 months)	54 days (2 months)
	Special cases (in month) – increased amount	N.A.	N.A.	N.A.
<b>Subject to</b>	Taxes	Yes	Yes	Yes
	SIC (only medical care contribution)	Yes	Yes	Yes

### Changes in benefit rules 2021–2024

On 1 August 2022, the new family leave reform went into effect bringing changes to the duration and timing of parental leaves and parental allowances. The allowances are calculated in the same way as before. After the reform, the pregnant parent is paid a pregnancy allowance for 40 working days preceding the parents' entitlement to a parental allowance. Parental allowance for one child is paid for a total of 320 working days. If a child has two parents who are entitled to a parental allowance, both parents can take one half of the full entitlement, i.e., 160 days. A parent can turn over up to 63 parental allowance days to the other parent. The new family leave provisions apply to families where the estimated due date of the baby is 4 September 2022 or later. The new provisions also apply to parents who are adopting a child who is placed in their care on or after 31 July 2022. Since in EUROMOD the policy date is June 30, the new family leave reform is applied from policy year 2023.

In August 2022, the minimum benefit amount was increased to 30.71 euros per day. During 2024–2027, the minimum benefit amount is not increased according to the index.

### EUROMOD modelling

The following assumptions/modelling choices are taken:

- The simulation is effective until 2023 for 1 year old children in 2023.

- Given the lack of information on the month of birth in recent data, all children are assumed to be born in June.

Please note that the benefits are not simulated in the baseline because not fully validated. Their simulation can be switched on with the Parental benefit simulation extension.

**2.5.10 Child benefit (bch\_s)**

*Brief description*

Child benefit is a universal flat-rate benefit paid for every child under 17 years of age and residing in Finland. Parents may choose which one of them receives the benefit.

*Eligibility conditions*

The child benefit is paid for every child under 17 years of age and residing in Finland. The benefit is paid regardless of any other benefits (or any other reasons).

*Benefit amount*

The amount of child benefit depends on the number of dependent children and the number of parents in family. It is larger per child if there are several children in the family (up to 5).

Single parents are entitled to a child benefit supplement for each dependent child. Co-habiting but not married persons are not entitled to the supplement.

The child benefits paid for children under three will be increased by 26 euros from 1 April 2024. The increased child benefit is paid until the end of the month in which the child turns three.

Table 16. The child benefit in 2021–2024, euro/month.

	2021	2022	2023	2024
1st child	94.88	94.88	94.88	94.88
2nd child	104.84	104.84	104.84	104.84
3th child	133.79	133.79	133.79	133.79
4th child	163.24	163.24	163.24	173.24
5th and so on	182.69	182.69	182.69	192.69
Single parent supplement	63.30	63.30	68.30	73.30

*Example (2023):* A single person with 3 children. Euro/month.

1st child (94.88+68.30)	163.18
2nd child (104.84+68.30)	173.14
<u>3rd child (133.79+68.30)</u>	<u>202.09</u>
Benefit	538.41

### ***Means-testing and taxation***

The child benefit is not means-tested. It is usually not taken into account when calculating means-tested benefits with the exception of the local authority income support / social assistance. The child benefit is not taxable income.

### ***Changes in benefit rules 2021–2024***

Since 1 March 2011 the child benefit was adjusted by national pension index, but for years 2013–2015 the indexation was suspended. Since 1 January 2016, the adjustment was suspended until further notice.

Child benefit was paid at double the normal rate for December 2022. For families who also received social assistance, the extra child benefit did not count against their social assistance.

The child benefits paid for children under three was increased by 26 euros from 1 April 2024.

### ***EUROMOD modelling***

The policy can be simulated in EUROMOD, without any particular data or modelling limitations.

## **2.5.11 Child home care allowance (bcc\_s)**

### ***Brief description***

The purpose of the child home care allowance is to give parents the possibility to arrange the child care as they want without significant economic consequences. The child home care allowance is "integrated" with the day care system in the sense that parents can choose whether to put their small children to municipal day care, arrange a private care or stay at home with them. The families may choose separately for each child the type of child care they prefer.

### ***Eligibility conditions***

Parents are entitled to the child home care allowance if at least one child is less than 3 years old and a parent or any other person (e.g., private baby-sitter) takes care of the child at home. In addition, the allowance is paid for any other children under the age of 7 and who is not in any subsidised day care.

The allowance is usually paid immediately after parental leave benefit. It is paid until the youngest child reaches the age of 3 or moves into subsidised day care. The allowance is paid to the parent who is staying home with the children or, if the minder of the child is someone else than the parent, the allowance is paid to one of the parents or directly to the minder.

### ***Benefit amount***

The child home care allowance consists of basic amount and a supplement. The basic amount is a lump-sum benefit, and it is different for the first child under 3 years, other children under 3 years and other children between 3–6 years. The child home care supplement is means-tested and paid only for one child.

Table 17. Child home care allowance in 2020–2024, euro/month.

Year	Basic amount for the first child under 3	Basic amount for each additional child under 3 years	Basic amount for each child between 3-6 years	Full Supplement
2020	341.69	102.30	65.73	182.86
2021	342.95	102.67	65.97	183.53
2022	350.27 (362.61 since Aug 2022)	104.86 (108.56 since Aug 2022)	67.38 (69.76 since Aug 2022)	187.45 (194.06 since Aug 2022)
2023	377.68	113.07	72.66	202.12
2024	377.68	113.07	72.66	202.12

*Example (2023):* The basic amount for a family with three children (aged 1, 2 and 4 years). Euro/month.

First child (1 year old)	377.68
Second child (2 years old)	113.07
Third child (4 years old)	72.66
Basic amount	563.41

### *Means testing and taxation*

The child home care supplement depends on family monthly income and the size of the family. "The family" includes parents and children under 7 years but maximum two of them. Thus, the minimum family size is two (1 parent, 1 child) and the maximum four (2 parents, 2 children).

The full supplement is paid if the family monthly income is below an income limit which varies with family size. When income exceeds the limit, the supplement is reduced by a certain percentage of the exceeding amount.

Table 18. The income limits and reduction rates of child home care supplement in 2020–2024.

Size of the family	Income level that entitles to a full supplement, euro/month	Reduction rate, %
2	1,160	11.5
3	1,430	9.4
4 or more	1,700	7.9

The family income concept includes the gross monthly earned and capital income subject to tax as well as some non-taxable incomes. However, the study grant, student housing supplement, child benefit, disability allowance (both for persons under 16 and for persons aged 16 or older), care allowance for pensioners, housing allowance for pensioners, general housing allowance and income support are excluded.

*Example (2023):* The basic amount and supplement for a family with 2 parents and 2 children (1 and 3 years), family income 2,000 euro/month. Euro/month.

Basic amount (377.68+113.07)	490.75
Supplement	
full supplement 202.12	
subtracted 7.9 % of (2,000–1,700) = 23.70	
supplement 202.12–23.70	178.42
Child home care allowance	669.17

Students can receive child home care allowance. In this case the allowance is regarded as income when determining the eligibility for student's financial support.

Some municipalities pay additional child home care subsidies. These municipalities decide themselves the type, size and entitlement conditions of the subsidy.

The child home care allowance is taxable income.

### *Changes in benefit rules 2021–2024*

By legislation the basic amount and the full supplement are adjusted annually by national pension index. However, the indexation is frozen during 2024–2027. In August 2022, an additional increase was made to the child home care allowance scheme.

### *EUROMOD modelling*

In EUROMOD the allowance is given to the parent with the lowest income. This is a reasonable assumption in most cases.

Students can receive child home care allowance. In this case, the allowance is regarded as income when determining the eligibility for student's financial support. However, such simultaneously received benefits are not possible to take into account in simulations.

Some municipalities pay additional child home care subsidies. These municipalities decide themselves the type, size and entitlement conditions of the subsidy. These additional payments cannot be simulated.

## **2.5.12 Guarantee pension (pmmtu\_s)**

### *Brief description*

The guarantee pension was introduced in March 2011. It guarantees a certain level of pension to all pensioners.

### *Eligibility conditions*

A person is eligible for the guarantee pension if he or she lives in Finland and

- 1) receives a pension which entitles him/her to guarantee pensions – these pensions include: old age pension or anticipated old age pension (at least 62 years old; since 2014 at least

63 years old if born in 1952 or later), disability pension (16–64 years old), and unemployment pension; or

2) is an immigrant and is at least 65 years old (if disabled, then 16–64 years old).

Part-time old-age pensioners or partial disability pensioners are not eligible for the guarantee pension.

***Maximum benefit amount***

The maximum amount of the guarantee pension is 837.59 euro/month in 2021. It is equal for singles and spouses. The maximum amount is indexed every year according to the national pension index (KEL-index).

If a person receives anticipated old-age pension or did so in the past, then the guarantee pension is paid at a reduced rate. The maximum guarantee pension is reduced by 0.4% for every month a person spent in early retirement. For example, if a person retires at 62 (and official retirement age is 65), the maximum guarantee pension is reduced by 14.4%=(65-62)\*12\*0.4%. This reduction is fixed for the rest of the life.

Table 19. Guarantee pension parameters 2021–2024.

	2021	2022	2023	2024
Full guarantee pension, euro/month	837.59	855.48 (885.63 since Aug 2022)	922.42	976.59
Minimum amount, euro/month	6.77	6.92 (7.16 since Aug 2022)	7.46	7.90
Percentage withdrawn every month for anticipated pensions, %	0.4	0.4	0.4	0.4

***Means-testing and taxation***

The guarantee pension is means-tested against other pension income: old-age, disability and survivor’s pensions. The following incomes are excluded from the test: the child increase for pensions, front-veteran’s supplements, care allowance for pensioners and disability allowance for persons aged 16 or older. Pension income is taken into account on annual basis and divided by the number of months in retirement. Payable amount of the guarantee pension is obtained by subtracting other pension income from the full (maximum) guarantee pension. Other income than pensions or wealth does not affect the guarantee pension.

In case the calculated guarantee pension is below the minimum threshold, it is not paid out. The guarantee pension is taxable income.

***Changes in benefit rules 2021–2024***

In August 2022, an additional increase was made to the guarantee pension scheme.



### *EUROMOD modelling*

Part-time old-age pensioners or partial disability pensioners are not eligible for the guarantee pension. In EUROMOD they are identified as pensioners with positive number of months in work.

If a person receives anticipated old-age pension or did so in the past, then the guarantee pension is paid at a reduced rate. This condition can be simulated only for those who currently receive anticipated old-age pension. For all of them we assume that they retired at the age of 62.

The following incomes to be excluded from the income test are not identified in the data: the child increase for pensions, and front-veteran's supplements.

### **2.5.13 Housing allowance for pensioners (bhope\_s)**

#### *Brief description*

The housing allowance for pensioners is paid to pensioners with low incomes. All households must pay their own share of the housing costs. This share consists of three parts: a) a flat "basic own responsibility", b) a means-tested "additional own responsibility" and c) costs exceeding the acceptable housing costs.

#### *Eligibility conditions*

The housing allowance for pensioners can be paid to rented, right-of-occupancy or owner-occupied permanent dwellings that are situated in Finland. The housing allowance can also be paid to the residential care home.

The persons, who receive earnings-related or national pension as old-age pension, disability pension or rehabilitation subsidy or receive guarantee pension, surviving spouse's pension, or workers' compensation pension, are eligible to the housing allowance for pensioners. However, the persons, who receive part-time old-age pension or partial disability pension, are not eligible for the housing allowance for pensioners.

Even if the eligible pensioner lives with a partner, who is not eligible for the housing allowance for pensioners, the whole household is eligible for the housing allowance for pensioners. In that case the whole allowance is paid to the eligible person. If the partners are both entitled to the housing allowance for pensioners, the allowance is equally divided between both pensioners. If the pensioner lives with another member of the household who is not his or her partner, for example with children, the whole household is eligible for the general housing allowance, not for the housing allowance for pensioners. If there is a student in the household, the student is not pensioner's partner, he or she has no children and he or she is eligible for the student housing supplement, the housing costs are divided between the student and the other people. The student is eligible for the student housing supplement alone, and the pensioner and his or her possible partner are eligible for the housing allowance for pensioners.

#### *Benefit amount*

The amount of the housing allowance for pensioners is 85% of the acceptable housing costs exceeding the basic own responsibility and the additional own responsibility. The formula is:

$$\begin{aligned} & \text{housing allowance for pensioners} \\ & = 85\% \times (\text{acceptable housing costs} - \text{basic own responsibility} - \text{additional own responsibility}) \end{aligned}$$

If the household lives in a rented dwelling or residential care home, the acceptable housing costs include the rent and the separate water and heating charges. If the household lives in a right-of-occupancy dwelling or in the owner-occupied unit in a housing cooperative, the acceptable housing costs include the maintenance charge and the separate water and heating charges. The separate water and heating charges mean the charges that are paid separately for the rent or maintenance charge. If the water or heating charges are part of the rent or maintenance charge, they are not taken into account separately.

The separate water and heating charges are not based on true costs but on standard levels. The heating charges differ depending on which part of the country the dwelling is situated. There is no exact data about the heating cost categories available, but the following approximation can be used: if the dwelling is situated in Helsinki-Uusimaa (NUTS2 = FI1B, drgn2 = 2) or in South Finland (NUTS2 = FI1C, drgn2 = 3), use the heating cost category 1. If the dwelling is situated in West Finland (NUTS2 = FI19, drgn2 = 1), use the heating cost category 2. If the dwelling is situated in North and East Finland (NUTS2 = FI1D, drgn2 = 4), use the heating cost category 3. If the dwelling is built or modernised before 1974, the heating charge is 30 per cent higher than if the dwelling is built or modernised later. Because the information on the year of building or modernising is not available in the data, the charges with increase of 15% are applied to all cases. The heating charges are taken into account only to the extent that the size of the dwelling does not exceed a certain limit: 70 square metres to the person living alone, the increase of 15 square metres to the partner.

In the case of the owner-occupied single-family home (detached house), the acceptable housing costs include the maintenance charge, water charge, heating charge and the rent of the plot. Not only the water and heating charges are based on the standard levels but there are also standard levels for maintenance charges. The same heating cost categories, increase of 15% and limits for the size of the dwelling as described above are applied in the case of owner-occupied single-family home too. The increase of 15% is also applied for the maintenance charge.

In addition, in the case of the right-of-occupancy and owner-occupied dwellings, the acceptable housing costs include interest payable on personal loans taken out to finance the purchase of the dwelling.

There are limits for the total sum of the acceptable annual housing costs. The limits differ according to municipality groups. There are no exact data about the municipality groups available, but quite good approximation is the following: if the household lives in Helsinki-Uusimaa (NUTS2 = FI1B, drgn2 = 2), use the maximum housing costs in the municipality group 1. If the household lives in other part of the country, use the average of the maximum housing costs in the municipality groups 2 and 3.

The basic own responsibility per household is 618.73 euro/year in 2021.

**Table 20. Parameters of the housing allowance for pensioners in 2021–2024.**

	2021	2022	2023	2024
Allowance as a percentage	85	85	85	85
Water charge, euro/month/person	29.81	29.81	32.40	32.40
Heating charge, heating cost category 1, euro/month/square metre	1.32	1.32	2.07	2.07
Heating charge, heating cost category 2, euro/month/square metre	1.45	1.45	2.20	2.20
Heating charge, heating cost category 3, euro/month/square metre	1.60	1.60	2.35	2.35

Maintenance charge for owner-occupied single-family home, euro/month/person	43.44	44.37	47.84	47.84
Increase in heating and maintenance charges, if the dwelling is built or modernised before 1974, %	30	30	30	30
Maximum size of the dwelling for the heating charge, if the person lives alone, square metres	70	70	70	70
Increase to the maximum size of the dwelling for the heating charge, square metres per additional person	15	15	15	15
Basic own responsibility, euro/year	618.73	631.94	681.39	681.39
Coefficient for additional own responsibility, %	41.3	41.3	41.3	41.3
Minimum amount of allowance, euro/month	6.77	6.92	7.46	7.46

**Table 21. Maximum housing costs of the housing allowance for pensioners in 2021–2024.**

	2021	2022	2023	2024
Maximum costs in municipality group 1, euro/year	8,433	8,613	9,287	9,287
Maximum costs in municipality group 2, euro/year	7,755	7,921	8,541	8,541
Maximum costs in municipality group 3, euro/year	6,804	6,949	7,493	7,493
Increase in maximum costs, when 1–2 children, %	-	-	-	-
Increase in maximum costs, when 3 or more children, %	-	-	-	-

***Means-testing and taxation***

The housing allowance for pensioners is means-tested against own and partner’s earned and capital income. The following incomes are not taken into account: front-veteran’s supplements, study grant, care allowance for pensioners, disability allowance for persons aged 16 or older, home care allowance and income support. The wealth, except own dwelling, is also included in means-testing. Means-testing is included in the additional own responsibility component. Additional own responsibility is 41.3% of the income exceeding the certain income limits for different household types.

Table 22. The income limits of the housing allowance for pensioners in 2021–2024, euro/year.

	2021	2022	2023	2024
Single	9,334	9,534	10,280	10,280
Married or cohabiting; partner is not eligible for allowance	13,390	13,676	14,746	14,746
Married or cohabiting; partner is eligible for allowance	15,239	15,565	16,783	16,783

The minimum amount of the allowance is 7.46 euro/month in 2023. If both spouses receive housing allowance the minimum amount is 3.73 euro/month. If the allowance is below this threshold, it is not paid.

*Example (2023):* A single person with rent of 5,250 euro/year and annual income of 10,500 euro.

Basic own responsibility	681.39
Additional own responsibility $0.40 \times (10,500 - 10,280)$	88.00
<u>Own responsibility, total</u>	<u>769.39</u>
Benefit $0.85 \times (5,250 - 769.39)$	3,808.52

The monthly allowance is the annual allowance divided by 12 (317.38 euro in the example).

The housing allowance for pensioners is not taxable.

### ***Changes in benefit rules 2021–2024***

The amount of basic own responsibility, the income limits and the minimum amount of the allowance are indexed by national pension index. However, the indexation is frozen during 2024–2027.

### ***EUROMOD modelling***

The following incomes to be excluded from the income test cannot be identified in the data: front-veteran’s supplements, and home care allowance. In addition, due to lack of information, wealth is not taken into account in simulations.

#### **2.5.14 General housing allowance (bho00\_s)**

##### ***Brief description***

General housing allowance is paid to low-income households to reduce their housing costs. The allowance can be paid to the households living in rented, right-of-occupancy or owner-occupied (until the end of 2024) dwellings. When the general housing allowance is considered, the housing costs are taken into account only up to certain limits of the acceptable costs and the exceeding costs are always paid by households themselves. Depending on the income level of the household, 0–80 per cent of the costs below the limit of the acceptable costs are paid as general housing allowance.

### *Eligibility conditions*

The general housing allowance can be paid to rented, right-of-occupancy or owner-occupied (until the end of 2024) permanent dwellings that are situated in Finland.

The unit of entitlement is a household, where the household means all the persons living in the same dwelling. If there are only persons who are eligible for the housing allowance for pensioners (and their partners) in the household, the whole household is eligible for the housing allowance for pensioners, not for the general housing allowance. If, in addition to these people, there are other people who are not eligible for the housing allowance for pensioners (e.g., children) living in the household, the whole household is eligible for the general housing allowance. If a student who is eligible for the student housing supplement lives in the household with other household members, the housing costs are divided between the student and the other people.

From August 2017, the student housing supplement will no longer be paid to most students. Students who study in Finland and who live in a rented dwelling can apply for the general housing benefit.

### *Benefit amount*

The amount of the general housing allowance is 80 per cent (70 per cent since Apr 2024) of the acceptable housing costs exceeding the basic deductible. Thus, the formula is:

$$\text{general housing allowance} = 80\% \times (\text{acceptable housing costs} - \text{basic deductible})$$

If the household lives in a rented dwelling, the acceptable housing costs include the rent and the separate water and heating charges. If the household lives in a right-of-occupancy dwelling, the acceptable housing costs include the maintenance charge and the separate water and heating charges. In the case of the owner-occupied unit in a housing cooperative, the maintenance charge and the separate water and heating charges are acceptable. The separate water and heating charges mean the charges that are paid separately for the rent or maintenance charge. If the water or heating charges are part of the rent or maintenance charge, they are not taken into account separately. The separate water and heating charges are not based on true costs but on standard levels. In the case of the owner-occupied single-family home (detached house), the acceptable housing costs include the maintenance charge. This charge is neither based on true costs but on standard levels.

If the dwelling is situated in a certain part of the country, the standard levels of the heating and maintenance charges are 4 or 8 per cent higher than in other parts of the country. The areas where the increases apply are situated mainly in North and East Finland (NUTS2 = FI1D, drgn2 = 4). As it is not possible to distinguish the areas with 4% increase from the areas with 8% increase, we use 6% increase as a proxy.

In the case of the right-of-occupancy and owner-occupied dwellings, the acceptable housing costs also include 73 per cent of the monthly interest payable on personal loans taken out to finance the purchase of the dwelling.

The acceptable housing costs are taken into account only up to the certain limits. The limit depends on the number of persons living in the household and the area the dwelling is situated. The precise information on the residence is not available in the data, but the following approximation can be used: if the household lives in Helsinki-Uusimaa (NUTS2=FI1B, drgn2 = 2), use the average of the maximum housing costs in municipality group 1 and 2 (until group 1 and group 2 were merged in April 2024). If the household lives in another part of the country, use the average of the maximum housing costs in municipality group 3 and 4.

If the household lives in a rented or right-of-occupancy dwelling, the sum of all the acceptable housing costs can be at most the maximum housing costs set by the legislation. In the case of the owner-occupied dwelling, the sum of the maintenance charge and the separate water and heating charges (= the maintenance costs) can be max 30 per cent of the maximum housing costs. In turn, 73 per cent of the exceeding maintenance costs and 73 per cent of the monthly interest payable on personal loans (= the financing costs) can be altogether maximum 70 per cent of the maximum housing costs.

**Table 23. Parameters of the general housing allowance in 2021–2024.**

	2021	2022	2023	2024
Allowance as a percentage	80	80	80 (70 since Apr)	80
Water charge, euro/month/person	19	19	20	20
Heating charge, euro/month/1.person	41	42	66	46
Heating charge, euro/month/2.person and each next	14	14	22	16
Maintenance charge for owner-occupied single-family home, the size of the household is 1, euro/month	97	99	155	107
Maintenance charge for owner-occupied single-family home, the size of the household is 2, euro/month	117	119	187	129
Maintenance charge for owner-occupied single-family home, the size of the household is 3, euro/month	147	150	236	162
Maintenance charge for owner-occupied single-family home, the size of the household is 4, euro/month	174	177	278	191
Maintenance charge for owner-occupied single-family home, additional cost per person if more than 4 people live in the household, euro/month	53	55	86	59
Increase in heating and maintenance charges, if the household lives in Southern Savonia, Northern Savonia or North Karelia, %	4	4	4	4
Increase in heating and maintenance charges, if the household lives in Northern Ostrobothnia, Kainuu or Lapland, %	8	8	8	8
The portion of the exceeding maintenance costs and the monthly interest payable on personal loans that is taken into account, %	73	73	73	73
For owner-occupied dwelling: the portion of the maximum housing costs that is applied to the maintenance costs, %	30	30	30	30
For owner-occupied dwelling: the portion of the maximum housing costs that is applied to the financing costs, %	70	70	70	70
Basic deductible: parameter 1	0.42	0.42	0.42	0.42 (0.50 since Apr)
Basic deductible: parameter 2	606	619	667	667
Basic deductible: parameter 3	100	103	111	111 (94 since Apr)

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Basic deductible: parameter 4	224	228	246	246 (296 since Apr)
Privileged work income, euro/month/person with work income	300	300	300	300 (abolished since Apr)
Minimum basic deductible, euro/month	10	10	10	10
Minimum allowance, euro/month	15	15	15	15

Table 24. Maximum housing costs in 2020–2021, euro/month.

The size of the household	Municipality group 1	Municipality group 2	Municipality group 3	Municipality group 4
1 person	520	503	399	352
2 persons	752	722	583	513
3 persons	958	910	740	656
4 persons	1 120	1 062	876	781
Additional cost per person, if more than 4 persons live in the household	+ 140	+ 133	+ 120	+ 115

Table 25. Maximum housing costs in 2022, euro/month.

The size of the household	Municipality group 1	Municipality group 2	Municipality group 3	Municipality group 4
1 person	537	520	413	364
2 persons	778	746	602	530
3 persons	990	941	764	678
4 persons	1157	1097	906	808
Additional cost per person, if more than 4 persons live in the household	+ 144	+ 137	+ 124	+ 119

Table 26. Maximum housing costs in 2023, euro/month.

The size of the household	Municipality group 1	Municipality group 2	Municipality group 3	Municipality group 4
1 person	582	563	447	394
2 persons	843	808	652	574
3 persons	1072	1019	828	734
4 persons	1253	1188	981	875
Additional cost per person, if more than 4 persons live in the household	+156	+148	+134	+129

Table 27. Maximum housing costs since April 2024, euro/month.

The size of the household	Municipality group 1	Municipality group 2 (I)	Municipality group 3 (II)	Municipality group 4 (III)
1 person	-	563	447	394
2 persons	-	808	652	574
3 persons	-	1019	828	734
4 persons	-	1188	981	875
Additional cost per person, if more than 4 persons live in the household	-	+148	+134	+129

### ***Means-testing and taxation***

Means-testing is handled via the basic deductible. The basic deductible (euro/month) is determined on the basis of the gross income of the household and the number of adults and children in the household (2023):

*basic deductible*

$$= 0.42 \times [\text{gross income of the household} - (667 + 111 * \text{the number of adults} + 246 * \text{the number of children under 18})]$$

The gross income of the household means the adults' income per month. All the incomes except the following are taken into account: child benefit, child increase for pensions, disability allowance for persons aged 16 or older, care allowance for pensioners, home care allowance, front-veteran's supplements, study grant and income support. Inheritance and gifts are not taken into account. Part of the work income (300 euro/month per person with work income) is privileged income. The amount of privileged income was abolished since April 2024. If the basic deductible is less than 10 euro/month, it is not taken into account.

The minimum amount of the allowance is 15 euro/month.

The general housing allowance is not taxable.

### ***Changes in benefit rules 2021–2024***

The money parameters of the basic deductible and the water, heating and maintenance charges are adjusted by national pension index by legislation, while the maximum housing costs allowed under the general housing allowance scheme are adjusted in line with the cost-of-living index. However, the indexation is frozen during 2024–2027.

Several changes were made to general housing allowance since April 2024: The compensation percentage of the general housing allowance was reduced from 80 percent to 70 percent, the basic deductible went up from 42 percent to 50 percent, the deduction for earned income is no longer be available, and the maximum housing costs taken into account in Helsinki were reduced.

Since 2025, general housing allowance will no longer be paid for owner-occupied homes and interest payments on housing loans for right-of-occupancy homes will no longer be recognised as housing costs.



### *EUROMOD modelling*

Before 2015, the policy rules were more complicated and thus the general housing allowance was not simulated in the model. Policy rules for 2016–2024 are implemented in the model, but the simulation is switched OFF in the baseline in order to be consistent with the previous years when the benefit was not simulated (i.e., it was taken from the input data). The simulation of general housing allowance for 2016–2024 can be activated using *EPS* (extended policy simulation) switch.

Incomes not taken into account in housing allowance are the following: child benefit (*bch00\_s*), child increase for pensions (cannot be identified in the data), disability allowance for persons aged 16 or older (*pdida*), care allowance for pensioners (*pdica* and *poaca*), home care allowance (cannot be identified in the data), front-veteran's supplements (cannot be identified in the data), study grant (*bed00\_s*) and income support (*bsa00\_s*).

### **2.5.15 Local authority income support / social assistance (*bsa00\_s*)**

#### *Brief description*

Local authority income support / social assistance is the last resort safety net for all persons and families whose net-of-tax income is less than a certain minimum level. This minimum income level consists of *basic amount* and *additional expenditures*. The basic amount is designed to cover the costs of, e.g., food, cloths, transport and minor health care costs. Additional expenditures may consist of reasonable housing costs, child day care fee etc. For providing income support, a separate judgement on the claimant's whole economic situation is always done. Until 2016, social assistance was administered and paid by the local authorities (local authority income support). Since 2017, the basic social assistance is paid by the Finnish Social Insurance Institution.

#### *Eligibility conditions*

The units of entitlement and income assessment are single persons and families. The right to claim the benefit does not depend on the marital or socioeconomic status with the exception of students. Students are, in principle, entitled to the benefit only if their income is low enough when also the student loan – realized or not – is taken into account. During the period when they are not studying, they are entitled to the benefit like all other people.

The need for income support is determined as expenditures minus net income and wealth. Expenditures consist of basic amount and additional (accepted) expenditures. The net income consists of earned and capital income after taxes, contributions and costs due to working (e.g., commute costs) as well as non-taxable income, including also housing benefits and child benefit. There are only few exceptions when income is not taken into account when the eligibility for income support is reviewed. Disability allowance (both for persons under 16 and for persons aged 16 or older), care allowance for pensioners and supplementary allowances of unemployment benefits (cannot be identified in the data) are not taken into account. The incomes of the persons under 18 years old are not taken into account to the extent that the incomes exceed the expenditures (basic amount and additional expenditures) of this person. Only the part of the income that is below the basic amount (plus additional expenditure) is included in the means-test. In addition, at least 20% but max. 150 euro per month of income from work after taxes and contributions is not taken into account (privileged work income). The limit (20% / 150 euro) is applied to the work income of every family member separately. The wealth of the family is taken into account except for permanent residence, household goods and goods used at work or in study.

According to the law, every family unit within a household can apply to income support separately (e.g., adult children can apply to income support separately from their parents). In practice, however, this is rarely realized.

The income support is calculated on monthly basis.

***Benefit amount***

The full basic amount of income support is 504.06 euro/month in 2021. The full basic amount is paid to single persons and the basic amount for single parents is increased by 14%. For other persons the basic amount is defined as a share of the full amount. If there is more than one child under 18 years old in the family, the basic amount for the second child is 5 percentage points less and for the third child or more 10 percentage points less than for the first child.

Basic social assistance can be granted towards housing costs for a home located in Finland. Municipality-specific limits has been set for reasonable housing costs.

*Example (2023):* 2 parents, 3 children (3, 16 and 18 years). Euro/month.

Parents (2*0.85*555.11)	943.69
1st child (18 years) (0.73*555.11)	405.23
2nd child (16 years) (0.76*555.11)	421.88
<u>3rd child (3 years) ((0.69-0.05)*555.11)</u>	<u>355.27</u>
Basic amount	2126.07

Table 28. Income support parameters 2021–2024.

	2021	2022	2023	2024
Full basic amount (singles), euro/month	504.06	514.82 (532.97 since Aug)	555.11	587.71
Share of single parents, %	114	114	114	114
Share of other person 18 years or older (e.g., spouses), %	85	85	85	85
Share of child 18 years or older, %	73	73	73	73
Share of child 10–17 years, first child, %	70	70	76	70
Share of child under 10, first child, %	63	63	69	63
Deduction for second child under 18 years, %-points	5	5	5	5
Deduction for third and subsequent child under 18 years, %-points	10	10	10	10

***Means-testing and taxation***

While the income support is basic amount plus accepted additional expenditures minus net income and wealth, increase in net income decreases the benefit by the same amount (except for the types of income mentioned earlier).

*Example (2023):* 2 parents, 2 children (14 and 8 years), rent 500 euro/month, net unemployment benefit 800 euro/month, general housing allowance 300 euro/month, child benefit 200 euro/month. Euro/month.

<u>Expenditures:</u>	
a) Basic amount	
Parents (2*0.85*555.11)	943.69
1st child (14 years) (0.76*555.11)	421.88
2nd child (8 years) ((0.69-0.05)*491.21)	314.27
Total basic amount	1,679.95
b) Additional expenditures	
Housing costs	500.00
Accepted expenditures	2,179.95
<u>Incomes:</u>	
Net benefit income	800.00
General housing allowance	300.00
Child benefit	200.00
Income	1,300.00
Income support (2,179.95-1,300.00)	879.95

Table 29. Recognised maximum housing costs in basic social assistance on average in 2021–2024, euro/month.

Year / municipality	Single-person household	Two persons	Three persons	Four persons	+ each additional person
<b>2021</b>					
Uusimaa	669	812	935	1027	118
Outside Uusimaa	498	613	712	788	98
<b>2022</b>					
Uusimaa	670	834	960	1056	118
Outside Uusimaa	499	614	714	791	96
<b>2023</b>					
Uusimaa	670	839	963	1058	122
Outside Uusimaa	500	621	721	794	95
<b>2024*</b>					
Uusimaa	670	837	959	1059	117
Outside Uusimaa	501	620	718	790	99

Notes:

\*Data available until April 2024 (2/5/2024).

The income support is not taxable.

### ***Changes in benefit rules 2021–2024***

The full basic amount is indexed every year according to the national pension index.

In 2020, the basic amount of the single-parent supplement was increased as a separate measure.

In August 2022, an additional increase was made to the basic amount.

In 2023, the shares of children were increased for calculating the basic amount.

### ***EUROMOD modelling***

The wealth test of social assistance cannot be simulated.

BTA extension is on, so the baseline model adjusts for non-take-up of the benefit; BCA extension is off, so it does not calibrate its receipt according to external statistics, but the user can activate it if necessary. See section 2.4 for technical details on both extensions and their interactions.

Users can enable or disable the necessary extensions in Country Tools/Set Switches. For proper functioning, the extensions require the following inputs:

- BTA: The estimated take-up rate of the benefit should be set as the value of the \$bsa00\_BTA\_rate constant in the model. Currently, the model incorporates values for 2007-2024, obtained from 'Smaller net or just fewer to catch? Disentangling the causes for the varying sizes of minimum income schemes' by Jussi Tervola, Merita Jokela, and Joonas Ollonqvist..
- BCA: The aggregate expenditure needs to be filled out in the External Statistics table, so that the calibration rate (\$bsa00\_BCA\_rate) is computed accordingly. Data are currently available for the years 2018-2023; given the absence of information for 2024, the calibration rate is not computed within the 2024 system, but the one computed within the 2023 system is used instead. For the modelling of reforms, the 2024 system should be used in order to allow for variation in the number of beneficiaries (hence expenditure): beneficiaries will change when the eligibility conditions change by applying the share of 2023 to the new pool of eligible units. If previous systems were used for reforms, total expenditure would remain constant irrespective of the reform applied, since the model would always stick to the existing external statistics.

In the model, the simulations are done based on the annual income, because monthly incomes are not available.

## **2.6 Social insurance contributions**

### **2.6.1 Employee social contributions (tscee\_s and thl\_s)**

#### ***Brief description***

There are four social contributions for employees:

- Earnings-related pension contribution (17–67 years old);
- Unemployment insurance contribution (17–64 years old);
- Daily allowance contribution (16–67 years old);
- Medical care contribution.

All the contributions are statutory. The first three contributions are fully deductible in personal taxation while the medical care contribution is “a tax-like payment” itself and is not deductible. The medical care contribution is paid on all earned income, e.g., on wage, pension and other benefit income. The medical care contribution and the daily allowance contribution are both health insurance contributions.

The earnings-related pension contribution must be paid if an employee is 17–67 years old. The monthly wage must be above the threshold: 61.37 euro/month in 2021. Responsible to pay the unemployment insurance contribution is an employee at the age of 17–64 years. For the daily allowance contribution, the age limit is 16–67. The medical care contribution must always be paid regardless of the age.

The same income and age limits are applied to respective employer contributions.

***Rates and amounts***

The earnings-related pension contribution, unemployment insurance contribution and daily allowance contribution are calculated as a percentage share of the gross taxable wage (incl. taxable benefits-in-kind) and the medical care contribution is calculated as a percentage share of the local tax base.

In principle, the same percentages are applied to all individuals and they are not dependent on, e.g., employee’s pension insurance regimes. But there are two exceptions: 1) the pension contribution is higher for employees who are 53–62 years old (during 2017–2025) and 2) the medical care contribution is higher for benefit income (incl. pensions) than for work income. The work income includes wage and earned income from self-employment.

The principle behind the higher (increased) medical care contribution is that it is paid only on income from which the daily allowance contribution is not paid. This means that it is paid from the difference of the local tax base and the work income, if positive. The percentage of the increased contribution is the difference of percentages which are applied to benefit income and work income: 0.97% in 2021 (1.65%–0.68%=0.97%). In 2021, if person’s work income is less than 14,766 euro/year, the percentage for daily allowance contribution is 0.00% (see the following example). This income limit is indexed.

*Example (2021):* The pension income is 21,000 euro/year, the wage 5,000 euro/year and the local tax base 24,000 euro/year. Euro/year.

Daily allowance contribution (5,000*0.00%)	0.00
“Standard” medical care contribution (24,000*0.68%)	163.20
Increased medical care contribution from pension income ((24,000–5,000)*0.97%)	184.30
<b>Total health insurance contribution</b>	<b>347.50</b>

**Table 30. Social contribution rates of employees in 2021–2024.**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Wage threshold for earnings-related pension contribution, euro/month	61.37	62.88	65.26	68.57
<i>Contributions based on gross wage</i>				
Earnings-related pension contribution:				
employee less than 53 years or more than 62 years, %	7.15	7.15	7.15	7.15
employee at least 53 years and at most 62 years, %	8.65	8.65	8.65	8.65
Unemployment insurance contribution, %	1.40	1.50	1.50	0.79

Daily allowance contribution, %	1.36	1.18	1.36	1.01
Income limit for daily allowance contribution, euro/year	14,766	15,128	15,703	16,499
<i>Contribution based on local tax base</i>				
Medical care contribution:				
employment income, %	0.68	0.53	0.60	0.51
pension and benefit income, %	1.65	1.50	1.57	1.48

***Changes in employee social contribution rules in 2021–2024***

No main policy changes.

**2.6.2 Employer social contributions (tscer\_s)**

***Brief description***

There are six statutory employer contributions:

- Earnings-related pension contribution (17–67 years old);
- Unemployment insurance contribution (17–64 years old);
- Health insurance contribution (16–67 years old);
- Accident insurance contribution;
- Group life insurance contribution (0–68 years old, excluding old-age pensioners).

The contribution to group life insurance is not statutory but based on trade union agreements. However, most employers are obligated to pay it.

The same age and income limits are applied to employer contributions as to employee contributions (see chapter Employee social contributions). There are no age or income limits to accident insurance contribution. The contribution to group life insurance must be paid for all employees under 68 years of age, but old-age pensioners are excluded.

***Rates and amounts***

The base for all employer contributions is the gross wage paid to employees, including taxable benefits-in-kind.

The earnings-related pension contribution rates of employers differ depending on, e.g., the wage sum paid by employer and employer responsibilities to pay disability pensions. The rates also differ in private, state and municipal sectors.

The unemployment insurance contribution rate depends on the wage sum paid by employer. In addition, the accident insurance contribution and the group life insurance contribution differ across employers. Only health insurance contribution rate is the same for all employers.

**Table 31. Employer social contribution rates in 2021–2024.**

	2021	2022	2023	2024
<i>Earnings-related pension contribution</i>				

Private sector, average, %	16.93	17.38	17.37	17.34
State, %	16.67	17.11	17.11	17.11
Municipalities, %	20.61	20.33	19.81	19.59
<i>Unemployment insurance contribution</i>				
Wage sum threshold, thousand euro/year	2,169.0	2,197.5	2,251.5	2,337.0
Contribution under the wage sum limit, %	0.50	0.50	0.52	0.27
Contribution over the wage sum limit, %	1.90	2.05	2.06	1.09
Contribution, average, % <sup>[1]</sup>	1.42	1.51	1.54	0.82
Health insurance contribution	1.53	1.34	1.53	1.16
Accident insurance contribution, average, % <sup>[2]</sup>	0.70	0.70	0.70	0.70
Group life insurance contribution, average, % <sup>[2]</sup>	0.059	0.062	0.053	0.060

Sources: Confederation of Finnish Industries, Finnish Centre for Pensions, Social Insurance Institution of Finland, the Unemployment Insurance Fund.

Notes:

<sup>[1]</sup> Average in all sectors. The state employer is not obligated to pay the unemployment contribution.

<sup>[2]</sup> Average rate in private sector.

**Table 32. Number of employees by sectors (thousands of persons) and as share of all employees in 2019–2022.**

	2019	2020	2021	2022 <sup>[1]</sup>
<i>Employees (thousands of persons)</i>				
Private sector	1,720.2	1,670.6	1,704.4	1,786.6
State	137.8	143.7	146.4	150.1
Municipalities	492.4	492.6	507.8	519.5
Total	2,350.4	2,306.9	2,358.6	2456.2
<i>Share of all employees, %</i>				
Private sector	73.2	72.4	72.3	72.2
State	5.9	6.2	6.2	6.1
Municipalities	20.9	21.4	21.5	21.2
Total	100.0	100.0	100.0	100.0

Source: Statistics Finland: Annual national accounts.

Note:

<sup>[1]</sup> Statistics for the year 2022 (preliminary figures on 2/5/2024) are the latest available, and thus the numbers are also used for the following years.

**Table 33. Average estimated employer social contribution rates in 2021–2024, %.**

	2021	2022	2023	2024
Earnings-related pension contribution	17.71	17.99	17.87	17.80
Unemployment insurance contribution	1.42	1.51	1.54	0.82
Health insurance contribution	1.53	1.34	1.53	1.16

Accident insurance contribution	0.70	0.70	0.70	0.70
Group life insurance contribution	0.059	0.062	0.053	0.060
Contribution, total	21.42	21.64	21.69	20.54

***Changes in employer social contribution rules in 2021–2024***

No main policy changes.

***EUROMOD modelling***

In EUROMOD database, there is no information on employer contribution rates, which would be necessary to model the contributions accurately. There is no information on whether the employer is in private, state or municipal sector. To model the employer earnings-related pension contribution, average weighted contribution rate is used. This is calculated in three steps. Firstly, there are average earnings-related pension contribution rates for employers in different sectors. They are usually calculated by insurance corporations (see Table 31). Secondly, the relative size of private, state and municipal sectors based on the number of employees in each sector are taken into account (see Table 32). Finally, based on these, the weighted average earnings-related pension contribution rate across sectors is estimated (see Table 33).

**2.6.3 Self-employed social contributions (tscse\_s and tscfr\_s)**

***Brief description***

There are three statutory contributions which all self-employed have to pay:

- Earnings-related pension contribution (17–67 years old);
- Daily allowance contribution (16–67 years);
- Medical care contribution.

For farmers the *accident insurance contribution* and *group life insurance contribution* are also statutory. The group life insurance contribution is a very small fixed amount (8 euro/year in 2024), and other insurance schemes, like unemployment insurance contribution, are voluntary for self-employed.

The earnings-related pension contribution is possible to pay and deduct either personally or alternatively in business or farming. If paid in business or farming, the contribution is not anymore deductible in personal taxation.

To be obligated to pay the earnings-related pension contribution a self-employed must be 18–67 years old. The annual income must exceed a limit. The limit is lower for farmers than for other self-employed persons (entrepreneurs).

**Table 34. Income limits for pension contributions of the self-employed, 2021–2024, euro/year.**

	2021	2022	2023	2024
Farmers	4,032	4,131	4,288	4,506
Entrepreneurs	8,063.57	8,261.71	8,575.45	9,010.28

For daily allowance contribution and medical care contribution of self-employed, the same age limits are applied as for employees (see chapter Employee social contributions).



**Rates and amounts**

The base for all social insurance contributions of self-employed persons is the so-called YEL-income (entrepreneurs) and the MYEL-income (farmers). These are not real incomes but hypothetical corresponding the work income of self-employed. The size of this income is an estimation of what should be paid to an employee who would do the same work as the self-employed.

If an entrepreneur is less than 53 or more than 62 years old, the earnings-related pension contribution rate is 24.10 per cent in 2021. For entrepreneur at least 53 but at most 62 years old the rate is 25.60 per cent in 2021. For the first four years as an entrepreneur the earnings-related pension contribution rate is decreased by 22 percent.

In 2021, for farmers both of these contribution rates are the same but are used only if the annual income exceeds 44,390 euro. If income is less than 28,248 euro, the contribution rates are 13.014 and 13.824 per cent. Between 28,248 euro and 44,390 euro the farmer’s contribution rate is increased linearly from 13.014 to 24.10 percent.

The base for daily allowance contribution is also the YEL- and MYEL-income. In case a self-employed person has wage income from other sources (than self-employment) the daily allowance contribution must also be paid from this income. The contribution rate from MYEL-income and the wage income is the same as employee’s rate. To the YEL-income an increased daily allowance rate is applied: e.g., 1.55% instead of 1.36% in 2021.

The base for the medical care contribution is a hypothetical local tax base. To calculate this tax base the taxable earned work income is replaced by YEL- or MYEL-income and then tax deductions – except the pension contribution deduction – are subtracted from this income.

The accident insurance contribution is statutory for farmers. It consists of two components: a fixed amount (12.00 euro/year in 2024) and a MYEL-income related part (0.85% of the MYEL-income in 2024).

*Example (2021):* Earned income from self-employment is 22,000 euro/year, the wage from other activity 5,000 euro/year and the YEL-income 20,000 euro/year. Euro/year.

The “standard” daily allowance contribution (1.36%*(20,000+5,000))	340.00
The increased contribution from YEL-income ((1.55%–1.36%)*20,000)	38.00
<b>Total daily allowance contribution</b>	<b>378.00</b>
 If the local tax base is 21,000 euro, the medical care contribution is (0.68%*21,000)	 142.80

**Table 35. Social contribution rates and income limits of self-employed in 2021–2024.**

	2021	2022	2023	2024
<i>Earnings-related pension contribution</i>				
Entrepreneurs:				
less than 53 years or more than 62 years, %	24.10	24.10	24.10	24.10

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at least 53 years and up to 62 years, %	25.60	25.60	25.60	25.60
Farmers:				
less than 53 years or more than 62 years, until 1st limit, %	13,014	13,014	13,014	13,014
less than 53 years or more than 62 years, after 2nd limit, %	24.10	24.10	24.10	24.10
at least 53 years and up to 62 years, until 1st limit, %	13,824	13,824	13,824	13,824
at least 53 years and up to 62 years, after 2nd limit, %	25.60	25.60	25.60	25.60
1st income limit, euro/year	28,248	28,942	30,041	31,565
2nd income limit, euro/year	44,390	45,481	47,208	49,602
<i>Sickness insurance contribution</i>				
Daily allowance contribution				
entrepreneurs, %	1.55	1.32	1.59	1.23
farmers, %	1.36	1.18	1.36	1.18
Medical care contribution, %	0.68	0.53	0.60	0.51
Accident insurance contribution for farmers				
Fixed amount, euro/year	18.00	12.00	12.00	12.00
Rate for MYEL-income, %	0.85	0.85	0.85	0.85

### *Changes in self-employed social contribution rules in 2021–2024*

No main policy changes.

### *EUROMOD modelling*

For farmers, the group life insurance contribution, and other insurance schemes like unemployment insurance contribution, are not simulated in EUROMOD.

The earnings-related pension contribution is possible to pay and deduct either personally or alternatively in business or farming. If paid in business or farming, the contribution is not anymore deductible in personal taxation. Even if this is the usual case, it is assumed in EUROMOD that self-employed pay their earnings-related pension contribution personally and are entitled to deduct them in their personal taxation. The reason for these assumptions is the lack of information in the data about the treatment of the earnings-related pension contribution. Same assumptions are applied to all contributions of self-employed.

In simulations YEL- and MYEL-incomes are assumed to be the same as the actual earned income received from self-employment.

For the first four years as an entrepreneur the earnings-related pension contribution rate is decreased by 22 percent. This is not possible to simulate in the model.

### 2.7 Direct taxes on earned income (tinna\_s, tinmu\_s and tincr\_s)

#### 2.7.1 Tax unit

In income taxation, the tax unit is individual with some exceptions.

#### 2.7.2 Tax allowances

Personal taxation is based on net income. This means that all expenses related to each income source, so-called natural allowances, are deductible from gross income. This “pure income” is the base for other tax allowances. In other words, all tax allowances are deducted from this pure income. Tax allowances are deducted either a) in state and local taxation, b) only in state taxation, or c) only in local taxation.

##### *Tax allowance for entrepreneurial income*

In tax laws of 2017, a new allowance is stipulated for the income of self-employed people, the so-called entrepreneurial allowance (*yrittäjävähennys*). It is a 5% allowance for all entrepreneurial income of self-employed people. The allowance applies for total entrepreneurial income before it is split into labour income (earned income) and capital income and before other allowances are calculated. It is valid for all private small entrepreneurs (who do not make business in the form of a joint stock company), farmers, and also for income from timber.

##### *Allowances in state and local taxation*

**Standard allowance for wage expenses** is 100% of the wage income up to 750 euro/year in 2021, but not more than the gross wage. The allowance is deducted as a natural allowance from wage income. Other natural allowances are travel expenses to work, trade union dues, fee of unemployment fund and other natural expenses. Other natural expenses are deductible only on that part which exceeds the standard allowance.

**Pension contribution allowance** is based on employee and self-employed statutory pension contribution. Contributions are fully deductible. However, when calculating the medical care contribution of self-employed the contribution is not deducted.

**Unemployment contribution allowance** is based on employee statutory unemployment contributions. It is fully deductible. The contribution is voluntary for self-employed.

**Daily allowance contribution deduction** is based on an employee and self-employed statutory sickness daily allowance contribution. The contribution is fully deductible.

##### *Allowances in state taxation*

**Pension income allowance** is at the maximum the full national pension multiplied by a coefficient of 3.726 (2021) minus the lowest income level in the state tax schedule (18,600 euro in 2021). The result is rounded up to the nearest 10 euro. The maximum allowance is thus 11,150 euro (in 2021). The deduction cannot be more than the amount of pension income. If pure earned income exceeds the maximum the allowance is decreased by 38% of the exceeding amount.

Since 2023, pension income allowance is calculated in the same way both in local and state taxation. The new structure is based on the previous pension income allowance in local taxation (see description for pension income allowance in local taxation), but an additional income limit and decrease rate are introduced. Moreover, the coefficient used in calculating the maximum amount is decreased to 1.173, and the fixed deduction is removed. If the pension income is, for

example, 28,000 euro, the pension allowance in state taxation is  $10,320 - 0.51 * (22,500 - 10,320) - 0.15 * (28,000 - 22,500)$  euro (2023).

*Example (2024):* Full pension allowance in state taxation.

The full national pension/year $12 * 775.70$	9,308.40
The full allowance $(1.173 * 9,308.40)$	10,920 (rounded)

**Allowances in local taxation**

**Low earned income allowance** (*ansiotulovähennys*) is 51% of gross work income which exceeds 2,500 euro up to limit of 7,230 euro (in 2021). From income exceeding 7,230 euro the allowance is 28%. The maximum amount is 3,570 euro. The allowance starts to decrease by 4.5% when pure earned income exceeds 14,000 euro. Since 2023, low earned income allowance is also given in state taxation.

**Student grant allowance** is at the maximum 2,600 euro (2021) but cannot be more than the amount of student grant. The allowance is reduced by 50% for every euro the pure earned income exceeds the full allowance. Since 2023, student grant allowance is also given in state taxation.

**Basic allowance** equals earned income after all other local tax allowances if this income does not exceed 3,630 euro (2021). If the income after other tax allowances exceeds 3,630 euro the basic allowance is reduced by 18% of the exceeding income. Since 2023, basic allowance is also given in state taxation.

**Pension income allowance** is equal for single person and spouses. The maximum amount is the full national pension times 1.346 (in 2021) minus maximum amount of basic allowance. In 2010, the deduction linked to basic allowance was replaced with fixed deduction 1,480 euros. The allowance cannot be more than pension income. If pure earned income exceeds the maximum allowance, the allowance is decreased by 51% of the exceeding income (in 2021).

Since 2023, pension income allowance is calculated in the same way both in local and state taxation. The new structure is based on the previous pension income allowance in local taxation, but an additional income limit and decrease rate are introduced. Moreover, the coefficient used in calculating the maximum amount is decreased to 1.173, and the fixed deduction is removed. If the pension income is, for example, 28,000 euro, the pension allowance in local taxation is  $10,320 - 0.51 * (22,500 - 10,320) - 0.15 * (28,000 - 22,500)$  euro (2023).

Changes of parameters of deductions are shown in Table 36. Changes in pension income allowances are shown separately in Table 37. The income limit in state tax schedule can be picked up from Tables 38–41.

**Table 36. Parameters of allowances in state and local taxation in 2021–2024.**

	2021	2022	2023	2024
Standard allowance for wage expenses	750	750	750	750
Low earned income allowance, maximum, euro	3,570	3,570	3,570	3,570
Starting income limit, euro	2,500	2,500	2,500	2,500
Threshold 1, euro	7,230	7,230	7,230	7,230
Threshold 2, euro	14,000	14,000	14,000	14,000

Amount of allowance, before threshold 1, %	51	51	51	51
Amount of allowance, before threshold 2, %	28	28	28	28
Decrease of allowance, after threshold 2, %	4.5	4.5	4.5	4.6
Maximum of student grant allowance, euro	2,600	2,600	2,600	2,600
Decrease of student grant allowance, %	50	50	50	50
Maximum of basic allowance, euro	3,630	3,740	3,870	3,980
Decrease of basic allowance, %	18	18	18	18

**Table 37. Parameters of pension income allowances in 2021–2024.**

	2021	2022	2023	2024
Full national pension	7,983.48	8,154.00	8,792.04	9,308.40
Coefficient in state taxation	3.726	3.726	1.173	1.173
Decrease in state taxation (income over full amount), %	38	38	51	51
Additional income limit in state taxation	-	-	22,500	22,500
Decrease in state taxation (income over additional limit), %	-	-	15	15
Full amount in state taxation	11,150	11,190	10,320	10,920
Deduction in local taxation	1,480	1,480	-	-
Coefficient in local taxation	1.346	1.346	1.173	1.173
Decrease in local taxation (income over full amount), %	51	51	51	51
Additional income limit in local taxation	-	-	22,500	22,500
Decrease in local taxation (income over additional limit), %	-	-	15	15
Full amount in local taxation	9,270	9,500	10,320	10,920

### 2.7.3 Tax base

The earned income tax base is the sum of earned income subject to tax minus natural allowances and other tax allowances. The income subject to tax is the same in state and local taxation, but tax allowances usually differ and thus also the tax bases.

### 2.7.4 Tax schedule and local tax rates

In state taxation, a progressive tax schedule is applied to earned income tax base. The limits and the rates of the income bands are shown in Tables 38–41. If the taxable income is, for example, 30,000 euro, the tax is  $8+0.0600*(27,900-18,600)+0.1725*(30,000-27,900)$  euro (2021).

**Table 38. The progressive state tax schedule on earned income in 2021.**

Taxable income in state taxation, euro	Tax on lower limit, euro	Rate above the lower limit, %
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18,600–27,900	8.00	6.00
27,900–45,900	566.00	17.25
45,900–80,500	3,671.00	21.25
80,500–	11,023.50	31.25

Table 39. The progressive state tax schedule on earned income in 2022.

Taxable income in state taxation, euro	Tax on lower limit, euro	Rate above the lower limit, %
19,200–28,700	8.00	6.00
28,700–47,300	578.50	17.25
47,300–82,900	3,786.50	21.25
82,900–	11,351.50	31.25

Table 40. The progressive state tax schedule on earned income in 2023.

Taxable income in state taxation, euro	Tax on lower limit, euro	Rate above the lower limit, %
0–19,900	0.00	12.64
19,900–29,700	2515.36	19.00
29,700–49,000	4377.36	30.25
49,000–85,800	10,215.61	34.00
85,800–	22,727.61	44.00

Table 41. The progressive state tax schedule on earned income in 2024.

Taxable income in state taxation, euro	Tax on lower limit, euro	Rate above the lower limit, %
0–20,500	0.00	12.64
20,500–30,500	2591.20	19.00
30,500–50,400	4491.20	30.25
50,400–88,200	10,510.95	34.00
88,200–150,000	23,362.95	42.00
150,000–	49,318.95	44.00

In local taxation, municipal tax rates, church tax rates and medical care contribution percentages are applied to the tax base. Municipal tax rates and church tax rates are decided by municipalities and churches and thus vary across municipals and churches.

Table 42. Average municipal and church tax rates in 2021–2024.

	2021	2022	2023	2024
Average municipal tax rate, %	20.02	20.01	7.38	7.46
Average church tax rate, %	1.39	1.39	1.38	1.37

### 2.7.5 Special tax on pension income

Since 2013, a special tax on pension income shall be paid. It is part of the state income tax. In 2016, the tax was 6% on pension income exceeding the limit of 45,000 euro/year. Since 2017, the limit has been 47,000 euro/year and the tax rate 5.85 %.

### 2.7.6 Exemptions

Earned incomes are widely subject to tax. The most important exemptions are:

- Child benefit
- Housing allowances
- Livelihood support grant<sup>2</sup>
- Some stipends and scholarships
- 25% of dividends treated as earned income are non-taxable
- Local authority income support

### 2.7.7 Tax credits

**Low earned income tax credit** (*työtulovähennys*) in state taxation is 12.7% (in 2021) of the work income exceeding 2,500 euro. The maximum amount of credit is 1,840 euro. If pure income exceeds 33,000 euro the tax credit decreases by 1.89% of the pure income exceeding 33,000 euro. The tax credit is subtracted from the state tax, but if it cannot be subtracted or it can be subtracted only partly, the remaining amount is subtracted proportionally from local and church taxes and the sickness contribution. Work income is defined as wage, earned self-employment income and earned dividends. The low earned income tax credit is subtracted before any other tax credits.

In 2023, an additional income limit on work income and decrease rate were introduced, and the starting income limit was removed. In addition, higher maximum amounts were introduced for age groups 60–61, 62–64, and 65–.

Table 43. Low earned income tax credit in 2021–2024.

	2021	2022	2023	2024
Amount of credit from work income (over starting income limit), %	12.7	13.0	12.0	12.0
Starting income limit, euro	2,500	2,500	-	-
Maximum amount, euro	1,840	1,930	2,030	2,140
60–61 years old	-	-	2,230	-
62–64 years old	-	-	2,430	-
65– years old	-	-	2,630	3,340

<sup>2</sup> This is a child maintenance allowance paid in place of alimonies (in case a divorced parent can't pay the full amount).

Limit of pure income, euro	33,000	33,000	22,000	23,420
Decrease from pure income after limit, %	1.89	1.96	2.03	2.03
Additional limit of pure income, euro	-	-	70,000	71,900
Decrease from pure income after additional limit, %	-	-	1.21	1.21

**Deficit credit** (*alijäämähyvitys*) is a deviation from the principle that capital and earned incomes are taxed separately. If natural allowances and deductible interests exceed the gross capital income, the exceeding amount is denoted as “a deficit in the capital income type”. A person is entitled to subtract a share of this deficit (deficit credit) from earned income taxes (state tax, municipal tax, church tax and medical care contribution). The deficit credit is the deficit multiplied by capital income tax rate.

Deficit credit deviates also from the principle of individual taxation because there is an increase of deficit credit if there are children in the household. For spouses this increase is applied only to the spouse, whose state tax on earned income is larger. In addition, the deficit credit, or a share of it, is possible to transfer to a spouse if it would be “unused” because of low taxes.

The maximum amount of deficit credit per person is 1,400 euro. This is increased by 400 euro if there is one child and by 800 euro if there are at least two children in the household. Thus, for a couple with two dependent children the maximum tax credit is 3,600 euro. That share of the deficit, which is based on interests of first owned dwelling, is multiplied by capital income tax rate plus 2 percentage points (32% instead of 30%). The same maximum limits are still applied. Since 2023, interests of first owned dwelling are no longer taken into account when calculating the deficit.

Deficit credit is subtracted from earned income taxes in the following way. First 75% is subtracted from state tax on earned income. The rest of the credit (25%) is then subtracted from state tax (what is left), municipal tax, church tax and medical care contribution in the proportion of their respective shares. That share of the deficit credit, which is not deducted from earned income taxes, because no taxes are left, is converted into a loss. This loss is deductible from capital income over the next ten years.

For spouses with one child the calculation of the deficit credit is the following: if husband’s state tax on earned income is bigger than wife’s, his maximum tax credit is 1,800 euro (incl. child increase) and wife’s 1,400 euro. If husband’s earned income taxes are less than 1,800 euro, say 1,000 euro, the difference is transferable to the wife. This difference, 800 euro, is then subtracted from wife’s taxes in the same way as from husband’s taxes. In these parameters, there have been no changes in the years 2021–2024.

The deficit credit is deducted after invalidity tax credit and maintenance tax credit.

**Special deficit credit** (*erityinen alijäämähyvitys*) is admitted on the base of voluntary pension insurance payments. Pension insurance payments are subtracted from capital income. If there is deficit in the capital income type, it is possible to subtract a share of voluntary pension insurance payment from earned income taxes. The special deficit credit is the insurance payment multiplied by capital income tax rate. The maximum deductible insurance payment is at most 5,000 euro and thus the maximum tax credit is 1,500 euro. There is no child increase in special deficit credit.

The subtraction of special deficit credit from earned income taxes differs slightly from deficit credit. At first 100% of the special deficit credit is subtracted from state tax. If the state tax is smaller than the deficit credit, the rest of it is subtracted from municipal tax, medical care contribution and church tax in the proportion of their respective shares. The special deficit credit,



or a share of it, is possible to transfer to a spouse if credit would be “unused” because of low taxes.

That share of the deficit in capital income type, which is not possible to deduct from earned income tax is converted into a loss. The loss is deductible from capital income over the next ten years.

The special deficit credit is deducted after the deficit credit.

In addition, there are three tax credits in the Finnish tax system: tax credit based on invalidity, on payments for maintenance of child and on domestic and reconstruction services. All the tax credits are non-refundable.

### ***Changes in earned income tax rules in 2021–2024***

In 2023, funding of social and health care and rescue services are transferred from municipalities to state. As a result, some tax revenue is moved from local taxation to state taxation.

Since 2023, low earned income allowance, student grant allowance, and basic allowance are given both in local and state taxation.

Since 2023, pension income allowance is calculated in the same way both in local and state taxation. The new structure is based on the previous pension income allowance in local taxation, but an additional income limit and decrease rate are introduced. Moreover, the coefficient used in calculating the maximum amount is decreased, and the fixed deduction is removed.

In 2023, an additional income limit on work income and decrease rate were introduced into low earned income tax credit. In addition, the starting income limit was removed for all, and higher maximum amounts were introduced for age groups 60–61 (abolished in 2024), 62–64 (abolished in 2024), and 65–.

In 2024, a new income bracket was added into the state tax schedule.

### ***EUROMOD modelling***

Standard allowance is the only natural deduction simulated in the model. Other, not simulated, natural allowances are travel expenses to work, trade union dues, fee of unemployment fund and other natural expenses.

When calculating the medical care contribution of self-employed the pension contribution is not deducted. This exception is not taken into account in the model. It is assumed in simulations that entrepreneurs and farmers pay personally this contribution and, thus, they are entitled to deduction in personal taxation.

There is no information in the EUROMOD data about municipal tax rates and church tax rates and, thus, weighted average tax rates are used in simulations. These rates for relevant policy years are shown in Table 42.

There are three tax credits in the Finnish tax system, which are not included in the model: tax credit based on invalidity, on payments for maintenance of child and on domestic and reconstruction services.

The increase in the maximum amount of deficit credit is not possible to simulate in EUROMOD.

## **2.8 Direct taxes on capital income tax (tiny\_s)**

### **2.8.1 Tax unit**

The tax unit is individual in capital taxation. Capital incomes are taxed only in state taxation.

### **2.8.2 Exemptions**

Capital incomes are widely subject to tax. The most important exemptions are:

- 25% of dividends received from non-listed companies and treated as capital income are taxable and 75% non-taxable, under the limit of 150,000 euros.
- 15% of dividends received from listed or non-listed companies (treated as capital income and exceeding the limit of 150,000 euros) are non-taxable.
- Imputed rent of owned-occupied dwelling is non-taxable.

### **2.8.3 Tax allowances**

Some interests are subtracted from capital income as natural deductions. Most important natural allowances are interest expenses on mortgage, study and investment loans.

**Interest on mortgage loan** is subtracted from capital income. There is no limit for the amount of the deduction, but since 2012 only part of the interest can be deducted. In 2020, 15%, in 2021 10%, and in 2022, 5% can be deducted. Since 2023, interest on mortgage loan is no longer subtracted from capital income.

**Voluntary pension insurance payment allowance** is deducted from capital income with a limit of 5,000 euro.

### **2.8.4 Tax base**

The capital income tax base is the sum of capital incomes subject to tax minus natural allowances, deductible interests and losses.

Only part of dividend income is taxable. In income taxation, the dividends are divided into three parts: a tax-free part, taxable capital income, and taxable earned income. There are different rules for dividends from companies whose shares are publicly traded (exchange-listed companies) and for other dividends.

### **2.8.5 Tax rate**

Capital income was taxed with a flat tax rate in policy years 2007–2011. From 2012, a higher rate for capital incomes exceeding an annual income limit was introduced.

Table 44. Tax rates in capital income taxation 2021–2024.

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
General tax rate, %	30	30	30	30
Limit for higher tax rate, euros/year	30,000	30,000	30,000	30,000

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Higher tax rate, %	34	34	34	34
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### **2.8.6 Tax credits**

The tax credit for domestic and reconstruction services is the only tax credit which is subtracted (partly) from capital income tax. Firstly, it is subtracted from capital and earned state taxes in relation to their amounts. Secondly, if there is tax credit left, it is subtracted from other earned income taxes in the proportion of their respective shares.

#### ***Changes in capital income tax rules in 2021–2024***

No main policy changes in capital income taxation during 2021–2024. The deductibility of mortgage interests has been reduced since 2012 and the interests are no longer deducted in 2023.

#### ***EUROMOD modelling***

In the EUROMOD, the tax allowances for interest expenses on study and investment loans are not subtracted from capital income.

The losses are not included in simulations.

The tax credit for domestic and reconstruction services is not simulated in the model.

### **2.9 Broadcasting tax**

In 2013, the so-called broadcasting tax (*yleisradiovero*) was introduced. It is designed to finance Finland's national public service broadcasting company Oy Yleisradio Ab operating several television and radio channels. The tax replaced TV licenses, which until 2012 were obligatory for all households owning a TV receiver.

The new tax is individual. Children under 18 years do not pay the tax. The tax base is pure taxable earned and capital income, i.e., taxable income, from which the so-called natural deductions, for example, work expenses, have been made.

Since 2018, there is a minimum limit of 14,000 euro for the taxable income to be taxed, and the tax is 2.5 per cent of the income exceeding this limit. The maximum amount of the tax is 163 euro.

#### ***EUROMOD modelling***

### **2.10 Consumption taxes**

Consumption taxes simulated in EUROMOD can be divided in two groups: VAT (value added tax) and excises (additional duties paid over consumption, typically on energy, alcoholic beverages, and tobacco).

Simulated consumption tax liabilities paid by households depend on the tax rules (e.g., the VAT rate) and on the tax base (consumption expenditures or quantities). This is why, to simulate consumption taxes in EUROMOD, the input data must contain information on household expenditures. The expenditures matched in the EUROMOD input files based on SILC are reported directly by households in the HBS surveys at purchasing prices. Therefore, they already include the consumption taxes paid.

- i) VAT (*il\_tva* variable in EUROMOD) is the value-added tax. The model also simulates at high disaggregation level the VAT liabilities paid for each consumption category (output variables are *tva01111*, *tva01112*, and so on and so forth, corresponding to COICOP codes 01111 and 01112, etc.)
- ii) Excises (*il\_tx* variable in EUROMOD) are additional duties paid over consumption and can be classified in two groups: ad-valorem excises (*il\_t xv*) that depend on producer prices, and of specific or ad-quantum excises (*il\_t xa*) that depend on consumed quantities.

Since consumption data from HBS refers to expenditures (price times quantity), for the simulation of specific excises information on consumption prices are needed.

Further information on methodology and specific calculations and the independence of these consumption taxes is common across countries (this is why they are placed in an add-on and not in the policy spine of each country) and can be found in Akoğuz et al (2020).

### 2.10.1 VAT (*il\_tva*)

Value added tax (*arvonlisävero*) is a general consumption tax on goods and services. There are three rates: a standard rate of 24% is applied to most consumption goods, a reduced rate of 14% is applied to food, animal fodder and restaurant services, and a super reduced rate of 10% is applied to medicine, books, passenger transportation, accommodation, culture, sports, small repair services etc. Healthcare and medical services are exempted from VAT.

Table 45. VAT rates [2021–2024]

Products		2021	2022	2023	2024
<b>Standard</b>		24%	24%	24%	24%
<b>Reduced</b>	Mainly applies to foodstuff and drinks, animal feed, restaurant services (including food, but excluding tobacco products and alcohol)	14%	14%	14%	14%
<b>Super reduced</b>	Applies to books, newspapers and magazines (print and electronic publications), pharmaceutical products, sports and fitness services, entrance fees to cultural, entertainment and sporting events, accommodation services	10%	10%	10%*	10%
<b>Zero</b>	Mainly applies to membership bulletins or magazines from non-profit organizations	0%	0%	0%	0%
<b>Exempted</b>	Covers healthcare and medical services	-	-	-	-

\*Passenger transport services provided in Finland were subject to zero-rate VAT from 1.1.2023 to 30.4.2023.

### 2.10.2 Ad-valorem excises (*il\_t xv*)

Excise duties (*valmisteverot*) are levied on, e.g., alcohol and alcoholic beverages, tobacco products, liquid fuels, electricity and certain fuels. Ad-valorem excises cover alcoholic beverages, cigarettes and other tobacco products and smokeless nicotine products in non-liquid form. In addition to the most common products in Table 46, other goods subject to ad-valorem excise and their rates are: Smokeless nicotine product in non-liquid form (10%), cigarette paper (60%), pipe and cigarette tobacco (48%) and other products containing tobacco (60%).

Table 46. Ad-valorem excise rates [2021–2024]

Products	2021	2022	2023	2024
Cigarettes	52%	52%	52%	52.0%
Cigars	34%	34%	34%	34.0%
Fine cut	52%	52%	52%	52.0%

### 2.10.3 Specific excises (il\_txa)

Specific excises apply to energy, alcohol and tobacco products. In this case, we collect both tax parameters and consumer prices, to allow the model to estimate the implicit quantities behind the reported household consumption expenditure amounts.

Ad-quantum excise rates for electricity and fuels depend on type of the product and MWh produced or volume, rates for tobacco are usually per piece, and rates for alcohol depend on either volume of the product (in litres) or volume of ethyl alcohol included in the product. Excise for beer and spirits is based on volume of centilitres of ethyl alcohol included in the product while excise for wine and sparkling wine is based on the total volume of the product. Table 48 presents average prices but also most typical alcohol content of products. For reference, most common spirits sold at Finland have alcohol content of 32 %.

Table 47. Specific (ad-quantum) excise rates

Products	2021	2022	2023	2024
Wine		421 cents/litre of alcoholic beverage	421 cents/litre of alcoholic beverage	456 cents/litre of alcoholic beverage
Sparkling wine		421 cents/litre of alcoholic beverage	421 cents/litre of alcoholic beverage	456 cents/litre of alcoholic beverage
Ethyl alcohol (spirits)		50.35 cents/cl of ethyl alcohol	50.35 cents/cl of ethyl alcohol	54.80 cents/cl of ethyl alcohol
Beer		38.05 cent/cl of ethyl alcohol	38.05 cent/cl of ethyl alcohol	36.20 cent/cl of ethyl alcohol
Cigarettes (cents/unit)	Jan–Jun: 7.625/pc Jul–Dec: 7.95/pc	Jan–Jun: 8.32/pc Jul–Dec: 8.69/pc	Jan–Jun: 9.06/pc Jul–Dec: 9.43/pc	9.43/pc
Cigars (cents/unit)	Jan–Jun: 4.00/pc Jul–Dec: 4.50/pc	Jan–Jun: 6.52/pc Jul–Dec: 8.54/pc	Jan–Jun: 10.56/pc Jul–Dec: 12.58/pc	12.58/pc
Other tobacco (cents/unit)	Jan–Jun: 5.05/g Jul–Dec: 5.25/g	Jan–Jun: 5.95/g Jul–Dec: 6.65/g	Jan–Jun: 7.35/g Jul–Dec: 8.05/g	8.05/g
Electricity (per MWh)			22.53	22.53
Natural Gas (per gigajoule)			5.85	5.85
Liquefied hydrocarbons (per 1000 kg)			314.9	314.9
Gas Oil, heating (per 1000L)			269.7	266.9
Coal and Coke (per gigajoule, 1 GJ = 0.0316 ton)			6.97	6.97
Petrol (per 1000L)			723.5	684.1

Petrol (unleaded) (per 1000L)	723.5	684.1
Gas Oil, propellant (per 1000L)	533.6	492.3

Table 48. Prices of excise products

Prices	2021	2022	2023	2024 <sup>n</sup>
Wine (12.5% of alcohol), Eur/litre	14.57	15.13	15.80	
Sparkling wine (11.5% of alcohol), Eur/litre	31.90	32.73	33.79	
Ethyl alcohol (40% of alcohol), Eur/litre	37.05	37.36	38.12	
Beer (4.7% of alcohol), Eur/litre	5.10 Eur/l	4.95 Eur/l	4.98 Eur/l	
Cigarettes, Eur/1000pc	407.71	437.48	457.03	
Cigars, Eur/1000pc				
Other tobacco, Eur/kg	263.30	283.56	324.97	
Electricity, Eur/MWh	157.10	184.90	205.50	
Natural Gas, Eur/GJ	1248	35.52	18.26	
Liquefied hydrocarbons, Eur/1000kg	2271.34	2831.73	2796.77	
Gas Oil, heating, Eur/1000L	1006.67	1675.83	1445.00	1430*
Coal and Coke, Eur/GJ	16.11	25.03		
Petrol, Eur/1000L	1686.67	2136.67	1967.50	1790.00*
Petrol (unleaded), Eur/1000L	1686.67	2136.67	1967.50	1790.00*
Gas Oil, propellant (Diesel), Eur/1000L	1531.67	2155.00	1978.33	1870.00*

n: nowcasted. \*January–February 2024 average price

Consumer prices of goods subject to excise duties are nowcasted, similarly to what the model does to update incomes from SILC. We combine the latest available data from the following sources:

- Prices per product, usually from last year, but for instance, fuel prices have only 15 days delay.
- Inflation: Harmonised Index of Consumer Prices (HICP, Eurostat) at COICOP 5 digits, usually for the first quarter for beta release and up to third quarter 3 for final release.
- Inflation quarter-on-quarter forecasts (DG ECFIN, confidential) by HICP main groups (unprocessed food, processed food including alcohol and tobacco, non-energy industrial goods, energy, services - overall index excluding goods) of quarters 2, 3 and 4, as needed for each release.

For more details on the specific source of the price of each good, see Akoğuz et al (2020).

### ***EUROMOD modelling***

Consumption taxes (*tco\_cc policy*) require extended EUROMOD input data (with imputed income shares of consumption expenditures at the household level) and an add-on to run. The policy is set to off in the baseline. To activate it, the *CT\_xbase* add-on must be run, and the extended EM input files (see Section 3 for more information on the methodology and features behind these extended input files) should be selected (as defined in the database configuration of each country). The other add-ons (*CT\_\**) are designed for reform simulations and assume

different behavioural responses: i) constant quantities (*CT\_XCQ*), ii) constant income shares (*CT\_XCIS*), and iii) constant expenditure shares (*CT\_XCES*). These reform-scenario add-ons require the auxiliary output files are generated by running the first baseline simulation (as either the quantities or expenditures and savings from the baseline are kept constants and enter as inputs in the simulated reform scenarios).

## 2.11 Extraordinary measures

Finnish government implemented new and reformed existing benefits in response to the COVID outbreak in spring 2020. The following section documents the benefits for employees, unemployed and self-employed as well as eligibility criteria for the benefits.

Most of the implemented benefits in the next section follow existing benefit rules. Replacement rate, minimum and maximum follow the original benefit rules if not stated otherwise. Share paid by the state (or municipality or insurance or equivalent) is always 100%.

### 2.11.1 COVID-19 : Reformed unemployment benefits

Unemployment benefits were reformed from 16 March 2020 with minor changes to waiting period, maximum unemployment duration, and work requirement for earnings related unemployment benefit. Additionally, amount of exempt earnings was increased from 300 euro per month to 465 or 500 euro per month from 1 June 2020.

Table 49 shows the relevant change and comparison to original unemployment benefit schemes when possible. Replacement rate and other parameter values follow the original legislation. The five-day waiting period was abolished for temporarily laid off and newly unemployed. The work requirement for qualifying for earnings related unemployment benefit was reduced from 26 weeks to 13. Additionally, maximum unemployment benefit duration is unaffected if the person is laid off temporarily: unemployment days while temporarily laid off do not count towards maximum eligibility for earnings related unemployment allowance.

Table 49. Temporary reforms to unemployment benefits in response to the COVID outbreak.

Policy	Duration	Original, 2020	Reformed, 2020	Reformed Policies
The five-day waiting period <sup>[1]</sup>	16/3/2020– 31/12/2020, 1/1/2022– 28/2/2022			Earnings related unemployment benefit, Labour market subsidy, Basic unemployment benefit
The work requirement for qualifying for unemployment allowance	16/3/2020– 31/12/2020	Contribution period: At least 6 months in the last 28 months	At least 3 months in the last 28 months	Earnings related unemployment benefit (and Basic unemployment benefit after 1/7/2020)
Maximum unemployment benefit duration unaffected (unemployed full-time or part-time)	1/7/2020– 31/12/2020	Duration: 18.60 (400 days) 23.26 (500 days) 13.95 (300 days)		Earnings related unemployment benefit

Maximum unemployment benefit duration unaffected if laid off temporarily	16/3/2020– 31/12/2020	Duration: 18.60 (400 days) 23.26 (500 days) 13.95 (300 days)	Earnings related unemployment benefit
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<sup>[1]</sup> Also applies to Temporary unemployment benefits for self-employed persons.

All unemployment benefits have exempt earnings of 300 euros per month. After the exempt threshold the unemployed benefit is cut by 0.5 euro for each earned euro earned from, for example, part-time work. Temporary raise to the exempt amount applicable to unemployment benefits was introduced from 1 June 2020 to 31 October 2020 and later continued until 30 November 2021. The unemployed can earn up to 465 euros, if the benefit is paid every four weeks, or up to 500 euros, if the benefit is paid on a monthly basis.

### *EUROMOD modelling*

Given lack of data, the temporary reforms cannot be simulated in EUROMOD.

### **2.11.2 COVID-19: Temporary unemployment benefits for self-employed persons**

#### **Brief description**

Since 16 March 2020, self-employed were able to apply for newly implemented benefit, *Temporary unemployment benefits for self-employed persons*. The benefit was continued until 30 November 2021 and again applied from 1 January 2022 to 28 February 2022.

The benefit follows labour market subsidy scheme, but only the basic amount of the benefit is paid. Neither child supplement nor supplementary allowance are paid for self-employed. Furthermore, the benefit is exempt from means-testing, but *conciliated adjustable unemployment benefit* calculation rules still apply and include earnings and net entrepreneurial income.

#### *Eligibility conditions*

Self-employed are able to apply and receive for labour market subsidy if they are register as an unemployed jobseeker with the TE Services. Additionally, either their full-time employment in their business has ended, or if their income from self-employment, because of the epidemic, is less than 1,089.67 euro per month in 2020 and 2021, and 1,103.92 euro per month in 2022.

#### *Benefit amount*

*Temporary unemployment benefits for self-employed persons* equals the basic unemployment allowance. The basic amount is 33.66 euro per day in 2020, 33.78 euro per day in 2021, and 34.50 euro per day in 2022, similarly to labour market subsidy without child supplements.

Changes to *conciliated adjustable unemployment benefit* calculation introduced in previous section also applies to *Temporary unemployment benefits for self-employed persons* with benefit adjustment periods beginning between 1 June 2020 and 30 November 2021. Before 1 June 2020, the threshold amount was 300 euros per month. After 1 June 2020, the threshold was 465 euros if the benefit was paid every four weeks, or up to 500 euros if the benefit was paid on a monthly basis. The income affecting the benefit adjustment include net entrepreneurial income after expenses, such as fixed-costs. In addition, any income from employment is included when adjusting the benefit.



### *Means testing*

Temporary unemployment benefits for self-employed persons are exempt from means-testing other than *conciliated adjustable unemployment benefit* calculation present in the labour market subsidy scheme.

### *EUROMOD modelling*

This policy can only produce results if the model is run in combination with the *LMA* add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the *TransLMA\_xx* policy, which is switched on automatically by the add-on. For more information about the modelling of labour market transitions please consult the ‘Simulating labour market transitions in EUROMOD’ document.

Model-based labour transition data are produced by Eurostat, using detailed distributional information on the loss of jobs and short-term work schemes from the Labour Force Survey and administrative data.

The impact across different categories of individuals, the duration of unemployment/absence and percentage of hours worked are modelled using the EU-LFS longitudinal and quarterly transitions as target.

For more information please consult the methodological note available at [9a70fb55-ceb7-d25a-1b31-ab0c030095d2 \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1&code=sdg_8_8_10&plugin=1).

### **2.11.3 COVID-19: Temporary financial assistance due to an epidemic outbreak**

Finnish government implemented new benefit for parents who were forced to take unpaid leave because of childcare responsibilities or who returned from abroad to Finland and were forced to take unpaid leave between 16 March 2020 and 13 May 2020. The benefit, *Temporary financial assistance due to an epidemic outbreak* follow the *minimum sickness allowance* scheme.

Around 1,900 persons received the benefit in May 2020. Note that sick or quarantined persons are eligible for either *sickness allowance* or *sickness allowance on account of an infectious disease (tartuntatautipäiväraha)*.

### *Eligibility conditions*

Persons that are registered as an unemployed jobseeker or have been laid off temporarily are not eligible. Employed persons were eligible for the benefit in two cases:

First, if parent is at home on unpaid leave taking care of child(ren) and the childcare need is caused by COVID crisis then parent is eligible for the benefit. The child must be either in early education and care (under 7 years old) or in education (classes 1–3, around 7–9 years old). This option was available from 16 March 2020 to 13 May 2020.

Second, the persons who have returned to Finland from abroad and were forced to be placed in conditions equivalent to quarantine may be eligible for the benefit and the benefit duration is usually 2 weeks. This option was available if the person arrived in Finland from abroad before 14 May 2020, but after 14 May 2020 the benefit is usually unavailable.

### ***Benefit amount***

The benefit amount follows the minimum sickness allowance or minimum parental leave benefit. The benefit amount is 28.94 euro per work day that corresponds 723.50 euro per month in 2020 and 29.05 euro per work day that corresponds 726.25 euro per month in 2021.

### ***EUROMOD modelling***

Given lack of data and the low number of recipients, the temporary financial assistance due to an epidemic outbreak cannot be simulated in EUROMOD.

#### **2.11.4 COVID-19: Temporary compensation due to an epidemic outbreak for basic social assistance**

*Temporary compensation due to an epidemic outbreak for basic social assistance* grants persons receiving basic social assistance an additional 75.00 euro per month. The compensation is available from September 2020 to December 2020.

### ***Eligibility conditions***

Two eligibility criteria state that: First, eligible person must have received basic social assistance between 1 March 2020 and 31 July 2020 and, second, person must have received basic social assistance in the previous month. The compensation does not require additional application and is paid automatically by the Social Insurance Institution if the eligibility criteria are met. In summary, persons that received basic social assistance between 1 March 2020 and 31 July 2020, and between August and November 2020 are eligible for the compensation.

### ***Benefit amount***

The benefit amount is 75.00 euro per person and the benefit is not subject to tax. It does not affect means-testing of social assistance or any other benefit.

### ***EUROMOD modelling***

This reform to the basic social assistance can only produce results if the model is run in combination with the full year adjustment extension.

#### **2.11.5 COVID-19: Direct grants to self-employed**

In addition to state-guaranteed loans to businesses of different sizes, the government implemented direct grants to self-employed. The grants were paid as a lump-sum benefit for the self-employed with fixed costs, such as rents or salaries, and reduction in income caused by the COVID19 pandemic.

### ***Benefit amount***

Benefit is a 2,000 euros lump-sum grant that is administered by municipalities. Around 250 million euro was reserved to the *direct grants to self-employed* and distributed to the municipalities. The distributed amount was defined by number/ratio of self-employed residing in the municipality. Municipalities granted the direct grants and returned the leftover grants to Ministry of Economic Affairs and Employment in fall 2020. 155 million euro was left over. Based on the leftover amount, approximately 47,500 self-employed use the grant in 2020.

### *EUROMOD modelling*

This policy can only produce results if the model is run in combination with the *LMA* add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the *TransLMA\_xx* policy, which is switched on automatically by the add-on. For more information about the modelling of labour market transitions please consult the ‘Simulating labour market transitions in EUROMOD’ document. We select randomly the self-employed that are eligible for this benefit.

#### **2.11.6 COVID-19: Reduction of pension contributions**

In response to COVID-19 pandemic, the government simplified temporary laid off process and reduced pension contributions that are paid by employers through the remainder of 2020. The reduction is 2.6 percentage point that accounts for approximately 900 million euro in 2020. The change had no effect on employees’ contributions.

#### *Rates and amount*

Table 31 and row “Private sector, average, %” presents the 2020 parameter (16.93 percent). The parameter was in use between 1/1/2020 and 30/4/2020 for five months. After 1/5/2020 the average contributions were reduced by 2.6 percentage points resulting to average of 14.33 percentage for remaining 7 months in 2020.

The resulting weighted average for the private sector in 2020 is  $5*16.93+7*14.33=15.41$  percent, and the resulting weighted average for all sectors in 2020 is 16.67 percent.

### *EUROMOD modelling*

This reform to the pension contribution can only produce results if the model is run in combination with the full year adjustment extension.

## **3. DATA<sup>3</sup>**

### **3.1 General description**

The Finnish database is drawn from the UDB version of the European Statistics on Income and Living Conditions survey (EU-SILC) collected in 2022. EU-SILC is the main source of comparative statistics on income distribution and social exclusion in Europe. The survey is constructed by combining information from registers and interviews. Most of the information is from administrative registers, such as Statistics Finland’s population statistics and Tax register. Typically, many of the household classifications and some expenditures are based on interviews. For example, for income reference period of 2018, 99.0 % of all gross income was from registers and 1.0 % was from interviews. Similarly, 98.0 % of paid transfers was from registers and 2.0 % was from interviews.<sup>4</sup> Table 50 presents the basic information on current database. Changes to disaggregates in EUROMOD database FI\_2014\_a1 and onwards are described in section 3.3.3.

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<sup>3</sup> Description of the data is based on the quality description of Income Distribution Survey (Tulonjakotilasto) 2020 (Statistics Finland 2021) and the Final Quality Report relating to the Finnish EU-SILC 2020 (Statistics Finland 2022).

<sup>4</sup> Quality report for Finland, 2022: <https://ec.europa.eu/eurostat/web/income-and-living-conditions/quality>

The target group of the survey are households residing permanently in Finland at the end of the year 2020. Excluded are persons living in Finland temporarily or without address, institutionalized, living permanently abroad and asylum seekers.

The sample is based on a rotating panel where the same household is included in four consecutive years. The sample design is a two-phase stratified sampling. In the first phase a so-called master sample is created by drawing 50,000 target persons aged at least 16 years. People living in the same household-dwelling unit with the target person are identified using the domicile codes. In the second phase the actual sample, 5,000 household-dwelling units, is drawn from the master sample using the stratification rules.

The stratification is performed according to the available socio-economic and income information. The master sample is divided into socio-economic groups of employees, self-employed, farmers, pensioners, other and persons with no tax record. Further, these groups are divided into subgroups according to the household-dwelling unit’s income subject to state taxation. Self-employed and household-dwelling units with high incomes have a higher probability to get into the sample than other groups. Besides the stratification criteria, the probability that a household-dwelling unit is included in the sample depends on the number of persons aged at least 16 years in the household-dwelling unit.

**Table 50. Basic information on EUROMOD database 2022**

	<b>Year 2022</b>
EUROMOD database	FI_2022_a1
Original name	UDB_cFI21D, -H, -P, -R
Provider	EUROSTAT
Year of collection	2022
Period of collection	01/2022–05/2022
Income reference period	2021
Coverage	Private households
Actual sample size	1st wave: 5,500 2nd wave: - 3rd wave: - 4th wave: -
Accepted	9,069 household-dwelling units (21,655 individuals) 1st wave: 2,804 observations 2nd wave: 2,412 observations 3rd wave: 2,168 observations 4th wave: 2,023 observations
Non-response rate	1st wave: 49.8 % 2nd wave: 18.6 % 3rd wave: 12.7 % 4th wave 8.3 %

Source: The quality description of Income Distribution Survey (Tulonjakotilasto) 2022 (Statistics Finland 2024).

### 3.2 Sample quality and weights

#### 3.2.1 Weights

Every person and household in the EU-SILC data has a weight. First, the design weights are created according to the inclusion probabilities. Second, the non-response adjusted weights are created. Third, the non-response adjusted weights are calibrated with SAS macro CALMAR, so the distributions of the certain features are similar in the sample and in the target group. The features used in calibration are:

- Region (Helsinki, capital region, statistical grouping of municipalities<sup>5</sup>)
- Size of household-dwelling unit
- Age
- Gender
- Educational level of persons aged 16 or over amounts and recipients' incomes from different sources
- Number of persons in dwelling population living in dwelling units at risk of poverty (register-based income concept)

### 3.3 Assumptions and imputations

#### 3.3.1 Time period

The reference periods of the Finnish survey follow mainly the general protocol for EU-SILC with minor differences. The income reference period of the EU-SILC 2021 is the calendar year 2020. Most income variables were collected from registries and refer to this period, i.e., the twelve-month period before the survey year. The interview information was collected during January–May 2021. The reference period of the income variables and the period of socio-demographic and labour characteristics are thus different. However, the Finnish data collecting principle diverges from general EU-SILC instructions and the relevant interview information refers also to the end of income reference period (e.g., labour activity status). More information is available at the Final Quality Report relating to the Finnish EU-SILC 2021 (Statistics Finland 2022) and the Quality Report relating to the Finnish Income Distribution Survey 2020 (Statistics Finland 2021. In Finnish).

#### 3.3.2 Gross incomes

In the EU-SILC 2021 all income variables are in gross terms except *hy020*, *hy022* and *hy023*. In addition, net amounts *py020n*, *py021n* and *hy100n* are provided in the data. No net-to-gross imputations are done.

#### 3.3.3 Imputed and disaggregated variables

Variable *hy090g* includes interest, dividends and profit from capital investments in unincorporated business. For filling the missing items of this variable cold-deck and hot-deck methods were used.

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<sup>5</sup> Helsinki and other parts of the Helsinki Metropolitan area are shown separately in the division of regions. Rest of the Finland follows statistical groupings of municipalities. See Statistical grouping of municipalities. [https://www.stat.fi/meta/kas/til\\_kuntaryhmit\\_en.html](https://www.stat.fi/meta/kas/til_kuntaryhmit_en.html)

Variable *hy030g*, imputed rent, is imputed by stratification method. External data of mean gross rents per square meter in dwellings of different sizes, types and municipalities is used.

The missing items in the housing costs *hh070* variable were imputed by using several, both non-parametric and parametric, statistical methods.

Variable *hh071*, mortgage principal payments, was imputed primarily by deductive method and secondarily for those ones whose mortgage capital was increased during the income reference year by cold-deck and hot-deck methods.

Net amounts *hy022*, *hy023* and *hy100n* were imputed by deductive and gross-net conversion imputation methods.

Some variables in UDB SILC are available only on household level and some monetary variables are aggregated in the EU-SILC but disaggregated in EMSD (EUROMOD database). These disaggregates are often necessary to make the simulations possible. For example, the investment income (*iyi*) includes earned, capital and non-taxable income which are necessary to separate in order to simulate taxes and contributions. In addition, there is information in the UDB SILC data which is not possible to decompose into any relevant and homogenous variables. The content of these “residual variables”, or “other income components”, is probably heterogeneous.

**Version history:**

**FI\_2014\_a1 and before:** UDB version of the Finnish database bases on Income Distribution Survey of Statistics Finland. Until 2016 UDB version of EU-SILC was merged with variables from Income Distribution Survey (sometimes also refereed as Finnish national SILC). Last EUROMOD database to use the variables was FI\_2014\_a1.

**FI\_2015\_a1 to FI\_2019\_a1:** EUROMOD database FI\_2015\_a1 and forward only includes variables from UDB EU-SILC. Disaggregated variables presented in 3.3.3 are less accurate in FI\_2015\_a2 and forward when compared to FI\_2014\_a1.

**FI\_2020\_a1 and FI\_2021\_a1:** FI\_2021\_a1 uses UDB SILC and national variables in EMSD as the main data source. FI\_2021\_a1 uses EMSD to disaggregate income component to individual level when the relevant data is available. However, individual level disaggregated variables that are related to some social security contributions and taxation are set to zero, since some relevant data is unavailable. Table 51 shows the aggregate EUROMOD variables which are imputed to disaggregated variables. The disaggregations are performed by using EMSD and eligibility criteria for benefits and household structure is used as background information. More information on the data source and disaggregation rules is presented in the DRD document.

Table 51. The aggregate EUROMOD variables which are split.

Aggregate variable	Description of aggregate variable	Imputed variable	Description of imputed variable	Simulated
tis	Personal income tax and social insurance contributions	tscee00	Earnings-related pension contribution and unemployment insurance contribution of employee	x
		tscse00	Earnings-related pension contribution of self-employed, earnings-related pension contribution of farmer, group life insurance contribution of farmer and accident insurance contribution of farmer	x
		tscsi	Daily allowance contribution of health insurance	x
		thl	Medical care contribution of health insurance	x
		tin	Personal income tax	x

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yse	Self-employment income	yse00	Earned income share of self-employment income	
		yse01	Capital income share of self-employment income	
yiy	Investment income	yiytx00a)	Earned income share of investment income	
		yiytx01	Capital income share of investment income	
		yiynt	Tax free income share of investment income	
bed	Education benefits	bed00	Study grant	x
		bedot	Other education benefits	
bun	Unemployment benefits	bunnc	Basic unemployment allowance	x
		bunct	Earnings-related unemployment allowance	x
		bunmt	Labour market subsidy	x
		bunot	Other unemployment benefits	
bhl	Health benefits	bhl00	Sickness leave benefit	
		bhlot	Employment injury benefits (and other health benefits)	
bfa	Family benefits	bma	Parental leave benefits	
		bcc	Child home care allowance	x
		bch	Child benefit	x
		bfaot	Other family benefits	
bsa	Social assistance benefits	bsa00	Local authority income support	x
		bsaot	Other social assistance benefits	
bho	Housing benefits	bho00	General housing allowance	x (since 2015)
		bhope	Housing allowance for pensioners	x
		bhoot	Other housing benefits	
pdi	Disability pension benefits	pdi00	Main component of disability pension	
		pdida	Disability allowance separated from disability pension	
		pdica	Pensioners' care allowance separated from disability pension	
		pdiot	Residual Disability allowance and rehabilitation separated from disability pension	
poa	Old age pension benefits	poa00	Main component of old age pension	
		poaca	Pensioners' care allowance separated from old age pension	

a) Set to zero.

### 3.4 Updating

The factors which are used to update monetary variables from the base year 2015 up to 2020 are shown in Appendix 1, Table A1. No other adjustments are done to the monetary variables. Neither is any structural change done to the demographic or labour market characteristics.



**3.5 Extended input data (with household expenditures for the simulation of consumption taxes)**

For the simulation of consumption taxes, the model needs to be run with extended EUROMOD input files. They consist of the core EUROMOD input files based on EU-SILC or National SILC, extended with new variables (household-level income shares of expenditures by product) imputed from EU/National-HBS. The semi-parametric method implemented for the imputation follows the methodology developed by Akoğuz et al (2020).

Table 52 summarizes the major features of the most recent database used to be run with the policy systems of 2021–2024.

Table 52. Extended EUROMOD database description

Extended EUROMOD database for the simulation of consumption taxes	SILC 2022 – Income year 2021 – Expenditures from HBS 2015
EUROMOD database	FI_2022_b1_2015_03_e2
Year of collection (HBS) and source	HBS 2015 – EU
Year of collection (SILC) and source	SILC 2022 – EU
Coverage and sample size	Same as FI_2022_b1
Share of households with negative incomes excluded from the matching procedure	0.0002%

z: source of expenditure shares data with u (EU-HBS), e (EMSD) n (national HBS), a (admin data)  
M: version of matching (correlative number), f: source of SILC dataset (National, UDB, ESMD): a, b or c  
N: version of SILC processing (correlative number)

These extended EUROMOD files contain all the variables included in the standard EUROMOD input files plus the income shares of each consumption category included in HBS. For example, for countries with consumption disaggregation at 4 COICOP level (5 digits), there will be close to 200 additional variables, each one with the income shares of expenditure (household level) for that particular consumption category (e.g., starting from the income share of rice consumption: *xs\_01111*; bread: *xs\_01112*, and so on and so forth). The number of additional variables depends on the granularity available in HBS, and it varies across countries).

For the case of Finland, data FI\_2022\_b1\_2015\_03\_e2, the number of variables included (income shares of expenditures, *xs\_c\**) are 193, corresponding to the harmonized consumption categories defined at COICOP [2003] level 4 (five digits).

This database is an extension of the core EUROMOD input database, and so it is based on the same sample (i.e., same identifiers "*idperson*" and "*idhh*" to identify persons and households, respectively) and contains the same variables plus the income shares of expenditure (*xs\_\** variables).

Please note that, due to the lack of information in the HBS files distributed by Eurostat, there is no consumption reported at 5-digit COICOP level for the following 3-digit codes:

- CP101
- CP102
- CP103
- CP104



Positive consumption might exist for 3-digit or 4-digit levels, but EUROMOD uses only 5-digit values.

In Table 53, we present the share of households' consumption expenditures by product (and total) captured in our matched databases (extended EM input files) with respect to the original reported expenditures in HBS. The column that refers to the same year (in this case, HBS 2015 with Extended EM Input 2015) directly depends on the quality of the imputation procedure, while the comparison across different years is influenced not only by the matching noise but also by the changes in population characteristics and in the underlining distribution of income. Therefore, the coverage displayed in the second column is just informative but is not and should not be used to evaluate nor validate the imputation procedure.

Information on the coverage of these simulated expenditures (coming from the imputation of HBS 2015 to more recent SILC-based data) with respect to the expenditures reported by National Accounts is included in section 4 of this report, together with the other macro-validation results.

Below we summarize the main findings from the imputation validation checks for Finland.

Table 53. Expenditure coverage of Extended EM Input files, %

COICOP group	HBS 2015 – Extended EM Input 2015	HBS 2015 – Extended EM Input 2022
1	100	96
2	96	92
3	98	89
4	97	98
5	94	98
6	118	112
7	100	99
8	103	99
9	96	94
10	110	99
11	100	98
12	135	132
<b>Total</b>	<b>104</b>	<b>100</b>

### **4. VALIDATION**

In this chapter, statistics on EUROMOD benefits and taxes are compared with external sources. Tables A3.1 to A3.8 in Appendix 3 show the validation results of market incomes, the tax-benefit instruments which are included in EUROMOD but are not simulated, the tax-benefit instruments which are simulated in EUROMOD, as well as income distribution and poverty indicators. The numbers of income recipients and taxpayers as well as aggregate amounts are presented.

The sources of external statistics are based on administrative registers, like registers of Finnish Tax Administration, Social Insurance Institution of Finland (Kela) and Finnish Centre for Pensions (ETK). For some incomes and taxes there is no information on recipients or taxpayers available. The reason is that in register the information is often broken down into details. People may receive different incomes, or pay taxes, simultaneously and the recipients or tax payers are not possible to sum up.

The EUROMOD input data is based on the Finnish UDB SILC which is mainly collected from registers, so the overall match to external statistics should be quite good. However, the income concepts of the survey and administrative registers are not always comparable. The precise content of some imputed variables may not be known.

#### **4.1 Aggregate Validation**

##### **4.1.1 Components of disposable income**

In this section, the main differences between the definition of disposable income in EUROMOD and EU-SILC are presented. According to EU-SILC, company car is included in the definition of disposable income and pension from individual private plans is not included. The former is not included in EUROMOD whereas the latter is included.

**Table 4.1 Components of disposable income**

	EUROMOD	EU-SILC
	<b>ils_dispy</b>	<b>HY020</b>
Employee cash or near cash income	+	+
Employer's social insurance contribution	0	0
Company car	0	+
Contributions to individual private pension plans	0	0
Cash benefits or losses from self-employment	+	+
Pension from individual private plans	+	0
<i>Unemployment benefits</i>	+	+
<i>Old-age benefits</i>	+	+
<i>Survivor' benefits</i>	+	+
Sickness benefits	+	+
<i>Disability benefits</i>	+	+
Education-related allowances	+	+
Income from rental of a property or land	+	+
<i>Family/children related allowances</i>	+	+
Social exclusion not elsewhere classified	+	+
<i>Housing allowances</i>	+	+
Regular inter-household cash transfer received	+	+
Interests, dividends, etc.	+	+
Income received by people aged under 16	+	+
Regular taxes on wealth	-	-
<i>Regular inter-household cash transfer paid</i>	-	-
<i>Taxes on income and SIC</i>	-	-

#### 4.1.2 Validation of market incomes

Tables A3.1 and A3.2 show the annual number of recipients and annual aggregate amounts of market incomes. Both the number of recipients and the annual aggregate amount of earnings across all employees in EUROMOD is close (98% and 100%) to the register sources in the base year 2021. The discrepancies are large for some components of investment and self-employment incomes. These components are imputed, so lower precision is expected. In particular, the capital income share of self-employment income cannot be satisfactorily imputed from the SILC data.

#### 4.1.3 Validation of taxes and social insurance contributions

Tables A3.3 and A3.4 present validation of taxes and social insurance contributions. As described above the external numbers of recipients are not always available. For employers there is no external information about payers of social contributions. Self-employed persons paying contributions are clearly under-represented in the data. Farmers work injury and life insurance contributions are not presented because of their minor importance in aggregate level. The number of persons liable to capital income taxes is over-simulated, as the earned income share of dividend income and self-employed income cannot be imputed satisfactory from the data. Number of payers of the state earned income taxes, municipality income tax, the medical care contributions, and the employee social insurance contribution, are close to external official statistics for 2020 and 2021.

The aggregate amount of income taxes and social insurance contributions are overall close to the external official statistics. However, capital income tax total annual amount is under-simulated.

### 4.1.4 Validation of benefits

Tables A3.5 and A3.6 present validation of benefits. Old-age pensions are covered quite well in the SILC data. The number of recipients and total annual amount of disability pensions are over-represented, although the aggregate amount is quite close to external statistics. On the contrary, survivor's pensions, guarantee pensions and disability allowances are under-represented in the data and/or in the model. Disability pensions are overestimated because they include also other benefits than pensions that cannot be successfully disaggregated.

For most means-tested and non-means-tested benefits, simulated total recipients and total annual amounts are similar to external statistics.

### 4.1.5 Validation of outputted (simulated) expenses

The validation of simulated expenditures used to model consumption taxes includes two types of comparisons:

1. Simulated household consumption expenditures compared to expenditures collected by National Accounts (NA) of that same year.
2. Simulated consumption taxes (based on NA-adjusted simulated expenditures) compared to administrative data on consumption tax revenues.

Table A3.9 and A3.10 show the validation of consumption taxes related amounts. The top part of table A3.9 compares expenditures aggregated amount from EUROMOD simulations with National Account (NA) external statistics as reported by EUROSTAT. Coicop level 1 categories perform quite good when looking at “01 – food and non-alcoholic beverages”, “05 Furnishings, household equipment, etc”, “08 – communications”, “09 Recreation and culture”, “11 Hotels and restaurants” performs quite well and results in good coverage of relative NA years. Coicop level 1 categories “06 – health”, “03 Clothing and footwear”, “04 Housing, water and fuel”, “07 Transport”, “12 Miscellaneous good and services” also performs relative good as they cover between 60 and 80% or between 120 and 140% of the NA expenses. The remaining categories instead are undersimulated and this is probably due to under-reporting of those categories in original data (e.g. tobacco and alcohol).

The second part of Table A3.9 compares aggregate revenues from consumption taxes (i.e. VAT and excises) to external statistics from EUROSTAT. The bottom part of the table shows simulated aggregate revenue for some category of interest such as alcoholic drinks, tobacco and energy products. In Denmark revenue from VAT and excises are undersimulated. The simulation captures about 35 to 80% of the revenue from consumption taxes. For Natural Gas, the simulated excise is 1% of the external statistics figure. When looking at consumption taxes on specific items, the simulation significantly underestimates the government revenue on some product like tobacco and alcohol and this is probably due to undersimulation of expenditures. The discrepancies are partly due to the fact that the survey data underpinning the CT simulation are based on consumers declared consumption that may differ from the actual consumption (e.g. people misreport about how much they smoke and drink).

To correct for this problem, EUROMOD provides also adjusted consumption aggregates, where the calibration/correcting factor is the ratio between NA aggregated expenditures and EM aggregated simulated expenditures level 1 at baseline. Effectively NA adjustment scales-up (or down) consumption and tax liabilities of all individuals. Table A3.10 compares annual Government revenue from consumption taxes after applying calibration to NA. As a result about 60% of aggregate VAT revenues are simulated in Euromod, as well as 66% of the revenue from excises after calibration. There might be various reasons for these discrepancies. The major one being that several groups that pay significant amounts of VAT are not covered in HBS. Among these groups are government and third sector, hospitals and business enterprises such as financial

companies that are themselves exempt from VAT but have to pay the input VAT from all previous production stages and private households explicitly not covered by the HBS, such as people in dormitories, jails, or retirement homes (although the latter are not such big spenders). When looking at specific items at lower coicop details, the calibration also improves the estimation of government revenue although several differences w.r.t. official statistics remain higher than 30-40%.

### 4.2 Income distribution

All results presented here concerning poverty and income distribution are computed for individuals according to their household disposable income (HDI) equivalised by the modified OECD equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. The weights in the OECD equivalence are: first adult=1; additional people aged 14+=0.5; additional people aged under 14=0.3.

Table A3.7 provides the comparison of EUROMOD simulations and the EUROSTAT data for income years 2021–2024. External statistics from EUROSTAT are available only up to 2022. Means and medians are lower while S80/S20-ratio and Gini-coefficient are slightly higher in EUROMOD than in the EUROSTAT statistics. The comparison shows the effects of variable imputations and simulations while the base data for the model and statistics are the same. The simulated income shares of deciles are quite close to EUROSTAT statistics.

#### 4.2.1 Poverty

In Table A3.8, poverty rates with several poverty lines and different age groups are presented. The overall poverty rates at the 60% threshold approximate quite well the EUROSTAT data. The differences are larger with lower poverty lines. Poverty rates at the 40% threshold are underestimated both for men and women. With 60% threshold the variations are largest for the eldest persons: the poverty rate for the age group of 65+ years is significantly underestimated.

### 4.3 Summary of “health warnings”

This final section summarizes the main findings in terms of particular aspects of the Finnish part of EUROMOD or its database. These should be borne in mind when using the model and interpreting the results.

- No adjustments have been made for demographic changes or changes in the composition of incomes since the base year 2020 (except those updated by indices and if the model is run in combination with the LMA add-on).
- The assumption of 100% take-up of means-tested benefits over-estimates the number of recipients and amounts of these benefits. However, in the baseline, local authority income support / social assistance is simulated by taking into account non-take-up.
- Some income variables are imputed from aggregate EU-SILC variables. The information of these variables may be inaccurate and the content heterogeneous.
- One should be careful when interpreting the results for small subgroups.
- Some tax credits are not simulated or included in the data.

- The simulation of monetary compensation schemes (bwkmcse\_s and bwkmcsetx\_s) is triggered by the simulation of labour market transitions defined in policy TransLMA\_cc. This policy becomes operational if the model is run in conjunction with the LMA add-on. The nature of these simulations is still experimental and only partially validated. Users are encouraged to refer to the “Simulating labour market transitions in EUROMOD” document prior to their use.
- Labour market transitions are switched OFF in EUROMOD baselines. As a consequence, the simulation of monetary compensation schemes does not produce any effect in baseline simulations. Since all policies not linked to labour market transitions are fully functional, it is possible for disposable income in 2020 and 2021 to be higher than disposable income in previous years.

## **5. REFERENCES**

### *Sources for tax-benefit descriptions and rules*

Kela, the Social Insurance Institution of Finland:

- Website: <http://www.kela.fi/web/en>
- Guidelines for benefits of Kela. The latest guidelines are available at the website of Kela. In Finnish.

Verohallinto, Tax Administration of Finland:

- Website: <https://www.vero.fi/en-US>

Eläketurvakeskus, The Finnish Centre for Pensions:

- Website: <http://www.etk.fi/en/>

Mela, the Farmers' Social Insurance Institution:

- Website: <http://www.mela.fi/en/>

### *Sources for data description*

Quality Report relating to the Finnish EU-SILC 2017–2021 (Statistics Finland 2022). Available at: <https://ec.europa.eu/eurostat/web/income-and-living-conditions/quality>

The quality description of Income Distribution Survey (Tulonjakotilasto) 2017 (Statistics Finland 2018). Available at: [https://www.stat.fi/til/tjt/2017/01/tjt\\_2017\\_01\\_2018-12-19\\_laa\\_001\\_en.html](https://www.stat.fi/til/tjt/2017/01/tjt_2017_01_2018-12-19_laa_001_en.html)

The quality description of Income Distribution Survey (Tulonjakotilasto) 2020 (Statistics Finland 2021). Available at: [https://www.stat.fi/til/tjt/2020/01/tjt\\_2020\\_01\\_2021-12-15\\_laa\\_001\\_fi.html](https://www.stat.fi/til/tjt/2020/01/tjt_2020_01_2021-12-15_laa_001_fi.html) . In Finnish.

### *Sources for validation statistics*

Expenditure on social assistance – statistical report (National Institute for Health and Welfare).

Financial statements of the Unemployment Insurance Fund.

Social protection expenditure and financing – statistical report (National Institute for Health and Welfare).

Statistical database of taxable incomes (Statistics Finland).

Statistical database of the Finnish Centre for Pensions.

Statistical database of the Social Insurance Institution of Finland.

Statistics of the Farmers' Social Insurance Institution.

Statistical Yearbook of Kela, the Social Insurance Institution of Finland.

**ANNEX 1. UPRATING FACTORS**

Table A1. Uprating factors 2017–2024.

<b>Index</b>	2017	2018	2019	2020	2021	2022	2023	2024	Applied to variables:
Index of wage and salary earnings (2005=100) <sup>[1]</sup>	134.8	137.1	140.0	142.7	146.2	149.7	156.1	160.6	yem, yse (yse00, yse01), kfb*, xmp, yivwg, kivho, ypt, yot
Earnings-related pension index (TEL) <sup>[2]</sup>	2534	2548	2585	2617	2631	2691	2874	3037	ypp, pdi*, poa*, psu, xpp
National pension index (KEL) <sup>[3]</sup>	1617	1617	1617	1633	1639	1674	1805	1911	bsa (bsa00, bsaot), bhoot, bfaot
Consumer price index (2005=100) <sup>[4]</sup>	120.7	122.0	123.3	123.6	126.3	135.3	143.8	146.4	bedot
Index of investment income (2007=100) <sup>[5]</sup>	132.7	137.5	150.8	133.8	155.8	170.3	181.0	184.2	yyi (yyitx00, yyitx01, yyint), afc
Index of previous year's earnings <sup>[6]</sup>	134.5	134.8	137.1	140.0	142.7	146.2	149.7	156.1	yempv, bma, bhl00, bhlot, bunot
Rent index (2007=100) <sup>[7]</sup>	135.3	136.9	138.5	140.0	141.2	142.5	145.3	146.3	ypr, tpr, xhc (xhcrt, xhcot), bho00
Index of mortgage interest (2010=100) <sup>[8]</sup>	52.6	50.0	47.7	44.0	40.5	57.4	167.6	203.4	xhcmomi
Leaded index of wage and salary earnings <sup>[9]</sup>	2534	2548	2585	2617	2631	2691	2874	3037	bsa (bsa00, bsaot), bhoot, bfaot

[1] Source: Statistics Finland. Figure for 2024 is based on the forecast of Ministry of Finance on 23 September 2024.

[2] Source: Finnish Centre for Pensions.

[3] Source: Social Insurance Institution of Finland and Finnish Centre for Pensions.

[4] Source: Statistics Finland. Figure for 2024 is based on the forecast of Ministry of Finance on 23 September 2024.

[5] Source: Statistics Finland: average dividend income per household. Figures for 2023 and 2024 are based on the consumer price index above.

[6] See: Index of wage and salary earnings.

[7] Source: Statistics Finland. Figure for 2024 is based on data from the 3rd quarter of 2024.

[8] Source: Bank of Finland: average interest for household mortgage loans. Figure for 2024 is based on data from January to September 2024.

[9] Source: Statistics Finland. Figures for 2023 and 2024 are based on the forecast of Ministry of Finance for 2024 and 2025 on 23 September 2024.



## ANNEX 2. POLICY EFFECTS IN 2023–2024

### A. Baseline results

Table A2 and Figure A1 show the effect of policy changes in 2023–2024 on mean equivalised household disposable income by income component and income decile group, as a percentage of mean equivalised household disposable income in 2023. Each policy system has been applied to the same input data (2022 EUROMOD input data, 2021 income year) deflating monetary parameters of 2023 policies by the Eurostat’s Harmonized Index of Consumer Prices (HICP).

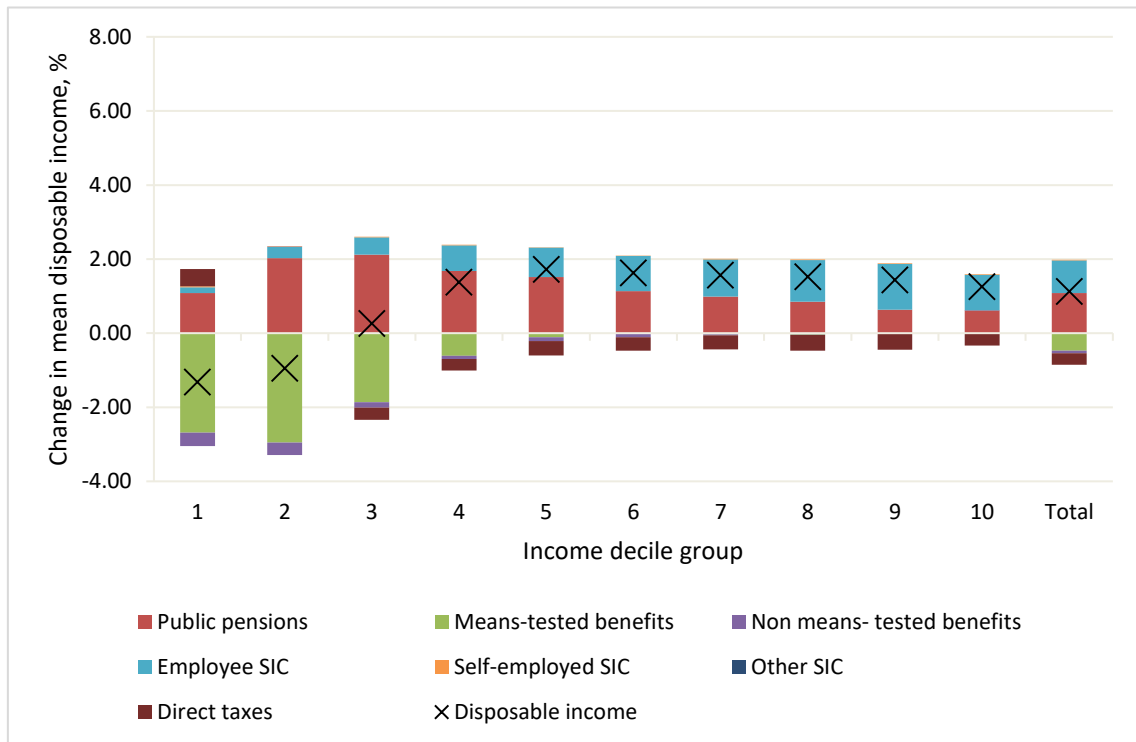
The policy changes had a positive but regressive effect on disposable income. All deciles except the first and second experience an increase in disposable income. The bottom decile decreases by 1.32%, the second decile decreases by 0.95% and the third decile increases by 0.27%. All other deciles increase by 1.26–1.72%. The mean disposable income increases by 1.13%. The strongest positive effect is experienced by the fifth decile. Changes in public pensions contribute to the increase in disposable income in every decile. Changes in benefits and employee SIC are the main drivers of the regressive effects on disposable income.

Table A2. Policy effects in 2023–2024, using the HICP-indexation, %.

Decile	Original income	Public pensions	Means-tested benefits	Non-means-tested benefits	Employee SIC	Self-employed SIC	Other SIC	Direct taxes	Disposable income
1	0.00	1.08	-2.68	-0.36	0.16	0.03	0.00	0.46	-1.32
2	0.00	2.02	-2.96	-0.34	0.30	0.01	0.00	0.01	-0.95
3	0.00	2.12	-1.87	-0.14	0.47	0.02	0.00	-0.33	0.27
4	0.00	1.68	-0.61	-0.08	0.69	0.02	0.00	-0.31	1.38
5	0.00	1.52	-0.11	-0.10	0.79	0.01	0.00	-0.38	1.72
6	0.00	1.13	-0.02	-0.09	0.95	0.01	0.00	-0.36	1.62
7	0.00	0.99	-0.03	-0.02	1.00	0.02	0.00	-0.38	1.57
8	0.00	0.85	-0.04	-0.02	1.12	0.02	0.00	-0.42	1.52
9	0.00	0.63	-0.01	-0.02	1.24	0.01	0.00	-0.42	1.44
10	0.00	0.61	-0.01	0.00	0.96	0.02	0.00	-0.33	1.26
Total	0.00	1.08	-0.47	-0.07	0.88	0.02	0.00	-0.31	1.13

Notes: Shown as a percentage change in mean equivalised household disposable income by income component and income decile group. Each policy system has been applied to the same input data, deflating monetary parameters of 2023 policies by Eurostat’s Harmonized Index of Consumer Prices (HICP).

Figure A1. Policy effects in 2023–2024, using the HICP-indexation, %.



**ANNEX 3. VALIDATION TABLES**

**Table A3.1. Original income in EUROMOD - Number of recipients (thousands)**

	Simulated (Y / N)	EUROMOD				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Earnings (ils_earn)</b>													
employment income (yem)	N	2,829	2,829	2,829	2,829	2,890	2,977	NaN	NaN	0.98	0.95	NaN	NaN
earned income share of self-employment income (yse00)	N	333	333	333	333	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
capital income share of self-employment income (yse01)	N	249	249	249	249	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
<b>Other original income (ils_origy - ils_earn)</b>													
investment income (earned) (yiytx00)	N	86	86	86	86	87	98	NaN	NaN	0.99	0.87	NaN	NaN
investment income (capital) (yiytx01)	N	2,115	2,115	2,115	2,115	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
investment income (non-taxable) (yiynt)	N	1,386	1,386	1,386	1,386	1,189	1,235	NaN	NaN	1.17	1.12	NaN	NaN
property income (ypr)	N	488	488	488	488	363	367	NaN	NaN	1.35	1.33	NaN	NaN
private pensions (ypp)	N	242	242	242	242	114	109	NaN	NaN	2.12	2.22	NaN	NaN
private transfers (ypt)	N	216	216	216	216	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
other income (yot)	N	124	124	124	124	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
maintenance payment (xmp)	N	370	370	370	370	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN

Continued...

	Source	Comments
<b>Earnings (ils_earn)</b>		
employment income (yem)	Tax office	Table 1.1., item 4.1.A
earned income share of self-employment income (yse00)	Tax office	Table 1.1., item 4.6+4.7+4.8
capital income share of self-employment income (yse01)	Tax office	Table 1.1., item 5.1.8+5.1.9+5.1.10
<b>Other original income (ils_origy - ils_earn)</b>		
investment income (earned) (yiytx00)	Tax office	Table 1.1., item 4.11
investment income (capital) (yiytx01)	Tax office	Table 1.1., items 5.1.4+5.1.5

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**Continued...**

	Source	Comments
investment income (non-taxable) (yiynt)	Tax office	Table 1.1., items 5.2.2+5.2.3+5.2.4
property income (ypr)	Tax office	Table 1.1., item 5.1.3
private pensions (ypp)	Tax office	Table 1.1., item 5.1.14
private transfers (ypt)	-	-
other income (yot)	-	-
maintenance payment (xmp)	-	-

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**Table A3.2. Original income in EUROMOD - Annual amounts (millions)**

	Simulated (Y / N)	EUROMOD				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Earnings (ils_earns)</b>													
employment income (yem)	N	95,134	97,479	100,772	103,394	95,480	101,654	NaN	NaN	1.00	0.96	NaN	NaN
earned income share of self-employment income (yse00)	N	4,428	4,534	4,728	4,864	3,620	3,865	NaN	NaN	1.22	1.17	NaN	NaN
capital income share of self-employment income (yse01)	N	1,751	1,793	1,870	1,924	324	339	NaN	NaN	5.40	5.29	NaN	NaN
<b>Other original income (ils_origy - ils_earns)</b>													
investment income (earned) (yiytx00)	N	484	529	562	572	579	591	NaN	NaN	0.84	0.90	NaN	NaN
investment income (capital) (yiytx01)	N	5,927	6,478	6,885	7,007	2,580	2,951	NaN	NaN	2.30	2.20	NaN	NaN
investment income (non-taxable) (yiynt)	N	2,664	2,912	3,095	3,150	2,482	2,683	NaN	NaN	1.07	1.09	NaN	NaN
property income (ypr)	N	1,869	1,887	1,924	1,937	1,979	1,996	NaN	NaN	0.94	0.95	NaN	NaN
private pensions (ypp)	N	1,703	1,741	1,860	1,965	648	684	NaN	NaN	2.63	2.54	NaN	NaN
private transfers (ypt)	N	365	374	390	401	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
other income (yot)	N	201	205	214	220	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
maintenance payment (xmp)	N	519	532	555	571	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN

**Table A3.3. Direct taxes and SIC - Number of payers (thousands)**

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Direct taxes (ils_tax)</b>																					
capital income tax (tiniy_s)	Y	2,036	2,062	2,267	2,266	1,404	1,404	1,404	1,404	1.45	1.47	1.61	1.61	1,489	1,450	NaN	NaN	1.37	1.42	NaN	NaN
state earned income tax (tinna_s)	Y	1,568	1,563	3,681	3,683	1,416	1,416	1,416	1,416	1.11	1.10	2.60	2.60	1,448	1,450	NaN	NaN	1.08	1.08	NaN	NaN
municipal income tax (tinmu_s)	Y	3,959	3,952	3,877	3,891	3,888	3,888	3,888	3,888	1.02	1.02	1.00	1.00	3,955	3,953	NaN	NaN	1.00	1.00	NaN	NaN
church tax (not part of disposable income as it is voluntary); in order to include it, set to "+" (tincr_s)	Y	3,957	3,950	3,875	3,889	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
medical care contributions (tax) (thl_s)	Y	3,957	3,949	3,875	3,889	3,892	3,892	3,892	3,892	1.02	1.01	1.00	1.00	3,923	3,918	NaN	NaN	1.01	1.01	NaN	NaN
broadcasting tax (tbr_s)	Y	3,547	3,576	3,652	3,692	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
property tax (tpr)	N	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
<b>Employee Social Insurance Contributions (ils_sicee)</b>																					
employee social insurance contributions (tscee_s)	Y	2,676	2,676	2,676	2,676	2,734	2,734	2,734	2,734	0.98	0.98	0.98	0.98	2,612	2,681	NaN	NaN	1.02	1.00	NaN	NaN
<b>Self-employed Social Insurance Contributions (ils_sicse)</b>																					
self-employed contributions for entrepreneurs (tscse_s)	Y	110	110	110	110	0	0	0	0	0.00	0.00	0.00	0.00	215	216	NaN	NaN	0.51	0.51	NaN	NaN
self-employed contributions for farmers (ts CFR_s)	Y	32	32	32	32	0	0	0	0	0.00	0.00	0.00	0.00	56	55	NaN	NaN	0.58	0.59	NaN	NaN
<b>Employer Social Insurance Contributions (ils_sicer)</b>																					
employer social insurance contributions (ts CER_s)	Y	2,834	2,834	2,834	2,834	2,817	2,817	2,817	2,817	1.01	1.01	1.01	1.01	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
<b>Credited Contributions (ils_sicct)</b>																					
<b>Other Contributions (ils_sicot)</b>																					

Continued...

	Source	Comments
<b>Direct taxes (ils_tax)</b>		
capital income tax (tiniy_s)	Tax office	Table 3.1., item 1.1.1.2
state earned income tax (tinna_s)	Tax office	Table 3.1., item 1.1.1.1
municipal income tax (tinmu_s)	Tax office	Table 3.1., item 1.1.2
church tax (not part of disposable income as it is voluntary); in order to include it, set to "+" (tincr_s)	-	-

Continued...

	Source	Comments
medical care contributions (tax) (thl_s)	Tax office	Table 3.1., item 1.1.5
broadcasting tax (tbr_s)	-	-
property tax (tpr)	-	-
<b>Employee Social Insurance Contributions (ils_sicee)</b>		
employee social insurance contributions (tscee_s)	Tax office	Amount: Table 2.1., item 5.2+Table 3.1., item 1.1.4.1, number: Table 2.1., item 5.2
<b>Self-employed Social Insurance Contributions (ils_sicse)</b>		
self-employed contributions for entrepreneurs (tscse_s)	The Finnish Centre for Pensions (ETK)	Amount: YEL contributions, number: YEL insured (working on 31 Dec)
self-employed contributions for farmers (ts CFR_s)	The Finnish Centre for Pensions (ETK)	Amount: MYEL contributions, number MYEL insured (working on 31 Dec)
<b>Employer Social Insurance Contributions (ils_sicer)</b>		
employer social insurance contributions (ts CER_s)	-	Summed up from several sources
<b>Credited Contributions (ils_sicct)</b>		
<b>Other Contributions (ils_sicot)</b>		



**Table A3.4. Direct taxes and SIC - Annual amounts (millions)**

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Direct taxes (ils_tax)</b>																					
capital income tax (tiniy_s)	Y	3,001	3,202	3,377	3,437	4,021	4,021	4,021	4,021	0.75	0.80	0.84	0.85	4,353	3,751	NaN	NaN	0.69	0.85	NaN	NaN
state earned income tax (tinna_s)	Y	6,272	6,410	20,700	21,680	5,715	5,715	5,715	5,715	1.10	1.12	3.62	3.79	6,007	6,293	NaN	NaN	1.04	1.02	NaN	NaN
municipal income tax (tinmu_s)	Y	21,467	21,986	8,934	9,428	20,632	20,632	20,632	20,632	1.04	1.07	0.43	0.46	21,017	21,851	NaN	NaN	1.02	1.01	NaN	NaN
church tax (not part of disposable income as it is voluntary); in order to include it, set to "+" (tincr_s)	Y	1,490	1,527	1,671	1,731	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
medical care contributions (tax) (thl_s)	Y	1,014	873	1,040	975	973	973	973	973	1.04	0.90	1.07	1.00	990	856	NaN	NaN	1.02	1.02	NaN	NaN
broadcasting tax (tbr_s)	Y	523	530	546	556	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
property tax (tpr)	N	550	555	566	570	550	550	550	550	1.00	1.01	1.03	1.04	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
<b>Employee Social Insurance Contributions (ils_sicee)</b>																					
employee social insurance contributions (tscee_s)	Y	9,724	9,892	10,401	9,592	9,261	9,261	9,261	9,261	1.05	1.07	1.12	1.04	9,393	9,905	NaN	NaN	1.04	1.00	NaN	NaN
<b>Self-employed Social Insurance Contributions (ils_sicse)</b>																					
self-employed contributions for entrepreneurs (tscse_s)	Y	905	919	968	982	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	1,075	1,109	1,153	NaN	0.84	0.83	0.84	NaN
self-employed contributions for farmers (tscfr_s)	Y	91	92	97	98	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	172	173	173	NaN	0.53	0.53	0.56	NaN
<b>Employer Social Insurance Contributions (ils_sicer)</b>																					
employer social insurance contributions (tscer_s)	Y	20,439	21,120	21,928	21,309	20,355	20,355	20,355	20,355	1.00	1.04	1.08	1.05	19,172	20,463	NaN	NaN	1.07	1.03	NaN	NaN
<b>Credited Contributions (ils_sicct)</b>																					
<b>Other Contributions (ils_sicot)</b>																					

**Table A3.5. Benefits - Number of recipients (thousands)**

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Pensions (ils_pen)</b>																					
old-age pensions (poa00)	N	1,352	1,352	1,352	1,352	1,352	1,352	1,352	1,352	1.00	1.00	1.00	1.00	1,358	1,391	1,395	NaN	1.00	0.97	0.97	NaN
care allowance for old-age pensioners (poaca)	N	85	85	85	85	85	85	85	85	1.00	1.00	1.00	1.00	158	152	152	NaN	0.54	0.56	0.56	NaN
disability pensions (pdi00)	N	363	363	363	363	363	363	363	363	1.00	1.00	1.00	1.00	186	181	178	NaN	1.95	2.01	2.04	NaN
care allowance for disability pensioners (pdica)	N	33	33	33	33	33	33	33	33	1.00	1.00	1.00	1.00	49	47	47	NaN	0.67	0.69	0.70	NaN
disability allowance (pdida)	N	69	69	69	69	69	69	69	69	1.00	1.00	1.00	1.00	55	58	63	NaN	1.25	1.18	1.08	NaN
other disability pensions (pdiot)	N	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
survivors pensions (psu)	N	225	225	225	225	225	225	225	225	1.00	1.00	1.00	1.00	229	226	225	NaN	0.99	1.00	1.00	NaN
guarantee pension (pmmtu_s)	Y	90	90	126	140	0	0	0	0	0.00	0.00	0.00	0.00	117	116	116	NaN	0.77	0.78	1.08	NaN
<b>Means-tested benefits (ils_benmt)</b>																					
study grant (bed00_s)	Y	239	252	268	265	317	317	317	317	0.76	0.80	0.85	0.84	320	317	315	NaN	0.75	0.79	0.85	NaN
other education benefits (bedot)	N	106	106	106	106	106	106	106	106	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
labour market subsidy (bunmt_s)	Y	245	244	245	244	266	266	266	266	0.92	0.92	0.92	0.92	274	259	234	NaN	0.89	0.94	1.05	NaN
other unemployment benefits (bunot)	N	81	81	81	81	81	81	81	81	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
general housing allowance (bho00_s)	Y	449	450	471	372	498	498	498	498	0.90	0.90	0.95	0.75	392	382	405	NaN	1.15	1.18	1.17	NaN
pensioner housing allowance (bhope_s)	Y	217	213	234	210	159	159	159	159	1.37	1.34	1.47	1.32	210	207	208	NaN	1.03	1.03	1.13	NaN
student housing supplement (bhosd_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
other housing benefits (bhoot)	N	5	5	5	5	5	5	5	5	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
child home care allowance (bcc_s)	Y	73	73	73	73	82	82	82	82	0.89	0.89	0.89	0.89	82	80	72	NaN	0.88	0.91	1.02	NaN
local authority income support (bsa00_s)	Y	187	183	180	214	174	174	174	174	1.07	1.05	1.03	1.23	276	261	255	NaN	0.68	0.70	0.70	NaN
other social assistance benefits (bsaot)	N	43	43	43	43	43	43	43	43	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
<b>Non-means-tested benefits (ils_bennt)</b>																					
basic unemployment allowance (bunnc_s)	Y	89	89	89	89	90	90	90	90	0.99	0.99	0.99	0.99	94	76	75	NaN	0.95	1.18	1.20	NaN
earnings-related unemployment allowance (bunct_s)	Y	315	315	315	315	315	315	315	315	1.00	1.00	1.00	1.00	335	258	262	NaN	0.94	1.22	1.20	NaN
sickness leave benefit (bhl00)	N	238	238	238	238	238	238	238	238	1.00	1.00	1.00	1.00	161	167	166	NaN	1.48	1.43	1.44	NaN
other sickness-related benefits (bhlot)	N	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
child benefit (bch_s)	Y	541	541	541	541	552	552	552	552	0.98	0.98	0.98	0.98	566	563	566	NaN	0.96	0.96	0.96	NaN

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
parental leave benefits (bma)	N	134	134	134	134	134	134	134	134	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Maternity grant (PARBEN) (bchba_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Maternity leave benefit (PARBEN) (bma_s)	Y	0	0	0	0	134	134	134	134	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Parental leave benefit (PARBEN) (bfapl_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Paternity leave benefit (PARBEN) (bpa_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Pregnancy allowance and parental leave allowance (PARBEN) (bpact_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
other family benefits (bfaot)	N	244	244	244	244	244	244	244	244	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
COVID-19 compensation paid to self-employed (bwkmcse_s)	Y	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN

Continued...

	Source	Comments
<b>Pensions (ils_pen)</b>		
old-age pensions (poa00)	The Finnish Centre for Pensions (ETK)	-
care allowance for old-age pensioners (poaca)	Kela	Found under disability allowance, care allowance that is paid for pensioners at least 65 years old
disability pensions (pdi00)	The Finnish Centre for Pensions (ETK)	-
care allowance for disability pensioners (pdica)	Kela	Found under disability allowance, care allowance that is paid for pensioners under 65 years old
disability allowance (pdida)	Kela	Including allowance for persons under 16 and allowance for persons aged 16 or older
other disability pensions (pdiot)	-	-
survivors pensions (psu)	The Finnish Centre for Pensions (ETK)	Family pension
guarantee pension (pmmtu_s)	Kela	Amount: all guarantee pensions, number: recipients of any guarantee pension on 31 Dec
<b>Means-tested benefits (ils_benmt)</b>		
study grant (bed00_s)	Kela	-
other education benefits (bedot)	-	-
labour market subsidy (bunmt_s)	Kela	-
other unemployment benefits (bunot)	-	-
general housing allowance (bho00_s)	Kela	Number of recipients on 31 Dec
pensioner housing allowance (bhope_s)	Kela	Number of recipients on 31 Dec
student housing supplement (bhosd_s)	-	-
other housing benefits (bhoot)	-	-
child home care allowance (bcc_s)	Kela	-

Continued...

	Source	Comments
local authority income support (bsa00_s)	NIHW/THL	Primary social assistance=basic sa+supplementary sa
other social assistance benefits (bsaot)	-	-
<b>Non-means-tested benefits (ils_bennt)</b>		
basic unemployment allowance (bunnc_s)	Kela	-
earnings-related unemployment allowance (bunct_s)	Kela	-
sickness leave benefit (bh00)	Kela (Datawarehouse)	Payments to insured (payments to employers excluded)
other sickness-related benefits (bhlot)	-	-
child benefit (bch_s)	Kela	-
parental leave benefits (bma)	-	-
Maternity grant (PARBEN) (bchba_s)	-	-
Maternity leave benefit (PARBEN) (bma_s)	Kela	Including payments to employers (159,7 million euros in 2019)
Parental leave benefit (PARBEN) (bfapl_s)	-	-
Paternity leave benefit (PARBEN) (bpa_s)	-	-
Pregnancy allowance and parental leave allowance (PARBEN) (bpact_s)	-	-
other family benefits (bfaot)	-	-
COVID-19 compensation paid to self-employed (bwkmcse_s)	-	-

**Table A3.6. Benefits - Annual amounts (million)**

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Pensions (ils_pen)</b>																					
old-age pensions (poa00)	N	28,311	28,957	30,926	32,680	28,311	28,311	28,311	28,311	1.00	1.02	1.09	1.15	28,261	29,288	28,261	NaN	1.00	0.99	1.09	NaN
care allowance for old-age pensioners (poaca)	N	117	119	127	135	117	117	117	117	1.00	1.02	1.09	1.15	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
disability pensions (pdi00)	N	3,308	3,384	3,614	3,819	3,308	3,308	3,308	3,308	1.00	1.02	1.09	1.15	2,407	2,416	2,544	NaN	1.37	1.40	1.42	NaN
care allowance for disability pensioners (pdica)	N	42	43	46	48	42	42	42	42	1.00	1.02	1.09	1.15	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
disability allowance (pdida)	N	116	119	127	134	116	116	116	116	1.00	1.02	1.09	1.15	123	133	150	NaN	0.95	0.90	0.85	NaN
other disability pensions (pdiot)	N	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
survivors pensions (psu)	N	1,572	1,608	1,717	1,815	1,572	1,572	1,572	1,572	1.00	1.02	1.09	1.15	1,775	1,849	1,984	NaN	0.89	0.87	0.87	NaN
guarantee pension (pmmtu_s)	Y	157	160	178	192	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	264	273	292	NaN	0.59	0.58	0.61	NaN
<b>Means-tested benefits (ils_benmt)</b>																					
study grant (bed00_s)	Y	519	566	641	663	519	519	519	519	1.00	1.09	1.24	1.28	446	455	481	NaN	1.16	1.24	1.33	NaN
other education benefits (bedot)	N	391	391	391	391	391	391	391	391	1.00	1.00	1.00	1.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
labour market subsidy (bunmt_s)	Y	1,570	1,599	1,744	1,607	1,753	1,753	1,753	1,753	0.90	0.91	0.99	0.92	1,776	1,596	1,665	NaN	0.88	1.00	1.05	NaN
other unemployment benefits (bunot)	N	426	436	447	466	426	426	426	426	1.00	1.02	1.05	1.09	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
general housing allowance (bho00_s)	Y	1,530	1,578	1,774	1,195	1,584	1,584	1,584	1,584	0.97	1.00	1.12	0.75	1,591	1,565	1,684	NaN	0.96	1.01	1.05	NaN
pensioner housing allowance (bhope_s)	Y	544	549	640	571	427	427	427	427	1.27	1.29	1.50	1.34	647	650	679	NaN	0.84	0.84	0.94	NaN
student housing supplement (bhod_s)	Y	NaN	NaN	NaN	NaN	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
other housing benefits (bhoot)	N	2	2	2	2	2	2	2	2	1.00	1.02	1.10	1.17	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
child home care allowance (bcc_s)	Y	197	200	216	216	207	207	207	207	0.95	0.97	1.04	1.04	191	187	179	NaN	1.03	1.07	1.20	NaN
local authority income support (bsa00_s)	Y	547	544	564	725	471	471	471	471	1.16	1.16	1.20	1.54	741	732	755	NaN	0.74	0.74	0.75	NaN
other social assistance benefits (bsaot)	N	72	74	79	84	72	72	72	72	1.00	1.02	1.10	1.17	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
<b>Non-means-tested benefits (ils_bennt)</b>																					
basic unemployment allowance (bunnc_s)	Y	397	405	442	412	347	347	347	347	1.14	1.17	1.28	1.19	377	247	266	NaN	1.05	1.64	1.66	NaN
earnings-related unemployment allowance (bunct_s)	Y	2,288	2,342	2,456	2,455	2,274	2,274	2,274	2,274	1.01	1.03	1.08	1.08	2,456	1,810	1,855	NaN	0.93	1.29	1.32	NaN
sickness leave benefit (bh100)	N	609	624	639	666	609	609	609	609	1.00	1.02	1.05	1.09	494	526	542	NaN	1.23	1.19	1.18	NaN
other sickness-related benefits (bhlot)	N	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
child benefit (bch_s)	Y	1,360	1,360	1,370	1,386	1,326	1,326	1,326	1,326	1.03	1.03	1.03	1.04	1,362	1,460	1,352	NaN	1.00	0.93	1.01	NaN
parental leave benefits (bma)	N	747	766	784	817	747	747	747	747	1.00	1.02	1.05	1.09	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Maternity grant (PARBEN) (bchba_s)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN

	Simulated (Y / N)	EUROMOD				SILC				Ratio				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Maternity leave benefit (PARBEN) (bma_s)	Y	0	0	0	0	747	747	747	747	0.00	0.00	0.00	0.00	997	1,000	991	NaN	0.00	0.00	0.00	NaN
Parental leave benefit (PARBEN) (bfapl_s)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Paternity leave benefit (PARBEN) (bpa_s)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Pregnancy allowance and parental leave allowance (PARBEN) (bpact_s)	Y	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
other family benefits (bfaot)	N	226	231	249	264	226	226	226	226	1.00	1.02	1.10	1.17	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
COVID-19 compensation paid to self-employed (bwkmcse_s)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN

**Table A3.7. Distribution of equivalised disposable income**

	EUROMOD				External				Ratio			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Decile 1	4.22	4.18	4.28	4.12	4.10	4.00	NaN	NaN	1.03	1.04	NaN	NaN
Decile 2	5.61	5.59	5.71	5.56	5.60	5.60	NaN	NaN	1.00	1.00	NaN	NaN
Decile 3	6.50	6.46	6.53	6.48	6.50	6.60	NaN	NaN	1.00	0.98	NaN	NaN
Decile 4	7.36	7.36	7.38	7.40	7.50	7.50	NaN	NaN	0.98	0.98	NaN	NaN
Decile 5	8.39	8.35	8.35	8.41	8.40	8.40	NaN	NaN	1.00	0.99	NaN	NaN
Decile 6	9.29	9.25	9.25	9.28	9.40	9.30	NaN	NaN	0.99	0.99	NaN	NaN
Decile 7	10.30	10.26	10.22	10.29	10.40	10.40	NaN	NaN	0.99	0.99	NaN	NaN
Decile 8	11.57	11.55	11.49	11.56	11.80	11.80	NaN	NaN	0.98	0.98	NaN	NaN
Decile 9	13.53	13.50	13.40	13.42	13.90	13.90	NaN	NaN	0.97	0.97	NaN	NaN
Decile 10	23.22	23.50	23.40	23.46	22.40	22.50	NaN	NaN	1.04	1.04	NaN	NaN
Median	26,125	26,823	27,951	29,000	26,541	27,346	NaN	NaN	0.98	0.98	NaN	NaN
Mean	27,633	28,459	29,762	30,716	29,714	30,821	NaN	NaN	0.93	0.92	NaN	NaN
Gini	26.98	27.29	26.86	27.26	26.60	26.60	NaN	NaN	1.01	1.03	NaN	NaN
S80/20	3.74	3.79	3.68	3.81	3.75	3.78	NaN	NaN	1.00	1.00	NaN	NaN

**Table A3.8. At-risk-of-poverty rates (%) by sex and age**

	EUROMOD				External				Ratio			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>40% median HDI by sex</b>												
Total	1.30	1.42	1.16	1.71	2.20	2.10	NaN	NaN	0.59	0.68	NaN	NaN
Males	1.70	1.80	1.54	2.23	2.50	2.30	NaN	NaN	0.68	0.78	NaN	NaN
Females	0.91	1.05	0.80	1.21	1.90	1.80	NaN	NaN	0.48	0.59	NaN	NaN
<b>50% median HDI by sex</b>												
Total	5.54	5.73	5.20	5.99	5.60	5.80	NaN	NaN	0.99	0.99	NaN	NaN
Males	6.30	6.46	6.03	6.79	6.20	6.10	NaN	NaN	1.02	1.06	NaN	NaN
Females	4.81	5.02	4.38	5.22	5.20	5.40	NaN	NaN	0.92	0.93	NaN	NaN
<b>60% median HDI by sex</b>												
Total	12.27	12.38	11.28	12.61	12.70	12.20	NaN	NaN	0.97	1.01	NaN	NaN
Males	11.95	11.97	11.23	12.74	12.00	11.90	NaN	NaN	1.00	1.01	NaN	NaN
Females	12.57	12.77	11.33	12.49	13.30	12.40	NaN	NaN	0.95	1.03	NaN	NaN
<b>70% median HDI by sex</b>												
Total	21.83	21.98	20.53	22.01	22.00	20.90	NaN	NaN	0.99	1.05	NaN	NaN
Males	19.69	19.84	18.82	20.24	20.10	19.30	NaN	NaN	0.98	1.03	NaN	NaN
Females	23.91	24.05	22.20	23.74	23.90	22.40	NaN	NaN	1.00	1.07	NaN	NaN
<b>60% median HDI by age group</b>												
0-15 years	11.21	11.16	10.63	11.99	9.50	9.00	NaN	NaN	1.18	1.24	NaN	NaN
16-24 years	25.57	25.96	24.82	30.25	26.30	25.90	NaN	NaN	0.97	1.00	NaN	NaN
25-49 years	10.35	10.29	9.96	11.77	9.40	10.00	NaN	NaN	1.10	1.03	NaN	NaN
50-64 years	10.46	10.57	9.85	10.68	10.20	8.80	NaN	NaN	1.03	1.20	NaN	NaN
65+ years	11.47	11.81	8.97	8.29	15.10	13.60	NaN	NaN	0.76	0.87	NaN	NaN



**Table A3.9. Consumption taxes (non-calibrated) - Annual amounts (millions)**

	Simulated (Y / N)	EUROMOD				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Consumption-tax-related statistics non-calibrated (ils_extstat_ittncal)</b>													
<b>Aggregate expenditures non-calibrated (ils_extstat_ittncal_il_itt_expnc)</b>													
01 Food and non-alcoholic beverages (il_x01)	Y	12,927	13,287	13,907	14,339	14,961	15,799	16,889	16,889	0.86	0.84	0.82	0.85
02 Alcoholic beverages, tobacco, etc. (il_x02)	Y	2,250	2,312	2,420	2,493	5,604	5,409	5,429	5,429	0.40	0.43	0.45	0.46
03 Clothing and footwear (il_x03)	Y	2,956	3,041	3,172	3,264	4,641	4,912	5,016	5,016	0.64	0.62	0.63	0.65
04 Housing, water and fuel (exc. imputed rent) (il_x04)	Y	18,215	18,713	19,620	20,148	15,025	16,559	17,051	17,051	1.21	1.13	1.15	1.18
05 Furnishings, household equipment, etc. (il_x05)	Y	4,804	4,951	5,173	5,336	5,887	6,058	5,754	5,754	0.82	0.82	0.90	0.93
06 Health (il_x06)	Y	4,331	4,453	4,673	4,832	5,540	5,604	5,684	5,684	0.78	0.79	0.82	0.85
07 Transport (il_x07)	Y	17,258	17,755	18,512	19,103	13,099	14,482	15,047	15,047	1.32	1.23	1.23	1.27
08 Communications (il_x08)	Y	2,880	2,960	3,098	3,189	2,985	3,098	3,220	3,220	0.96	0.96	0.96	0.99
09 Recreation and culture (il_x09)	Y	8,951	9,204	9,610	9,907	11,067	11,852	11,994	11,994	0.81	0.78	0.80	0.83
10 Education (il_x10)	Y	168	173	180	185	438	452	482	482	0.38	0.38	0.37	0.38
11 Hotels and restaurants (il_x11)	Y	5,422	5,579	5,809	5,981	6,223	8,133	9,106	9,106	0.87	0.69	0.64	0.66
12 Miscellaneous good and services (il_x12)	Y	16,707	17,184	17,922	18,501	13,126	14,159	16,008	16,008	1.27	1.21	1.12	1.16
<b>Revenue from indirect taxes (non calibrated) (ils_extstat_ittncal_il_itt_revnc)</b>													
VAT Total Revenue (il_tva)	Y	13,532	13,918	14,534	14,959	23,551	25,061	25,087	NaN	0.57	0.56	0.58	NaN
Excises Total Revenue (il_tx)	Y	3,174	2,706	2,834	2,949	6,522	NaN	NaN	NaN	0.49	NaN	NaN	NaN
<b>Total excises (non calibrated) (ils_extstat_ittncal_il_itt_excnc)</b>													
Revenues Excises 0211 - Spirits (il_tx0211)	Y	182	185	190	200	487	NaN	NaN	NaN	0.37	NaN	NaN	NaN
Revenues Excises 02121 - Still Wine (il_tx02121)	Y	158	160	162	175	313	NaN	NaN	NaN	0.51	NaN	NaN	NaN

	Simulated (Y / N)	EUROMOD				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Revenues Excises 02122 - Sparkling Wine (il_tx02122)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Revenues Excises 0213 - Beer (il_tx0213)	Y	252	255	254	250	611	NaN	NaN	NaN	0.41	NaN	NaN	NaN
Revenues Excises 022 - Tobacco (il_tx022)	Y	486	502	535	551	1,019	NaN	NaN	NaN	0.48	NaN	NaN	NaN
Revenues Excises 045 - Energy (electricity, natural gas, coal-coke ) (il_tx045)	Y	724	560	480	525	1,142	NaN	NaN	NaN	0.63	NaN	NaN	NaN
Revenues Excises 0451 - Electricity (il_tx0451)	Y	408	357	336	376	886	NaN	NaN	NaN	0.46	NaN	NaN	NaN
Revenues Excises 04521 - Natural Gas (il_tx04521)	Y	2	1	1	1	154	NaN	NaN	NaN	0.01	NaN	NaN	NaN
Revenues Excises All Energy (il_tx045_072)	Y	2,096	1,603	1,693	1,774	4,129	NaN	NaN	NaN	0.51	NaN	NaN	NaN

**Table A3.10. Consumption taxes (calibrated) - Annual amounts (millions)**

	Simulated (Y / N)	EUROMOD				External				Ratio			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
<b>Consumption-tax-related statistics calibrated (ils_extstat_ittcal)</b>													
<b>Revenue from indirect taxes (calibrated) (il_itt_revc)</b>													
VAT Total Revenue (il_tva_na)	Y	13,905	14,968	15,621	16,497	23,551	25,061	25,087	NaN	0.59	0.60	0.62	NaN
Excises Total Revenue (il_tx_na)	Y	4,324	3,926	3,964	4,220	6,522	NaN	NaN	NaN	0.66	NaN	NaN	NaN
<b>Total excises (calibrated) (il_itt_excc)</b>													
Revenues Excises 0211 - Spirits (il_tx0211_na)	Y	453	433	426	460	487	NaN	NaN	NaN	0.93	NaN	NaN	NaN
Revenues Excises 02121 - Still Wine (il_tx02121_na)	Y	394	373	363	403	313	NaN	NaN	NaN	1.26	NaN	NaN	NaN
Revenues Excises 02122 - Sparkling Wine (il_tx02122_na)	Y	0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
Revenues Excises 0213 - Beer (il_tx0213_na)	Y	628	598	571	575	611	NaN	NaN	NaN	1.03	NaN	NaN	NaN
Revenues Excises 022 - Tobacco (il_tx022_na)	Y	1,209	1,176	1,201	1,271	1,019	NaN	NaN	NaN	1.19	NaN	NaN	NaN
Revenues Excises 045 - Energy (electricity, natural gas, coal-coke ) (il_tx045_na)	Y	598	495	417	470	1,142	NaN	NaN	NaN	0.52	NaN	NaN	NaN
Revenues Excises 0451 - Electricity (il_tx0451_na)	Y	337	316	292	336	886	NaN	NaN	NaN	0.38	NaN	NaN	NaN
Revenues Excises 04521 - Natural Gas (il_tx04521_na)	Y	1	0	1	1	154	NaN	NaN	NaN	0.01	NaN	NaN	NaN
Revenues Excises All Energy (il_tx045_072_na)	Y	1,638	1,346	1,403	1,511	4,129	NaN	NaN	NaN	0.40	NaN	NaN	NaN

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