

Putting Finland on a path to growth

Making Finland the most attractive destination for investments and growth in Europe

Finland has to do better in the fierce competition for investments and highly competent people. The Finnish economy has seen no real growth in 17 years. Russia's war in Ukraine and the uncertain global situation are curbing growth. Without bold growth measures, we will face the decline of our welfare society. This is not an option. Now is the time for Finland to take every available measure to boost growth. Promoting economic growth is also vital for public finances. Through determined action and bold reforms, we will ensure that Finland can continue to provide high-quality education and vital welfare society services in the years to come.

The programme of **Petteri Orpo's** Government is in itself a growth programme. In its spring 2024 spending limits discussion, the Government decided on further measures to boost growth. The Government has shored up the foundations of the economy by reforming the labour market and social security, streamlining permit procedures and making historic investments in research and development. The Government is committed to making sure that power grids do not become a bottleneck for electricity-consuming investments anywhere in Finland. An investment incentive will accelerate large-scale industrial investments in clean energy. These measures are now being supplemented by a growth package that will improve incentives to work and strengthen the conditions for running a business. The package will create an opportunity for Finland to become one of Europe's most attractive destinations for investments.

The only way to create prosperity is through work and entrepreneurship. That is why Finland must be competitive in how it rewards work. Taxation of earned income must be on a level that encourages people to work and boosts purchasing power. The decisions we have made are a step towards what we see in Sweden, which is an important reference country for us. Lowering the corporate tax rate will further improve the competitiveness of Finnish businesses and encourage investments in Finland. Securing sufficient financing will feed the growth ambitions of businesses.

Our ability to shape global events is limited, but we can make sure that Finland is an excellent place to study, conduct research, work, run a business and make investments. By making bold decisions, we will have every opportunity to succeed in boosting growth.

The growth package is based on the proposals made by **Risto Murto's** Room for Growth working group.



Attracting more highly competent people and expertise to Finland

Finland's success has been and will continue to be based on education and competence. We must therefore strengthen education and competence even further. Investments in research and development often lead to new innovations. Finland also has every opportunity to be a leading country in the use of artificial intelligence.

Competitive taxation will ensure that highly competent people want to build careers in Finland. We need more high-competence and high-productivity work. Working more should always be financially worthwhile. Increased purchasing power will oil the wheels of the economy.

- We will improve incentives to work and boost purchasing power by lowering the taxation of work by EUR 650 million with an emphasis on middle-income earners. In addition, the highest marginal tax rates will be lowered to 52 per cent. The earned income deduction based on the number of children will be increased by EUR 100 million. The purchasing power of low-income and middle-income earners will also be boosted by reducing the lower 14 per cent value added tax rate by 0.5 percentage points. This reduction will apply to food and medicine, for example.
- The Government will lower the withholding tax on key personnel to 25 per cent and introduce a tax concession for Finnish repatriates. We will ensure that these changes meet the requirements set by fundamental rights.
- The Government will launch work to create Europe's best employee incentive schemes. This will involve mapping the current state of the taxation of employee stock options and other share-based incentive schemes and assessing the need for changes. A report on the results will be drawn up in an inclusive process with industry representatives, researchers and the Finnish Tax Administration by the summer of 2026. The necessary amendments will be implemented on the basis of the report.
- To ensure Finland's economic growth and competitiveness, the share of young adults with university degrees will be increased towards 50 per cent of the age group as set out in the Government Programme. The intake of institutions of higher education will be increased, and new starting places will be allocated to degrees that support economic growth, such as in the fields of nuclear and energy technology. A free 30-credit study voucher for an open university or open university of applied sciences will be introduced for students who have graduated from upper secondary education but have not been admitted to a higher education institution. Students will have the possibility to complete a higher education degree at an open university or open university of applied sciences. Fees for open higher education will be deregulated so that institutions of higher education will be better able to cover the costs they incur from open education.



- The Government will continue the measures laid out in the Government Programme to ensure that every young person who graduates from comprehensive school has the knowledge and skills to continue on to upper secondary education. We will ensure that every child and young person receives enough support for growth and learning, from early childhood education and care to upper secondary education.
- In order to raise the level of education, we will make it easier to transition from upper secondary education to higher education. We will reduce the amount of overlapping education by allocating resources to the completion of a student's first higher education degree or vocational qualification. The provision of upper secondary education will be guided to better meet labour needs and also to ensure that an increasing proportion of completed degrees raises the level of education of the population. Efforts will be made to prevent the unnecessary accumulation of education and reduce the rate of overlapping degrees. The transition of general upper secondary school graduates in particular into further studies will be accelerated. Investments will also be made in sharing Finnish knowledge, expertise and educational innovations.
- We aim to take on a leading role at the European level on legislation promoting the adoption of artificial intelligence. We will reduce regulatory obstacles and the administrative burden while enabling productive activities and innovations.
- We will make Finland the world's leading research and competence centre for the energy transition, where international research infrastructures of the highest level will be developed within one global ecosystem, where next-generation energy sector research talent and experts will be trained, and where an operating environment will be created for swift commercial utilisation of innovations and technology.
- We will improve labour force mobility and the functioning of the housing market by scaling back Finland's regulation of housing financing, which is the strictest in the Nordic countries. The maximum duration of housing loans will be extended from 30 years to 35 years to support savings and investments. Measures will be implemented to support housing transactions and construction in economic downturns. The Financial Supervisory Authority will be allowed to set the housing loan ceiling at a maximum of 95 per cent for all house buyers in place of the current 90 per cent. Current regulation will be maintained for loans to housing companies, but a decree will be enacted to enable changes to the maximum share of debt (60–70%), to the duration of the loan repayment holiday (1–2 years) and to the maximum loan period (30–35 years), depending on the economic situation. An independent legal study will be commissioned on the role and use of the recommendations issued by the Financial Supervisory Authority. A working group will be launched under the leadership of the Ministry of the Environment and the Ministry of Finance to find solutions to bottlenecks in the financing of housing and construction by streamlining regulation. The working group will cooperate with the Ministry of Justice in the drafting of the Housing Transactions Act. In addition, a separate study will be launched on ways to increase the popularity of reverse housing loans.



Improving conditions for entrepreneurship and boosting exports

Finland must be a country where more people want to go into business, take risks and grow their companies so that they can offer work to others too. For that reason, the conditions for entrepreneurship must be improved even more. We will strengthen the competitive position of Finnish companies by lowering corporation tax. We will improve the pension and social security of entrepreneurs and self-employed persons. For example, the defence industry, bioeconomy and food exports offer Finland new export opportunities, which should be used to their full potential.

- The Government will accelerate investments and economic growth by reducing corporation tax to 18 per cent.
- The problems in the pension scheme for entrepreneurs and self-employed people will be corrected. Following the completion of Rapporteur Jukka Rantala's report, amendments will be prepared to the system maintained under the Self-Employed Persons Pensions Act so that the pension contributions of self-employed persons will be determined more directly based on the actual income of entrepreneurs. The amendments would enter into force in 2029, when the transition period for the current determination of confirmed income would expire. If necessary, the Government will set a new transition period. For those entrepreneurs and self-employed people who started their business after the reform of the pension scheme for entrepreneurs, i.e. in 2023–2025, the adjustment limit for the first confirmed income in the income review for 2026–2028 would be set at EUR 4,000, which is the same level as for other entrepreneurs and self-employed persons.
- The social security of part-time entrepreneurs or self-employed people will be improved by introducing a combined insurance. The income security of people working as entrepreneurs and self-employed persons or as employees will be strengthened. This reform will improve income security in creative industries in particular.
- The Government will ensure that the main grid operator, Fingrid Oyj, and gas and hydrogen transmission company Gasgrid Finland Oy have sufficient investment capacity to support new industrial investments in Finland. Key goals are to expand Fingrid's main grid investment programme from the current EUR 4 billion to EUR 5.2 billion and to develop Gasgrid's national hydrogen network by 2035. Fingrid's balance sheet has room to launch investments immediately, and the Government is prepared to grant Fingrid the necessary capitalisation. The Government will design the financing and capitalisation needed by Fingrid in a way that takes into account the equal treatment of shareholders, the Limited Liability Companies Act and the Electricity Market Act. In order to implement energy-intensive investments in Eastern Finland, opportunities to accelerate the construction of 400 kV transmission connections will be explored. The goal is for Fingrid to launch the environmental impact assessment process for the Huutokoski-Kontiolahti project as soon as possible.



- If the EU's Temporary Crisis and Transition Framework for state aid continues, Finland will continue the tax credit for large investments. Possible extensions to the scope of the framework, such as technological carbon sinks, will be implemented as widely as possible. The minimum investment required for a tax credit will be assessed during the preparation of the new state aid scheme. The new national scheme will allow investments in the recovery, use and storage of carbon dioxide. In addition, the Government will evaluate whether the scope could be extended to cover programmes that include several investments.
- State guarantees granted from the Development Fund for Agriculture and Forestry (Makera) will be increased to EUR 20 million and the amounts will be decided in the fund's allocation plan. Raising the amount of state guarantees will not require the recapitalisation of Makera.
- Aid and support will be targeted at measures increasing exports and ensuring competence as part of the growth package of the Ministry of Agriculture and Forestry. Production taking place in Finland and the related exports of products will be taken into account, together with exports of equipment, technology and education as well as IP licensing. The competence base will be expanded to produce broad expertise and experts in the food sector, including cellular agriculture, the bioeconomy and circular economy. Risk financing and loan instruments managed by the state will be developed to enable investments in cellular agriculture. Incentives will be created to promote the commercialisation of cooperation in cellular agriculture, agriculture and the energy sector.
- In line with the simplification of the EU's Common Agricultural Policy, changes will be made to the administrative burden of agricultural subsidies and the pressure to increase the administrative burden due to growing obligations will be reduced. Useful changes to simplify the rules will be implemented fully by 2026. The redirection of subsidy policy will be evaluated and prepared for the next period without compromising the key environmental objectives. Active food production will be supported by allocating the eligibility for compensation of fields to young new farmers in particular. Measures will be prepared for farmers in eastern Finland in order to strengthen comprehensive security and security of supply. The level of compensation for the buffer strip measure of environment payments will be increased. The measure is particularly important in the Archipelago Sea area as a way of preventing the leaching of nutrients into the water.
- The interest to be charged for the payment period of inheritance tax will be set as the reference rate of interest under the Interest Act plus two percentage points. Tax relief will be granted to enable the generational transfer of a company to an under-age heir.
- Work will continue to reduce unnecessary regulation, obligations and bureaucracy. Finland will provide proactive and strong support to the new European Commission's objective to increase competitiveness in Europe by reducing administrative burdens and over-regulation.
- A cross-administrative working group will launch the preparation of a G2G function for the promotion of defence industry exports and international technology cooperation.



- The defence administration's RDI function will be strengthened. The defence administration uses the function to support the development, testing and validation of technological solutions with defence applications and to coordinate cooperation between the defence administration, businesses and researchers in this field. The access of the defence industry to existing financial instruments will be improved.
- Public officials at the Ministry of Defence will carry out a study to identify needs to change national and EU-level regulation and procedures from the perspective of expanding the requirement for industrial participation. Further measures with respect to legislative amendments and exerting influence in the EU will be assessed based on the results of the study.
- The Government will promote the availability of reliable and affordable electricity, accelerate investments in basic power and streamline permit processes. To speed up permit processes for investments, the Government will ensure that the priority procedure continues and that the new supervisory agency has sufficient resources. The Government will lay the foundations for well-functioning electricity and hydrogen transmission networks and will promote carbon dioxide capture and related value chains.

More growth funding and opportunities for prosperity

We must make Finland a country where growth companies want to come to grow. Finland must also be an attractive place for smart capital to make investments. Taxation must be developed so that capital can find a home that supports growth in the best possible way. We must dismantle bureaucracy to improve access to growth capital.

- The right to deduct losses will be extended to 25 years, starting from confirmed losses in the 2026 tax year.
- The listing threshold will be lowered in the national implementation of the EU Listing Act by making full use of national flexibilities when it comes to the free float requirements, the obligation to prepare a prospectus and the language requirements for the prospectus, for example.
- The fund structures enabled by EU legislation will be actively implemented and the necessary amendments concerning them will be made to tax legislation (e.g. ELTIF funds).
- Measures will be taken to develop a corporate fund structure in Finland that is similar to international models.
- The Income Tax Act will be amended so that investors with limited tax liability do not, as a rule, need to provide the Finnish Tax Administration with a certificate of fiscal residence or other evidence to verify that the preconditions for applying section 9, subsections 5 and 6 of the Income Tax Act are met. Instead, the application would primarily be based on the fund's



notification of the investor's place of residence in a country with a taxation agreement with Finland. The proposed amendments would make it easier for foreign funds of funds and foreign investors to invest in Finnish funds.

- The Government will explore exempting investments made by non-profit organisations in private equity funds operating in the form of a limited partnership from tax. The necessary amendments will be implemented starting from 2026. At the same time, the taxation of investments in private equity funds operating in the form of a limited partnership will be examined as a whole.
- The Finnish provisions on share swaps will be extended to apply to countries outside the EEA. The Government will review the determination of cash considerations in share swaps. Measures will be taken to make the necessary changes. An overall assessment of the need for amendments to the provisions on mergers and acquisitions will be conducted and the necessary amendments made.
- Distortions that have arisen in the application of legislation on the taxation of corporate acquisitions will be corrected. The income taxation and asset transfer taxation of additional purchase prices will be deferred to the tax year during which the basis for the receivable is confirmed.
- To promote Finnish private equity investments, the Government will launch a reform based on an overall assessment to improve Finland's ability to attract venture capital. The legislative amendments required to promote investments in Finnish private equity funds and venture capital funds will be assessed by the spring 2026 government session on spending limits.
- We will improve the ability the state capital investment company Tesi to support growth and leverage private funding. The aim is to ensure that the level of funding for Finnish growth companies is sufficient over the long term. This will be implemented by means of a state commitment that will ensure Tesi is able to implement its new strategy. Drawing on this commitment, provision will be made to capitalise the company on a market-need basis.
- The availability of growth funding for companies will be improved by deregulating the financial markets. An overall assessment of financial market regulation will be carried out in accordance with the Government Programme. The assessment will focus on ways to identify additional national regulation that hampers financing for households and businesses. At the same time, the aim is to ensure the consistency of regulation with that of key reference and competitor countries.
- The assessment will also take into account financing challenges faced by farms and other businesses in rural areas. Solutions will be explored to remove bottlenecks in agricultural funding. The availability of basic banking services for small enterprises and associations will be secured. The fund exemption will be extended for a fixed period, if necessary, until a more permanent solution has been found to secure the clarity of taxation and, ultimately, jobs in the sector in Finland.