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ANALYSIS OF THE TAX SYSTEM AND TAX ACCOUNTING IN FINLAND

Introduction. The current state of the tax systems of individual European Union countries is a subject of special attention, as it plays a crucial role in ensuring economic stability, social justice and environmental sustainability of this community of states. Each EU country has its own unique features and challenges that affect the structure and efficiency of its tax system. Analyzing the state of the tax systems of individual EU countries will help to understand how they are implementing reforms to improve their tax systems and respond to new economic and social challenges.

European tax systems are trying to balance budgetary requirements after the pandemic and energy crisis, as well as to meet the challenges of an aging population, digitalization and climate change. Considerable attention is paid to reducing aggressive tax planning and ensuring compliance with tax laws. Along with traditional labor and consumption taxes, environmental taxes and measures to reduce tax exemptions, especially for large corporations, are becoming increasingly important. All of these initiatives are aimed at creating simple, transparent and stable tax systems that will foster innovation, productivity and economic growth in an environment of heightened geopolitical tensions. According to the latest tax report for 2024, the average tax burden in EU countries is 40.2% of GDP. The highest level of tax revenues is recorded in France (46.2% GDP), while Ireland has the lowest level (20.9% of GDP) [1].

Results. The tax systems of the EU countries are characterized by a high level of harmonization in some aspects, in particular in the administration of value added tax (VAT), but have significant differences in the structure of corporate and individual taxation. For example, the Nordic countries (Sweden, Denmark) focus on progressive income taxation, while the countries of Central and Eastern Europe (Hungary, Bulgaria) prefer flat rates to stimulate investment. Germany and France are actively implementing environmental taxation aimed at reducing CO2 emissions and supporting a green economy. Italy, Spain, and Greece face significant challenges in combating tax evasion due to high levels of shadow economy. Ireland remains one of the leading examples of a low-tax jurisdiction in the EU, attracting international corporations due to its attractive taxation conditions.

Finland's experience in the field of taxation is unique due to its integrated approach to sustainable development, social justice and transparency of the tax system. Finland actively uses environmental taxation tools to promote energy efficiency, reduce carbon dioxide emissions and support the transition to renewable energy sources. In particular, the country has implemented a system of CO2 emission taxes that take into account energy intensity, as well as taxes on the use of fossil fuels. In addition, the Finnish tax system is characterized by a high level of transparency and trust between taxpayers and the government. Thanks to the widespread use of digital technologies, Finland ensures efficient tax administration and minimizes bureaucratic barriers. The country's experience is also unique in its emphasis on progressive income taxation, which allows financing a developed social protection system without creating an excessive tax burden on business. Finland is an example of how tax systems can combine environmental, economic and social aspects, creating

a model that effectively adapts to current global challenges and serves as a benchmark for other EU countries.

Taxes in Finland are slightly higher than in Europe, but there is a tendency to reduce tax deductions and align them with the average European rates. All changes in the Finnish tax legislation are communicated to taxpayers in advance, which allows them to adapt to new conditions. Corporate income tax in Finland is an important component of the tax system and a key source of government revenue, which is used to finance public services such as healthcare, education, transportation and social protection. It is levied on the profits of companies operating in Finland and provides a stable basis for the country's economic development.

In recent years, the Finnish government has reduced the corporate tax rate from 24.5% to 20%, thus stimulating economic growth and attracting foreign investors. The tax rate is uniform and applies to all types of companies, including limited liability companies and cooperatives. At the same time, the legislation provides for tax incentives for companies that invest in technology and innovation, which contributes to business development. Foreign companies earning income in Finland are also subject to taxation in accordance with local tax laws. Compared to other Scandinavian countries, the corporate tax rate in Finland remains lower than in Denmark or Norway (22%) and almost equal to the Swedish rate (20.6%). At the same time, companies operating in Finland make deductions for operating expenses, investments in equipment, research and development costs, and environmental initiatives that are not included in their total taxable income. In addition, special support programs are provided for startups and small businesses to reduce the tax burden at the initial stages of development [2].

The process of filing corporate tax returns in Finland is regulated by clear deadlines and requires accurate reporting of all financial transactions. Typically, the declaration is submitted by the end of the fourth month after the end of the financial year. Advance payments are made in several stages during the year, and the final payment is made after the end of the reporting period. The Finnish tax authorities may conduct audits to verify the compliance of companies' reporting documentation with tax requirements. Accurate accounting, organized financial documentation and timely reporting help to reduce the risk of discrepancies and avoid penalties. In general, the corporate taxation system in Finland is aimed at striking a balance between stimulating the economy and raising the revenues necessary to support social services and development of the country [2].

Understanding the process of filing corporate tax returns in Finland is key for companies operating in this country. The first step in this process is to prepare financial statements in accordance with Finnish accounting standards. The financial statements include a balance sheet, income statement, and notes to the financial statements that reflect the financial position and performance of the company. These documents are the basis for determining taxable income. The deadline for filing tax returns depends on the company's fiscal year, but it is usually the fourth month after its end. For example, if the fiscal year ends on December 31, the declaration should be submitted by April 30 of the following year. To avoid penalties, companies must comply with these deadlines. All declarations are submitted electronically through online services. It is important to accurately indicate income, expenses, and tax deductions to avoid discrepancies that could lead to an audit. Potential errors, such as incorrect classification of expenses or insufficient documentation, should also be taken into account. Engaging tax advisors and keeping records in an organized manner helps to ensure compliance with the rules and reduce the risks associated with tax audits, which helps companies not only to submit reports on time but also to optimize tax costs and avoid legal complications.

The Finnish corporate taxation system provides for advance payments based on projected income for the year. These payments are usually divided into three installments, payable in February, May and November. This approach allows companies to spread their liabilities evenly throughout the year. After the end of the financial year, the final tax calculation is made. If there is a discrepancy between advance payments and actual income, the company must pay additional tax or receive a refund of overpaid amounts. It is important to correctly estimate taxable income to avoid financial discrepancies. Penalties for late payments or reporting can be significant. They include a monthly penalty of 1% of the unpaid tax amount, which can accumulate until the debt is fully repaid [2].

The Finnish Tax Administration (Vero) conducts regular audits to check whether companies' accounts are in compliance with tax laws. Audits can be scheduled or initiated due to identified discrepancies. The audit process includes the analysis of financial documents, interviews with staff, and verification of reports. After the audit, the company receives conclusions that may include both the absence of problems and the need to pay fines for violations. Transparency and accuracy in financial reporting help avoid serious consequences, including financial sanctions or loss of reputation [2]. Finland has signed a number of agreements on avoidance of double taxation of income received by multinational corporations (DTT). Businesses operating internationally can take advantage of reduced tax rates on payments such as dividends, interest or royalties under DTTs, which reduces the overall tax burden and helps attract investment in the Finnish economy [2].

Finland's progressive personal income taxation scale is aimed at achieving social justice and financing a wide range of public services. The system provides for an increase in the tax rate depending on the level of income (Table) [3].

Table

Progressive personal income taxation scale in Finland

Taxable income, euros	**Amount of tax at the lower limit, euros**	**Tax rate on the portion of income exceeding the lower limit, %.**
From 0 to 20,500	0,00	12,64
20,500 to 30,500	2 591,20	19,00
30,500 to 50,400	4 491,20	30,25
50 400 to 88 200	10 510,95	34,00
88 200 to 150 000	23 362,95	42,00
150 000 and above	49 318,95	44,00

Source: based on [3].

The progressive personal income tax system in Finland has proven its effectiveness by ensuring an increase in tax revenues from this tax by more than 3.5 times from 1990 to 2022. Tax revenues from personal income to the Finnish budget show a steady increase from 16557.6 million euros in 1990 to 34788 million euros in 2023, which indicates a gradual increase in economic activity and tax collection efficiency.

Social contributions, such as pension and unemployment insurance contributions, are also part of the Finnish tax system. Pension insurance contributions are 7.15% for people under 53 and over 63 and 8.65% for people aged 53-62. The system results in financing free healthcare, education, infrastructure and social programs. The system is an effective mechanism for combating inequality and ensuring a high standard of living [3]. Thus, the tax system of Finland is aimed at maintaining a balance between stimulating economic growth and providing revenues to finance social needs. It is predictable, transparent and competitive, making the country attractive for business, innovation and international investment.

Conclusions. This study suggests that the tax systems of the European Union countries have both common features and significant differences, which are due to the economic, social and historical characteristics of each state. They are focused on ensuring sustainable economic development, financing public services and supporting social welfare. The specifics of tax accounting and administration in the EU countries demonstrate a variety of approaches to the formation of the tax base, rates and mechanisms for their collection. Some countries, such as Finland, have a progressive taxation scale for individuals, while others, such as Estonia, prefer proportional rates. Differences in corporate tax levels also reflect different models of business incentives and investment attraction.

It is important to note the trend towards harmonization of tax rules within the EU to ensure transparency and competitiveness of economies. At the same time, double taxation avoidance mechanisms and tax incentives are tools that facilitate the integration of EU countries into the global economy. Despite their complexity and differences, the EU tax systems remain factors of balanced economic growth, support for innovation, environmental initiatives and social protection. Understanding their features and current changes is important for business entities operating within the European Union. Another important aspect is the impact of digitalization and automation of tax administration processes, which significantly increase the efficiency of tax collection and reduce opportunities for tax evasion. The growing focus on sustainable development is encouraging EU countries to introduce environmental taxes, which are becoming a key tool in the fight against climate change and contribute to the formation of a green economy.

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