

GMS Flash Alert



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Finland - Changes in Social Security Coverage for Cross-border Employees

Effective 1 April 2019, persons arriving in Finland for employment purposes are entitled to social security benefits for the duration of their employment, provided that their earnings are equal to or higher than the basic unemployment allowance (EUR 696.60 per month).¹

The new Act on the Application of Residence-based Social Security² modifies the former act of the same name that entered into force 1994, and will affect persons entering and leaving Finland for another country. The aim of the new act is to clarify the legislation and to simplify administrative procedures for complying with EU regulations.

WHY THIS MATTERS

Global mobility managers overseeing the tax compliance of their assignees, payroll administrators, and cross-border employees should be aware of these changes that are effective 1 April 2019. Employers in Finland that hire foreign workers are obligated to pay the employer's health insurance contribution, and the employee is obligated to pay the employee health insurance contribution that is included in withholding of tax.

Under the old law, foreign workers were required to work in Finland for at least four months before being eligible to receive benefits under the Finnish social security system. Beginning 1 April 2019, employees are covered by Finnish Social Security if their monthly salary is at least EUR 696.60.

New Rules

The new act on residence-based social security for cross-border employees will enter into force 1 April 2019. The law will apply in cases in which a decision on a residence-based social security benefit, such as health insurance benefits,

child benefits, general housing allowance or pensions paid by Kela (The Social Insurance Institution of Finland), is determined by whether a person is regarded as working or resident in Finland.

The new act provides that foreign workers will qualify for Kela benefits if their monthly income equals or is greater than the monthly allowance according to the unemployment benefit for the unemployed (EUR 696.60 in 2019). After six months working in Finland, an employee is entitled to social security benefits for the following three months.

Additionally, the previous requirement of a one-year residence permit has been abolished. In the future, shorter residence permits may be sufficient. If a person who comes to Finland is not an employee, the person's right to residential-based benefits will be determined by the classification of residence, as before. When determining residency, the rules in the EU regulations on social security will apply.

The residence-based social security coverage will be expanded to cover students, who will be considered to be moving to Finland permanently if the main purpose of the relocation is studies in Finland. Students who come to Finland for a short period of time will not be eligible for benefits.

For persons moving abroad, the time limit on temporary residence outside Finland – that would end entitlement to Finnish residence-based social security – is reduced from one year to six months. This means that persons residing abroad temporarily are entitled to Kela benefits only if the expected duration of their residence abroad is six months or less. However, a person can still be seen as resident in Finland even if abroad for up to five years, if certain conditions are fulfilled. This exception applies to students, research workers, posted workers and aid workers, among others. It is no longer possible to receive Finnish social security longer than a maximum of five years (previously, in special circumstances it was possible to receive Finnish social security up to ten years).

Under the new law, Kela will no longer automatically issue a decision on social security coverage to persons arriving or leaving Finland. The right to benefits is determined when deciding on the continued payment of an existing benefit or the award of a new one. However, a decision on Finnish social security coverage will still be issued upon request. A person who has not been entitled to Kela's social security benefits while abroad is again entitled to benefits when permanently returning to Finland.

FOOTNOTES:

1. For the government announcement (in Finnish), [click here](#).
2. For the text of the Act on the application of housing-based social security legislation (in Finnish), [click here](#).

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