

# Quick guide to pension insurance for employers and self-employed persons

Earnings-related pension insurance is a big part of Finland's social security scheme, which is intended to secure a reasonable livelihood regardless of life circumstances.

## What is earning-related pension insurance?

Earnings-related pension insurance is a statutory insurance that covers all forms of gainful employment. Earnings-related pension safeguards the livelihood of the insured if the earned income is diminished or cut off due to old age, disability or the death of a family provider. Work that is done in the service of a private employer is insured under the Employees Pensions Act (Työntekijän eläkelaki, TyEL). Self-employed persons, on the other hand, are insured under the Self-employed Persons' Pensions Act (Yrittäjän eläkelaki, YEL).

## For whom is it mandatory?

TyEL insurance is mandatory for employees over the age of 17 who earn a minimum of 62,88 euro per month (in 2022). This insurance is acquired by the employer. YEL insurance is mandatory for self-employed persons over the age of 18 whose entrepreneurial activities have lasted a minimum of 4 months and whose work input in their business totals a minimum of 8 261,71 euro per year (in 2022). The upper age limit for insurance is either 68, 69 or 70 years. It depends on what year you were born. Work done in Finland is generally insured in Finland – also then when the employer is foreign. One exception is, for example, an employee who has been posted in Finland and holds a certificate of a posted employee (A1).

## When should I acquire it?

An employer must take TyEL insurance for the employees before reporting salaries to the Incomes Register because you'll need the insurance number for reporting the salaries. Employer should report paid salaries on the fifth calendar day following the payment date at the latest.

We will retrieve the necessary information to calculate your TyEL insurance contributions and the pensions for employees from the Incomes Register.

Self-employed persons must take YEL insurance within 6 months from the launch of entrepreneurial activities that are subject to the obligation to insure. Entrepreneurial activities that last less than 4 months do not need to be insured.

## What are the benefits?

The benefits inherent to the earnings-related pension scheme include:

Vocational rehabilitation

Disability pension

Partial old-age pension

Old-age pension

Survivors' pension

The years-of-service pension

For self-employed persons, the YEL income confirmed in the YEL insurance affects the amount of pension as well as the amount of sickness, maternity, paternity and parental allowances, and unemployment security.

## What does the insurance cost?

The employer pays the TyEL contribution in full to the pension company but withholds the employee's share of the contribution from the employee's salary or wages. The employee pays about one fifth of the TyEL contribution, and the employer pays the remainder. YEL insurance contributions are paid to the pension company by either the self-employed person or the person's own company. The payments are tax-deductible.

The exact contribution percentages can be checked from our website at:

<https://veritas.fi/en/entrepreneurs/yel-contributions/>

<https://veritas.fi/en/employers/tyel-contributions/>

## How to report the salaries in Incomes Register

There are three options to report the salaries:

<https://www.vero.fi/en/incomes-register/companies-and-organisations/detailed-guidance/>

- Technical interface (Read more about using the technical interface for submitting earnings payment data)
- E-service. The Incomes Register has its own e-service. Read more about the e-service (tulorekisteri.fi). Requires Suomi.fi e-Identification.
- Paper form only where electronic reporting is impossible. Data can be submitted on a paper form only in special circumstances. For example, if submitting an electronic report is impossible for an individual, estate, casual employer, or foreigner due to technical obstacles. The deadline for a paper report is eight days instead of five days.

Hint! Easiest to report salaries to Incomes Register is to delegate reporting to your Finnish accountant. They often have the technical interface to Incomes Register.

## What if insurance is not taken?

If employers or self-employed persons do not take pension insurance on their own initiative, the Finnish Centre for Pensions (ETK) will request that they do so. If this request is not met, the Finnish Centre for Pensions will take an insurance policy on the customer's behalf and at the customer's expense from a Finnish pension company. The pension company will recover the pension contributions and possible negligence penalty from the employer or self-employed person. Statutory pension insurance contributions are subject to recovery by distraint.

Additionally, self-employed persons will only accrue pension on the basis of YEL contributions that have actually been paid. If self-employed persons neglect to pay the insurance contributions and the invoiced payments become statute-barred, their pension will diminish accordingly. Earnings-related pension insurance is a statutory insurance and cannot be replaced by voluntary pension insurance policies.

## Attention, employers!

When you hire employees, it is your responsibility to take insurance on their behalf and to ensure the payment of the related withholding taxes and insurance contributions.

### **TyEL insurance for employees**

Paid to a pension company.

### **Accident insurance**

Paid to a non-life insurance company.

### **Group life assurance**

Invoiced in connection with accident insurance.

### **Unemployment insurance contribution**

Paid to the Employment Fund

### **Health insurance contribution**

Paid to the Finnish Tax Administration as the employer's social security contribution.

## Further information:

[www.veritas.fi](http://www.veritas.fi) Information about different pension types and pension insurances.

[www.etk.fi](http://www.etk.fi) Comprehensive description of the Finnish pension scheme.

[www.stm.fi](http://www.stm.fi) Information about statutory insurances, support allowances, subsistence, and social welfare and health services.

[www.kela.fi](http://www.kela.fi) Information about the application for support, benefits, payment dates and immigration.

[www.vero.fi](http://www.vero.fi) Information about social security contributions and taxes.

[www.tyollisyysraha.fi](http://www.tyollisyysraha.fi) Information about the Employment Fund and unemployment security.

[www.tvk.fi](http://www.tvk.fi) Information about statutory accident insurance and occupational accidents.