

**Direct online transfer of 2018 withholding data for payments of wages****Table of contents**

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Enclosure: Data File Specification, re 2018.

## Direct online transfer of 2018 withholding data for payments of wages

This instruction concerns the 2018 withholding data for tax cards. The answer files that the Tax Administration sends back to the employers contain information for basic tax cards. The percentage rates displayed are the withholding rates to be applied to wage income. They can be applied on other types of earned income as well.

This requires that the provisions of the Prepayment Act, the Prepayment Decree, and the Official Decision of the Finnish Tax Administration on the methods and rates of withholding are followed.

### 1 Changes on the previous year

We have made some yearly changes to the 2018 Specification.

### 2 Description of the transfer procedure

#### 2.1 Steps of the transfer procedure

Direct online transfer of withholding data on wages is a procedure where the Tax Administration delivers the withholding data on employees once a year according to employee-specific requests received from employers. Request formats must comply with the Data File Specification, and they must be submitted to the Tax Administration online. The employer must complete the request file as specified and give sufficient identification data for each worker.

We send back our answer files to employers using the same data transfer service as the employer had used.

#### 2.2 e-Services used in data transmission

To transfer data from the employer to the Tax Administration, either [www ilmoitin.fi](http://www.ilmoitin.fi) (provided by the Tax Administration) or a service offered by a Tyvi operator can be used. The data cannot be delivered through any other data medium such as a CD-ROM or USB stick. More information on these services is available at [ilmoitin.fi](http://ilmoitin.fi) and [vero.fi/tyvi](http://vero.fi/tyvi).

For the data transmission to succeed, the employer's accounting software must be able to create files that comply with the requirements of the Specification. It is the task of commercial software vendors or system administrators to make sure of this. It is the responsibility of the filer or his representative that the e-file is successfully sent off either via Ilmoitin.fi or via Tyvi services.

Commercial software vendors must run the necessary checks (at Ilmoitin.fi > Check) on the files before sending them off for the first time. This step will ensure a secure and problem-free transfer of data.

Send your filing to the Tax Administration only once. It is the responsibility of the party submitting the details to ensure that the data are correct.

To sign in securely to the e-Services, the employer or IT service centre must obtain a User ID and/or authorisation from the company they represent. Tax Administration e-Services require secure sign-in. For more information, please visit [Suomi.fi](http://Suomi.fi) or [vritys.tunnistus.fi](http://vritys.tunnistus.fi).

Tax Administration will use the same e-Service to send back the answer file as had been used for the request file. We start sending back the answer files in mid-December. The withholding data is sent off to employers as soon as it is ready. According to our target schedules, the turnaround time for sending it back is within one week from receiving the request files.

Separate Data File Specifications list all the required data elements and explain the structure and formats of the request file.

## **2.3 Deadline for making a request**

Employers must submit their requests by 31 January 2018 to the Tax Administration.

## **2.4 New employers participating in the transfer**

New employers participating in the direct online data transfer process need not send any advance notice to the Tax Administration. There is no need to sign any contracts when you participate in the online data exchange with the Tax Administration for the first time. However, participants must closely follow the instructions and the updates made to them.

See section 7 at Data File Specification for contact details of the Tax Administration.

## **2.5 Payers of social benefits using the transfer of withholding data**

If you are a payer of taxable social security benefits, unemployment relief, insurance indemnities or comparable taxable benefits, you should give "1 = Yes" as the value of position 53 – Payer is a payer of a social benefit. If you are a payer of wages, salaries or nonwage compensation (trade income), you must leave position 53 blank.

For more information (in Finnish; in Swedish), see *Ennakonpidätystiedot etuuden maksajille*.

## **2.6 Publishing of instructions and data file specifications**

Instructions and Data File Specifications are posted each year at [tax.fi](http://tax.fi) > IT\_developers > Data\_format\_specifications > [Direct transfers and other notices](#)

New versions are released every year. The exact dates are different from year to year when new tax cards or withholding rates become effective, and consequently, the deadline dates of submittal of request filings will also be different. August or September are the months when update versions are released; there is some variation year to year because of the irregularity associated with the amendments of tax legislation and rules, their dates of coming into force, and the availability of information on them. Software providers and other parties requesting the transfer should therefore adapt to regularly occurring changes of Data File Specifications every year.

## **2.7 Who is entitled to request withholding data?**

The Tax Administration delivers withholding data by direct online transfer to employers under section 17 (1), paragraph 1 of the Act on the public disclosure and confidentiality of tax information (1346/1999). Notwithstanding the confidentiality

obligation, the Tax Administration may disclose information to employers or other payers on the withholding tax rate and other information required for payment of withholding tax related to taxpayers as specified by the employer/payer.

Employers have the right to collect the data that are needed for withholding, and the right to store such data in their payroll accounting systems. The request filing must be limited to cover the individuals who actually work for the employer at the time when the withholding data is in force. If the employer fails to fulfil the requirements of Personal Data Act (523/1999) when storing personal data, punitive sanctions against the employer and liability to pay indemnities may become applicable.

## 2.8 Confidentiality requirement

Withholding data delivered through direct online transfer are confidential information. Pursuant to § 12 of the Act on Public Disclosure and Confidentiality of Tax Information, they may not be used for any other purposes than what is their intended purpose. The only permissible purpose is the withholding of tax.

Provisions on non-disclosure and prohibition of information misuse are found in § 22 and § 23 of the Act on the Openness of Government Activities (621/1999). Anyone processing the information must keep it confidential under the provisions of said Act. They must not use it for their personal benefit or for the benefit of another, nor for the detriment of any third parties.

Whoever handles individual taxpayers' withholding data must also consider the obligations of the Controller of a database within the meaning of Personal Data Act (523/1999), including the obligation to adhere to the agreed purposes of use, the obligation to protect the data and the obligation to inform the individuals whose data is being captured. The confidentiality requirements under the Personal Data Act concern all those who handle withholding data at employer companies, accounting firms or IT centres.

The database of the Tax Administration makes a log of the users who send in request filings and of the employers (and others) who have been given the withholding data.

## 3 Guidelines for reporting

### 3.1 One income ceiling

Positions 62 - 71 include the option to specify a single income ceiling for the period of validity of the tax card. The single ceiling is only used if the employee has chosen it, either by ticking the appropriate box on their tax card (alternative B on the card) or by notifying the employer/payer about this in some other manner.

### 3.2 Identifiers for IT service centres/employers; needs to differentiate between many employers or units

All requests must contain both the Business ID of the party that requests the information and the Business ID of the employer. Both identifiers are mandatory. Only the officially issued Business IDs can be used as identifiers. **Any party requesting data transfer** must give their Business ID or sub-accounting unit ID. They cannot identify themselves with a personal identity code. **Employers** either give their Business ID, their sub-accounting unit ID or their Finnish personal identity code. However, the primary identifier for all employers is the Business ID. The use of a

Finnish personal identity code is only permitted if no Business ID has been issued to the employer.

If the employer has not engaged the services of an IT centre, they must have a Business ID. In this case, the employer's Business ID must be entered twice — first as the party asking for data transfer, and then as the employer.

Tax Administration uses the identifier (a Business ID or a sub-accounting ID) when answer files are being compiled and sent back, in order to make sure that all requesters receive the right sets of data.

IT centres can make use of the employers' Business IDs when they pass on the data to each employer. Filers may enter any other pertinent data for purposes of differentiation in position 50 (hourly and monthly pay), in positions 52 and 54 - 61, or in positions 120 - 140 (reserve space). The Tax Administration does not use or alter the data content of these positions.

**Example 1:** Employer asks for withholding data without engaging the services of an IT service centre. The employer must enter their company Business ID as the 'party requesting data transfer' i.e. the filer (positions 24 - 36), then entering it again as 'Employer's Business ID' (positions 37 - 49).

Entries:

Positions 24 - 36 0333333-2 (company Business ID)

Positions 37 - 49 0333333-2 (company Business ID)

**Example 2:** An IT centre transmits withholding information for many employers, first making the requests, then passing on the answer data received in response to the request. They enter their company Business ID as the 'party requesting data transfer' i.e. the filer (positions 24 - 36). Then they enter their client employers' Business IDs as 'Employer's Business ID' (positions 37 - 49) according to who the employer of the employee being requested is.

Entries:

Employer no 1:

Positions 24 - 36 0123456-2 (the Business ID of the IT centre)

Positions 37 - 49 0333333-7 (the Business ID of employer no 1)

Employer no 2:

Positions 24 - 36 0123456-2 (the Business ID of the IT centre)

Positions 37 - 49 0444444-2 (the Business ID of employer no 2).

### 3.3 How to differentiate between hourly pay and monthly pay

Employers who want to differentiate between employees paid on an hourly basis and on a monthly basis can use the reserve space in the request file. In this case, the Tax Administration will only send one answer file, which either the employer or IT centre must then sort out between the different employees.

### **3.4 Tax cards for pensioners who receive wage income**

The Pensioner's tax card for wages shows the basic rate and an additional rate for wages and seafarer's income. The income ceiling is the same for both. When making the request, the employer either asks for withholding data for pay from principal employment for non-seafarers (1) or for seafarer's income (2). In the answer file, the Tax Administration delivers the withholding data for the type of income requested. In the answer file, the withholding data in the tax card for pensioner's wages are delivered in the same positions as the data for the tax card for pay from secondary employment with income ceiling. Tax cards for wages that have income ceilings are treated in payroll accounting in the same way as tax cards for pay from secondary employment with income ceilings.

### **3.5 Tax-card information of foster care providers (perhehoitajat)**

Municipalities that pay compensation to foster care providers (foster care provider's fee + reimbursement for expenses) can submit requests for withholding data with the categorisation value '3' (position 51) "Request for withholding data on non-seafarer's income from secondary employment".

If the answer file contains a withholding rate for secondary employment, or a withholding rate for secondary employment with an income ceiling and an additional percentage, the payer municipality can withhold tax on the care provider's pay according to them. If the foster care provider presents a revised tax card for foster care provider's fee, the revised card is to be used. If the system does not return any answer file, the foster care provider must be asked to present their tax card.

Tax-card information for secondary employment is used in connection with the withholding of tax on trade income if the beneficiary is not prepayment-registered. Tax Administration may include the foster care provider's fee in the calculation of the withholding rate for income from secondary employment if the foster care provider has had a revised tax card the previous year for their trade income (foster care provider's fee and compensation for expenses) or they have had such income in the final assessment for 2016.

### **3.6 Tax-card information of family caregivers (omaishoitajat)**

Municipal entities that pay compensation to family caregivers can submit requests for withholding data with the categorisation value '3' (position 51) "Non-seafarer's secondary occupation".

If the answer file contains a withholding rate for secondary employment or a withholding rate for secondary employment with an income ceiling and an additional rate, the payer municipality can withhold tax on the caregiver's pay according to them. If the family caregiver presents a revised tax card for purposes of withholding taxes on family caregiver compensation, the revised card is to be used. If the system does not return any answer file, the payer will have to ask the family caregiver to present his or her tax card.

## **4 Implementing the new withholding rates**

### **4.1 Date of implementation**

The planned effective date of new withholding rates is 1 February 2018.

Even though the Tax Administration sends back the answer files to employers in advance (e.g. during the previous calendar month), the employer must not apply the new rates to any withholding until the effective date. This means that in January 2018, the withholding on any wages will continue to be based on the old withholding rates that were valid 31 December 2017.

However, employers whose employees have provided revised tax cards that enter into force in January 2018 must withhold taxes according to the revised rates.

## **4.2 Stopping the income tracking during the year**

### **4.2.1 *Period of validity of revised tax cards***

Revised tax cards are effective from their issue date to the end of the year. The income limit is monitored from the entry into force of the revised tax card until the end of the year, if the tax card contains an instruction to this effect. For example, if a revised tax card has 1 January 2018 as its effective date, there must be no re-start of the tracking of accrued income on 1 February.

### **4.2.2 *Cumulative withholding system; cut-off of income tracking***

In the case of cumulative withholding computation, the employer must cut off the tracking of how much income has accrued, and the calculations of amounts to be withheld, both at the start of the new calendar year (1 January 2018) and at the start date of the period of validity of regular tax cards (1 February 2018).

### **4.2.3 *Tax cards with income scales***

At the time of writing, the income ceilings for tax cards with income scales for 2018 are not yet known. Please check them at [tax.fi](http://tax.fi), where they will be available in mid-December.

If employees have tax cards with income scales that come into force 1 February 2018, their employers must start keeping track of income accruals on 1 January 2018 regardless of what type of tax card had been issued to the employee in the beginning of 2018. The income accrued during the first weeks of 2018 must be taken into account, and there must be no cut-off of the tracking as of 1 February. Employers must only stop tracking the incomes on the effective date of new tax cards if the type of the card is other than the one with income scales.

## **5 Showing the paper tax card is no longer necessary**

According to a recent amendment of the decree governing tax withholding, employees no longer need to show their paper tax cards to their employers if the employer has received their withholding data through direct data transfer from the Tax Administration. Employers must inform their employees that their withholding data has been received online and that there is no need to show the tax cards. If the employer has received the withholding data both for the pay from primary employment and for the pay from secondary employment, they must ask the employee whether the primary or the secondary rate should be used.

Starting on the effective date of the year's tax cards, the employer must withhold tax according to the transferred data, unless the employee presents a different tax card (i.e. one that has been revised).

If the employer has not received the withholding data electronically in the direct transfer procedure, the employee must show the tax card to the employer. This is the

case if e.g. employment begins after the transfer request has been submitted. In that case, the employer must ask the employee to provide a paper tax card. If no withholding information has been made available, the employer must apply the rate of 60% to the payments going to the employee.

Since the data on revised tax cards is not transmitted electronically, employees must always show their revised tax cards to the employer in the same way as before.

Although the Tax Administration data system saves the details of the party requesting the withholding data and of the party that received the data, the Tax Administration's customer service will not disclose them. For this reason, the employer must notify their employee if they have not received any withholding data on the employee in the direct online transfer procedure. If employees enquire about their details transmitted through direct transfer, these enquiries must not be redirected to the Tax Administration.

Employers must withhold tax according to the transferred data also in cases where the employee's withholding rate is for secondary income or freelance income.

## **6 Carrying out the withholding**

### **6.1 Calculations either per pay period or per one single income ceiling**

There are two alternative schemes of withholding for pay from principal employment: the alternative A involves several income ceilings per pay period, whereas the alternative B has only one income ceiling. Both alternatives involve the use of a basic withholding rate and an additional withholding rate.

If the employee has not requested that one income ceiling (B) be used, the employer automatically carries out the withholding according to the income ceiling per pay period (A). This means that the employer calculates the withholding either per pay period, or cumulatively.

The annual income ceiling – 'B' alternative – is used only if the employee requests it. The request is *made in a manner of their choice* for example by telephone or email. It is recommended that employers accept that employees inform them in the manner of their choice. Otherwise, paper tax cards would have to be delivered because of this selection only.

If the employee has selected the 'B' alternative for the period of validity of their card, the employer will apply the basic percentage rate until the ceiling is reached. After that, the employer must apply the additional rate to all payments exceeding the limit during the rest of the year.

If 'B' has been chosen on the card, or if the employee has had a tax card with income scales, and the employment is terminated in the middle of the calendar year, employers must make a written note regarding the payments subject to withholding on the card, on a separate enclosure (such as a payroll certificate) or on the Tax Administration's form "Työnantajan todistus maksetuista palkoista verokortin liitteeksi" (Form no 5049).

The next employer must then keep track of the income ceiling and subtract the already paid gross amounts from it according to the previous employer's written entries.

If the first employer neglects to make the written note on the gross pay on the card or elsewhere, the employee may have to pay additional back taxes later.

## **6.2 Rules on rounding out the amounts**

The amounts to be withheld must be computed in euros and cents. The result is rounded out to the nearest cent as usual. If the third decimal is 1 - 4, the sum is rounded down. If it is 5 - 9, the last cent must be rounded up.

## **7 More information on withholding**

More information for employers and for payers of other payments subject to tax withholding is available in Finnish and Swedish on vero.fi > Syventävät vero-ohjeet > Ennakkoperintä > [Ennakonpidätyksen toimittaminen](#).

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