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Nonresident recipients of pension benefits — instructions for direct transfers of withholding data, 2018

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Enclosure:

Direct online transfer of withholding data of nonresident recipients of pension/Data File
Specification for 2018

Nonresident recipients of pension benefits — instructions for transfers of withholding data, prepayment year 2018

This document discusses the direct online data transfer with which the withholding information regarding pension recipients can be transmitted for the 2018 year of payment and withholding. The payors or filers who request data transfer will receive the withholding rates in answer to their requests. This information is computed once a year in a computer run (the information is also known as 'basic tax-card information'). This document does not concern the online transfer of information pertaining to revised tax cards.

1 Recent changes

We have only changed the year to 2018 in the specification as necessary. Its structure has remained the same.

2 Description of the transfer procedure

2.1 General remarks

The procedure discussed in this document is the e-filed request and the online answer to the request that enables payors of pension benefits to receive the withholding information that they will need for each recipient of pension. The requests are made once a year.

This document concerns nonresident beneficiaries of pension. However, if the individual concerned is a tax resident of Finland, the request file must be set up as instructed in *Recipients of pension benefits (residents) — instructions for direct transfers of withholding data*, translation into English is available.

2.2 Introduction to the tax assessment of nonresident pension recipients

The nonresident recipients are individuals who live outside Finland. However, if a Finnish citizen leaves Finland for another country, he or she will continue to be a tax resident of Finland during the calendar year when they left and for three years after the end of that year.

Finnish citizens who have left Finland may request for tax treatment as nonresidents prior to the close of the three-year period after the calendar year of leaving if they can show proof that they no longer have substantial ties with Finland. 'Substantial ties' may refer to a house or apartment in Finland if it is reserved for their own use, or to a wife or husband who continues to live in Finland. Permanent departure from Finland usually means a situation where a pension recipient has filed an official notification of moving away from Finland to the Population Register System.

Finnish citizens become tax nonresidents of Finland after three full calendar years have elapsed after the year when they moved away to live in another country. However, in exceptional cases, due to an official demand by tax authorities, tax residency in Finland can be regarded as continuing longer. Tax authorities are legally required in such a case to show evidence that the individual continues to maintain substantial ties with Finland.

When an individual who gets paid Finland-sourced pension benefits leaves the country, the payor must use the request file for residents (not nonresidents) during the three calendar years that follow the date of leaving Finland. Only in the case that the individual has delivered the payor his or her tax card that requires tax treatment as a nonresident (called rajoitetusti verovelvollisen muutosverokortti in Finnish), or alternatively a tax-at-source card (called lähdeverokortti in Finnish) for other income types, the payor can use the request file for nonresidents for the purpose of asking for withholding information.

For the fourth calendar year following the end of a Finnish citizen's year of leaving Finland, the payor must use the request file for nonresidents. However, if the payor has received information from the Population Register Centre stating that the individual has returned to Finland to live, the payor must again use the request file for residents.

Example 1: An individual pension recipient leaves Finland 1 August 2016 to start living in Spain. He is a citizen of Finland, and he continues to keep an apartment or house ready in Finland for his personal use. Conclusion: He will continue to be a tax resident up to the end of 2016 and through 2017 - 2019. Starting 2020 he will be a nonresident. The fact that a house remains in Finland is a substantial tie that would make it impossible before 2020 to regard this individual as a nonresident even if he or she were to submit a claim for such treatment. Thus, the payor must use the residents' request files for 2017 to 2019 and move on to using the nonresidents' request file as of 2020 when asking the Tax Administration to deliver withholding data for this individual.

If a citizen of another country (who has lived in Finland) leaves in order to start living in another country, he or she will normally become a nonresident as of the date of leaving. Other nonresidents include all the individuals living in other countries who receive pension from Finnish sources who have never lived in Finland.

Consequently, the payor must use the nonresidents' request file.

Example 2: An individual pension recipient who has lived in Finland moves to Sweden on 1 August 2017. His citizenship is Swedish. Conclusion: He will be a nonresident starting on the date when he leaves. Thus, the payor must use the nonresidents' request files for 2018, an onwards, when asking the Tax Administration to deliver withholding data for him.

The format of the electronic request file designed for nonresidents must match the specification of the data file and be set up as instructed in this document. Similarly, the format of the electronic request file designed for residents must match the appropriate specification of the data file and be set up as instructed in *Recipients of pension benefits (residents) — instructions for direct transfers of withholding data*, translations into English are available.

The Finnish legal act governing the tax assessment of nonresident pension recipients has been Act on Assessment Procedure as of 2006, i.e. the same legal act governs the tax assessment of both residents and nonresidents. The 2014 amendments of the Act on the Taxation of Nonresidents' Income and Capital (Laki rajoitetusti verovelvollisen tulon verottamisesta 627/1978) do not concern recipients of pension. The procedure that concerns nonresident recipients has remained the same as previously. The Finnish Tax Administration assesses the taxes of nonresident individuals on the basis of the data received from the payors in their Annual Information Returns and on the basis of the completed tax return form data originating from the individual taxpayers themselves. The earlier requirement to always notify the Tax Administration of address changes and change dates has ceased to be in force in 2013.

2.3 Steps of the transfer procedure

The Tax Administration sends back the answer files with withholding data in response to the specific request files that the payors have submitted. The requests include specific references to individual recipients of pensions. These individuals must have Finnish personal identity codes.

The request files discussed in this memorandum must comply with the data transfer requirements outlined in the Data File Specification. The request files must be set up as instructed. The request files that concern nonresidents cannot be combined with residents' request files. To facilitate accurate computations of withholding rates, the information in the request files must include payor-submitted estimates of annual gross pension incomes along with other facts as specified.

2.4 e-Services used in data transmission

Use the ilmoitin.fi gateway maintained by the Tax Administration or a service provided by a Tyvi operator to send the data to us. Filings via any other data medium such as a CD-rom or a USB memory device are not accepted. More information on electronic filing is available at ilmoitin.fi and vero.fi/tyvi.

For the data transmission to succeed, the payor's accounting software must be able to create files that comply with the requirements of the enclosed 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, fast and reliable transmission 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 or yritys.tunnistus.fi.

When sending back the answer file, the Tax Administration will use the same e-Service as the payor had used when sending the request file. The Tax Administration will respond to the requests no later than two weeks in advance of the effective date of the new withholding rates. The payors will receive answer files complete with withholding data. However, this requires that the payor-submitted request file had arrived on time and was free of errors.

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

2.5 Request file deadline dates

The last permissible date is 8 November 2017 for submittal of electronic files to request the withholding information.

The deadline has been set to match the usual yearly schedule in which the effective date of individual taxpayers' 2018 withholding rates is 1 February 2018. The deadline also satisfies the requirement that the Finnish Tax Administration must have enough pension income estimates available before its annual computer runs in which the following year's withholding rates are determined.

2.6 New payor of pension benefits participating in the online data transfer

There is no need to sign a contract when you participate in the online data exchange with the Tax Administration for the first time. However, participants must follow the instructions and their updates closely.

The Finnish Business ID is the identifier of the payor/filer. Based on the Business ID information, the system will print the payor's name on the letters that the Tax Administration will send to the pension recipients. They both show the withholding rates to be applied and contain explanations of the principles of withholding calculation. In light of this it is very important that all pension institutions and other payors of pension benefits always keep the Tax Administration up to date.

This means that if they have any address changes or business name changes, they must promptly report them to the Tax Administration in writing.

See the Data File Specification for addresses of the Tax Administration.

2.7 Publishing of instructions and data file specifications

The Tax Administration issues official Instructions and Data File Specifications once a year and posts them at [tax.fi > IT developers > Data file specifications > Direct transfers and other notices](#)

New versions are released every year. The exact dates may be different from year to year when new tax cards or withholding rates become effective, and consequently, the deadline dates of submittal may 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 that is associated with the amendments of tax rules, their dates of coming into force, and the availability of information on these questions.

Commercial software vendors, payors of pensions and all other preparers of request files should therefore be aware that Data File Specifications may be subject to changes every year.

2.8 Rules on the disclosure of information and data confidentiality

The Tax Administration delivers withholding data by direct online transfer to payors under section 17 (1), paragraph 2 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 payors on the withholding tax rate and other information required for payment of withholding tax related to taxpayers as specified by the payor.

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

The withholding data transmitted to the payors is confidential. 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 pension institutions, 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 pension institutions (and others) who have been given the withholding data.

3 Guidelines for reporting

3.1 How to report annual pension income estimates

The euro amount of the 2018 annual income must be written as a straight string of numbers with no separator characters between the euros and the cents, padded with leading zeroes. The value of position 42, unit of currency must be '1' (the euro).

3.2 Types of Payments and the withholding rates contained in the answer files

One request file (or one set of data) can only include one Type of Payment. The answer file will contain the withholding percentage rate to be applied to that Type of Payment. The types of pension that fall into the same Type of Payment must be added up and combined if the other request file data is the same. There are many different Types of Payment, so the number of different withholding rates reported on the answer file may be considerable.

For a list of Types of Payment, see section 5 of the Data File Specification.

The new types of pensions effective from 1 January 2017 are to be reported as B1, B2 or B5 Type of Payment, depending on the type of work involved. The new pensions are known as "years-of-service" (työraeläke) and "partial pension for early retirement" (osittainen varhennettu vanhuuseläke).

3.3 Citizenship information

The pension recipient's citizenship and second citizenship must be reported as the payor of pensions has recorded them. No more than two citizenships can be entered. The Tax Administration uses the country information for investigating any entries where data seems to be missing. However, the Tax Administration's primary source of information is the Population Register Centre.

3.4 Country of residence

The payor must also report the pension recipient's country of tax residence as recorded by the payor. The Tax Administration uses the country information for investigating any entries where data seems to be missing. However, the Tax Administration uses its own database as the primary source of information.

3.5 Payments of voluntary retirement pensions and payments derived from long-term savings contracts

When pension benefits are paid out for a voluntary contract they must be reported under B8 or B9 Types of Payment, and when payments derived from long-term savings contracts are paid out, they must be reported under P4, P5 or P6 Types of Payment. The amounts on the request file must always be unadjusted even in cases where the payor is aware that the payments will be increased for tax purposes.

4 The dates when 2018 withholding rates come into force

As it has been planned, the effective date of the new 2018 rates is 1 February 2018. This means that the payors must implement the new rates that they have received on the answer files starting 1 February 2018. In January 2018, the withholding on any pensions paid out will continue to be based on the old withholding rates that were valid 31 December 2017.

In the case that a nonresident individual has changed their withholding rate and submitted a revised tax card to the payor, the withholding rates on such a card must be used as from the effective date printed on it. In this way, if an individual pension recipient has a revised tax card for 2018 that has come into force 1 January 2018, its withholding rate will already be valid in January.

5 Prevented computations

If the system returns '5' as the success/failure value, it means that the local tax office has prevented the normal computation process of the withholding rate for the individual. This is usually an indication of a revised tax card being in force. The payor of pensions will receive the revised tax card from the local tax office soon.