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A Guide to

CONSTRUCTION IN FINLAND

2025

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Finland is experiencing a dynamic phase in its construction sector, with numerous large-scale infrastructure projects and sustainable building initiatives underway. This vibrant environment offers significant opportunities for foreign companies to engage in various industrial construction projects.

This guide provides insights and practical advice for foreign companies navigating the Finnish construction sector. It covers aspects that are crucial for running projects, including contracting, project management, bidding and procurement, corporate and tax considerations, and workforce management.

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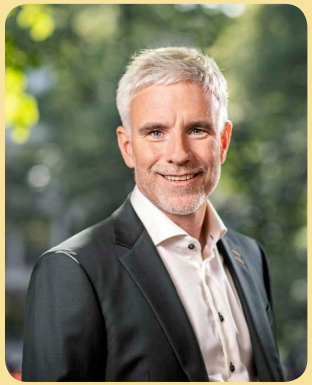

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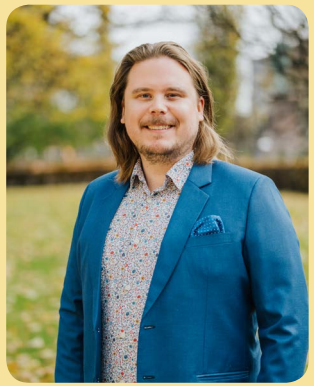

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Finnish contracting practice in a nutshell

The Finnish legal system is part of the Nordic legal family. Hence, businesspeople from Scandinavia will find many things familiar in Finnish contract law. For everybody else, there is a couple of key traits that are good to keep in mind when making contracts in Finland.

Maybe the most prominent trait of Finnish contract law is that it always places fact over form. A Finnish court will never decide a case simply based on the parties using a specific word or phrase in the contract. In fact, Finnish law is distinctly uninterested in terms and wordings. Lawyers like to look at the whole of the contract, what the parties actually intended, but also simply what makes sense.

Accounting for judicial discretion

Judges in Finland (under Finnish contract law) have wide discretion of adjusting contract terms or setting them aside if they find that such clause is inadequate. This is a blessing and a curse. It relieves parties, particularly such that are in a weaker bargaining position, from part of the worries about contract terms: If things get too absurd, one can rely on judicial help. On the other hand, this system makes the outcome of possible disputes less predictable.

Consequently, the basic drafting paradigm is different in Finland than in many other countries. It is not feasible to determine with any surety how far one can go, for example in terms of reducing the other party's rights, without the contract terms being set aside by courts.

Instead, it is of particular importance to have the contract reflect as precisely as possible the actual project at hand, and the actual justified interest of each party. Only against such background is it possible to make the desired shifts, for example in terms of liability, termination rights, or the like. Only if clauses can be recognized (by a judge) as being firmly rooted in the project's framework and nature, can one be reasonably confident that the clause will withstand judicial scrutiny.

Form of contracts

Finnish contract law is mostly free of any compulsory form requirements. Contracts can be made in any form that appears convenient for the parties (and satisfies the parties' need for evidencing existing agreements).

In practice, even business contracts of substantial value are routinely made by e-mail, exchanging scans of the signed documents, or using electronic signatures. For the latter purpose, third-party signature service providers are commonly used.

When signing electronically, originals are sometimes exchanged after the fact for documentation purposes, but this is not required (and increasingly less common).

Remedies

Contract parties are largely free to agree on the contractual remedies that they want to apply in case of breaches of contract or other disturbances in the contractual performance. As far as they do not agree on anything specific, the normal remedies of Finnish contract law apply. A few key observations on these remedies:

- Specific performance can be enforced in court, i.e., the other party can claim actual fulfilment of the contract and is not limited to demanding financial compensation. For example, non-competition commitments can be enforced by court injunction.
- In the absence of appropriate limitation clauses, damages for negligent breach of contract generally cover full compensation of all damages that can be shown to have been caused by the breach, including consequential damages such as loss of production.
- Termination of the contract is possible in case of material breaches, with the definition of material breach being somewhat ambiguous unless appropriate contract clauses clarify the matter.

Use of standard terms

A distinctive feature of Finnish contracting practice is the widespread use of standardized contract terms. Such terms are generally drafted by groups of interested parties in the relevant industry, with the purpose of creating a balanced framework that may be applied to most of the relevant contracts.

For construction contracts, it is the YSE 1998 terms that are used in the vast majority of building projects. As Finnish law completely lacks dedicated provisions concerning work or construction contracts, the YSE 1998 terms are sometimes perceived as if they themselves were the law. In any case, the terms are a strong expression of the expectations that Finnish parties have when entering into construction contracts.

The YSE 1998 terms are not directly applicable unless they are explicitly referenced in the contract. However, their wide acceptance gives the terms substantial weight when interpreting unclear contract terms or filling gaps in the contract, even if they are not referenced. It is a good idea to take them into account when drafting the contract.

Arbitration clauses

Agreeing on arbitration procedures for settling legal disputes is common practice in Finnish construction contracts. This is motivated by a number of circumstances, including the sluggishness of Finnish court proceedings and the parties' interest in handling proceedings privately (court files are public as a matter of principle).

For transnational projects, there is also the fact that only in arbitration it is possible to choose English as the language of proceedings, and to appoint arbitrators from neutral jurisdictions.

The Finnish Central Chamber of Commerce operates an institute of arbitration whose proceedings enjoy great popularity in the Finnish construction industry. For proceedings of an international calibre, it is also common to use other arbitration institutes, such as the International Chamber of Commerce (ICC).

Acting as EPC contractor in Finland

Bidding for projects

Plant construction projects in the field of sophisticated infrastructure are being increasingly contracted out as EPC general contracts. Foreign suppliers are welcome, but they need to ensure that they are well-positioned to successfully secure these contracts.

By awarding the complete contract to a contractor as a package, from the detailed engineering stage to turn-key handover, the project owner cuts out many interfaces. Conversely, for contractors taking on a general contract involves increased risks.

Generally, the contractor has to accept full responsibility for making sure the plant is completed and fit for the purpose agreed upon. They can only plead uncertainties and obstacles in extremely limited and exceptional situations.

Risk management with experience

From a technical perspective, the risk for an experienced contractor can be calculated – and insured if necessary. The legal and administrative framework, however, poses challenges for foreign suppliers if they haven't had solid experience of their own in Finland.

For one thing, there are regulatory aspects that have a direct impact on the costs of providing works and services: employment law and safety regulations first and foremost, but also restrictions on importing and transport, and of course taxes and duties.

The question of what is going to be delivered has even greater bearing on calculations and risk assessment. Here's where the peculiarity of the EPC contract comes into play: The owner generally only specifies a rough specification (FEED - Front End Engineering Design) from which the functional objectives of the plant construction project are derived. It remains the responsibility of the general contractor to

meet the objectives while keeping in line with the requirements set forth by laws, standards, and authorities.

If the supplier moves outside their geographical home area, they may encounter challenges in assessing country-specific risks such as unanticipated safety requirements or documentation demands from authorities, changes in the working environment due to legislative actions, and unexpected taxes.

Be well-prepared, make successful offers

In practice, it can often be observed that foreign bidders create a disadvantage for themselves when competing for an EPC contract in that, due to the risk factors named above, they either calculate an inflated risk premium in addition to the price (causing them to quickly be eliminated from the running, saving transaction costs), or put up too much resistance against accepting the business risks typical of an EPC contract during contractual negotiations (leading to later and more expensive failure).

For prospective contractors to be successful in Finnish EPC projects, it is in fact necessary to be in a position where they can realistically assess and calculate project risks. In this way, they can also convince Finnish clients that they can be relied on to handle a complex project in the Finnish environment.

There are different ways to achieve this in concrete terms. When entering the Finnish market on a long-term basis, consideration can be given to establishing a separate, local staff with the relevant skills. Bringing in external expertise in the form of technical and legal consultants will also be required in most cases.

The EPC contract in Finland, from the contractor's perspective

Drafting and negotiating a general contractor's EPC contract primarily follows the needs of the project. Universal rules cannot generally be established. But of course, conventions and customs in the target market - Finland in this case - are a factor.

Full responsibility and assumption of risk

The basic idea behind the EPC contract is that the contractor assumes far-reaching, full responsibility for the success of the construction project. A lump sum price is usually agreed on for completion in this process.

The contractor's project risk depends on the extent of the contractor's responsibility. This varies quite widely from project to project, and a tug-of-war is not uncommon in contract negotiations.

The following questions in particular are typical points of contention for distributing risk:

- Can the contractor assume the FEED to be correct, or will everything have to be reviewed from scratch?
- Does the contractor have to take care of obtaining permits (building permit, environmental permit, industry-specific permits, etc.), draw up the necessary documentation, and take responsibility for any delays that come up?
- Is it enough for the contractor to meet the technical objectives identified in the FEED or the contract, or are they responsible for this in a more general form so that the erected plant actually fulfils its purpose, too?
- Can the contractor demand additional payment and schedule adjustments in the event of unforeseeable circumstances (e.g., soil contamination, actions of third parties, change in legal framework conditions), or do these fall under contractor risk?

By taking an overly risk-averse position, a supplier may jeopardise their credibility as an experienced general contractor. Many of these risks can be commercially estimated fairly reliably and priced into the commercial offer, if you are familiar with Finland's legal and factual framework.

Change orders

Even if the project owner wishes to transfer responsibility to the general contractor to the greatest extent possible, they will generally want to have the last word when it comes to what is actually going to be built. The client may order changes to the work to be carried out.

A Finnish client will not allow themselves to be deprived of this right in the contract. You also won't succeed in making the implementation of a change order dependent on the parties first agreeing on the repercussions for the contract price and the schedule. It is rather common practice in building contracts for the continuation of work and project completion to take priority over all commercial matters.

Suppliers are well advised to accept this starting point and focus on the matters in which they can realistically gain something:

- agreement on feasible amendment procedures in which the contractor has clarity regarding whether a change should be implemented, even if the price is not fixed yet,
- agreement on realistic price mechanisms that kick in when changes are to be implemented without agreeing on a price in advance, and
- consideration for the repercussions that change orders may have on the EPC contractor's full responsibility.

And of course, one should plan to maintain comprehensive project documentation throughout the course of the project, which will help track the costs and repercussions of changed orders, and to observe the procedures that the contract provides for enforcing surcharges and adjustments to the schedule.

Warranty and liability

Which warranties to assume and for how long depends on the nature of the project. In Finland, a two-year guarantee period is customary. The YSE 1998 terms that are commonly applied in the industry also allow for a subsequent liability for hidden defects, effective for ten years following receipt, if these are due to circumstances such as gross negligence in the quality assurance agreed upon.

Without any contractual limitation of liability, the contractor's liability - be it for construction defects or the results of any breaches of contract - is legally unlimited according to Finnish law. Even the standard YSE 1998 terms do not include any limitation of liability.

Agreeing on liability limitations, particularly the exclusion of indirect damage and the establishment of liability caps, is common. Willingness to accept responsibility is naturally just as presumed on the market as proper insurance coverage. Thus, suppliers should avoid sending the wrong signals with exaggerated ideas about liability limitation. However, the EPC contractor has an understandable interest in not becoming the centre of risk in the contractual value chain: Passing on liability risks to subcontractors, planners, and other contracting partners is only possible to a limited extent.

Project management

Selecting your project partners: Keeping the chain strong

In large-scale projects, very different players come together on the various levels of the delivery chain, each with their own expectations and preconceptions. The contractors' degree of professionality may vary as well as their financial soundness. Probably the most effective tool of risk management is the careful selection of business partners.

When selecting a subcontractor for a crucial portion of your delivery scope, you may want that subcontractor to be liable for mistakes, and you also want them to be financially capable to actually pay the bill if something goes wrong.

Workability over liability

The main objective is, of course, that nothing goes wrong in the first place. After all, in the delivery chain, each company remains liable towards their own respective customer for that same delivery. When you are procuring parts of a delivery via a subcontract, it is highly likely that your own maximum liability will be higher than the liability cap of your subcontractor.

Hence, rather than relying on liability clauses, making the project work is priority. It is obvious that you will want to check your contractor's background – reference projects, financial data, and the like. When the subcontract is important for you, you may also want to check the actual acting persons. Carefully drafted contractual procedures will ensure that the contractor sends project managers that have the experience they need, and that you have a say in the case of necessary changes in key personnel.

No weak links in the chain

Your subcontractor may again bring subcontractors, and that is fine and normal. However, your risk increases with the size of the deliveries that your subcontractor contracts out. Your subcontractor should be obliged to provide the core of the relevant services themselves.

A healthy delivery chain can be recognised by each link of the chain contributing substantially to the delivery. If you have a subcontractor who does not add relevant value to the delivery themselves but contracts most works out to another player, then the chain becomes too thin at that point.

Much of a project's success depends on successful communication. Communication of relevant specifications, communication of changed circumstances and their impacts, communication between various contractors working on interdependent parts of the project. With the sub-subcontractor, you do not have contractual mechanisms to ensure that they get the right messages and will be held liable. But in order to make things work, you will anyway have to talk directly to them. When something goes wrong, it will be hard to know who said what and what that means for liability.

Variations in building contracts

The so-called General Conditions for Building Contracts (YSE 1998) govern the majority of construction contracts concluded in Finland. One of the most relevant issues covered by the terms is how to deal with variations to building plans during a construction project. Depending on the type of project and the level of detail of the plans the typical amount of modifications occurring during a construction project is estimated at 2-10% of the contract price.

The most common types of disputes involve

- whether the requested works constitute a modification,

- whether the requested change is permitted under the contract or under the governing law,
- and ultimately the contractor's right to claim additional compensation.

Obligation to implement a modification

Variations to the design, deficiencies in the plans or surveys or changes in construction regulations may, among other things, trigger the need to make changes to a construction contract in the course of the project. The YSE terms stipulate a procedure which applies when the original contract does not contain a mechanism to handle changes to the building plans or other additional works.

The YSE terms make a distinction between modification works and additional works. ***Modification works*** result from a change in a plan referred to in the contract. The modification may be either a change, increase or reduction of works. ***Additional works***, on the other hand, are works carried out by the contractor which did not originally form part of the obligations agreed under the contract. For example, if the parties agreed on the installation of piping in a building, piping works in the yard area would likely qualify as additional works. On the other hand, the addition of further piping interfaces to the systems inside the building could be considered as modification works.

Under the YSE terms, the contractor is obliged to carry out the ***modification works*** requested by the client. The contractor may refuse to do so only if the requested modification would significantly alter the nature of the building contract work.

The contractor is entitled to an increase in the contract price provided that there is an increase in contractor's obligations due to modification of the building plan. Such modification must be first indicated to the contractor by the client. In order to agree on the price adjustment, the contractor must submit a tender for the modification work. No modification work may be commenced before agreement in writing has been reached on the content of the modification and its effect on the building contract – unless execution of the relevant works is instructed as disputed works (see below).

The YSE terms contain no obligation to implement requested ***additional works***. The parties may freely agree on the price, the time of completion and the impact on the project schedule. If no agreement is reached the contractor is not obliged to carry out the additional works – again with the exception that disputed works may be instructed.

Disputed works

If the parties are in dispute over the nature of the work – i.e., on whether it qualifies as modification or additional work – or if the parties cannot agree on the consequences of a modification in terms of price and/or schedule, the YSE terms provide that if the client so requests the contractor must complete the requested work.

The idea is that the dispute should not endanger the project under any circumstances. The consequences in terms of costs and schedule must then be determined later – if necessary, in litigation or arbitration.

If the client orders the execution of disputed work, the contractor should in any event provide the client with an offer in respect of the work the contractor regards as additional. The client then bears the risk that the work is to be compensated as if an agreement regarding reasonable compensation has been achieved.

If it is entirely obvious that the work demanded by the client is additional work, the contractor may also in some cases have grounds to terminate the contract instead of carrying out the additional work. But this is a risky road to take.

Procedural requirements

In practice, parties often deviate from YSE's formal requirements. For example, the project schedule may be so tight as to make it impossible for the parties to follow the formal agreement procedure, or the parties decide to agree on the modification verbally.

If no written agreement on the price of the modification is concluded, the contractor risks losing the right to claim payment for the work done – even if it is not disputed that the works were modifications to the original plans.

If the client fails to indicate a modification to a contractor, the contractor may under certain circumstances lose its right to claim payment if no written agreement is made. The Finnish Supreme Court has highlighted the contractor's responsibility to identify the modifications and communicate price and schedule effects.

The parties may, however, agree on a procedure that differs from the YSE requirements. Whether, and to what extent, a verbal agreement or an established site practice for contract modifications can overrule the formal written requirements laid down in the YSE terms, depends on the circumstances of the case. Practice established between the parties, the necessity of carrying out the work, and the benefit of the work to the client may all be of importance when considering setting aside contractual procedures.

Obviously, these considerations are mostly relevant for evaluation after the fact. In a prudently managed project, if it is anticipated that it will be impossible to follow the requirements set out in the YSE terms (or the contract), it is advisable to agree in advance in writing on any deviations from such requirements.

Claims management

It is imperative for any contractor in the delivery chain to arrange for project management that continuously monitors developments in the project and duly reacts if it turns out that something is not as it was intended. Any changes or obstacles to the work must be notified and specified, price and schedule effects must be outlined and discussed with the customer, and agreement must be found. If no agreement is achieved, the contractor may need to refuse execution of changed works unless the customer confirms that such works should be executed as disputed works.

All this is necessary in order to be able to make claims later. This kind of paperwork is often out of the comfort zone of site managers and supervisors whose focus is on getting things done. It is also work that can be experienced as a strain on the day-to-day cooperation between the contract parties, which will usually be fully amicable at this point of time.

Nevertheless, the potential losses for the contractor in case of negligent claim management are so substantial that arranging for claims management is an essential part of diligent project management. It will often be a good idea to entrust this task with a dedicated person not otherwise involved in day-to-day site work, so as to alleviate the aforementioned concerns.

The need for stringent claims management is not limited to a contractor's relation to its customer. The same need occurs in relation to subcontractors. Most contractual arrangements require that a principal address any quality issues or schedule failures in due time during the project. Waiting until the completion of the works before sending reclamations or refusing takeover carries a high risk in a possible dispute. Hence, project-time claims management is necessary in both directions in the contractual chain.

Bidding in public procurement

Rules of thumbs for bidders

Contracting entities of major infrastructure projects in Finland are commonly public authorities or equivalent organisations and consequently subject to the strict requirements of public procurement law. Application of these regulations opens up the market for cross-border tenderers.

Contracts that exceed certain sector-based thresholds (for example, EUR 5,538,000 for construction contracts, EUR 443,000 for infrastructure planning services) and are consequently of particular interest in terms of international tenders are published in the Official Journal of the EU. These procurement notices can be accessed via the TED database (ted.europa.eu).

Procurement notices falling below the respective threshold are published exclusively in the Finnish HILMA database (www.hankintailmoitukset.fi); however, tenderers from any country may also bid for these contracts.

The rigidity of the procedure requires tenderers to disengage somewhat from the typical mindset of a businessperson.

Completeness. The tender must meet all requirements defined in the call for tender from the outset. Subsequent amendment is not possible.

Consistency. Should the tender contain contradictory information, the contracting entity may ask for a clarification – but it does not need to. Tenderers should expect that in cases of contradictions and ambiguities, the least favourable values will be applied for the purposes of tender comparison. This will also be the case where such values are stated in a subordinate appendix to the offer.

Form. The procurement notice will often stipulate a specific structure for the tender or may even prescribe the use of a commensurate form. The use of an alternative individual form of presentation by the provider will be disadvantageous in practically all cases and may even result in elimination from the tender.

Improvements? Resist the temptation to offer an even better product than that requested. This will not gain any advantage within the tender comparison process. Independent replacement of the required functionality by a better (but different) alternative frequently results in exclusion from the tendering process.

The procurement notice as a benchmark

The procurement procedure is strictly designed to ensure equal opportunity amongst those tendering. As a result, tenders should not deviate in any respect from the specifications determined in the tender document.

Occasionally, in the process of developing their technical solutions, companies may have already achieved a technical level superior to that specified in the procurement notice. The temptation to offer the ‘better’ solution is considerable.

This may be encouraged by the fact that, rather than price alone, the decisive award criterion defined in most Finnish calls for tender is the “most economically advantageous tender” criterion. However, this criterion must not be interpreted to mean that the tenderer should bring each and every merit offered by their individual product to bear. On the contrary, the evaluation criteria are clearly specified in the procurement document and defined under an objective scoring system. Deficiencies in the defined criteria cannot be compensated by other benefits.

In principle, Finnish public procurement law allows for deviation from the specified standards if the technical characteristics of the solution offered are commensurate with those of the solution required. Nevertheless, specifically with regard to the comparability of such deviations, award decisions have increasingly been the subject of (often successful) appeals in recent years. As a consequence, when concluding their award decisions, public procurers currently tend to steer well clear of grey areas that run the risk of the decision being subsequently reversed by judicial proceedings. In any case, any risk on the part of the tenderer in this respect is entirely needless.

Procurement procedures

Procurement in its basic form involves an open process for a specified performance with an unlimited number of tenderers. However, in infrastructure projects, the contracting authorities generally resort to other procedures.

Qualification and negotiated procedure

The most common procedure is the negotiated procedure, which first involves the qualification of a group of tenderers. Negotiations are carried out with these tenderers to determine the details of the technical and commercial solutions subject to tender.

On occasion, tenderers have been tempted to take a somewhat relaxed approach when preparing the initial (provisional) offer. This can cause friction within the procedure and in the worst cases may result in denial of qualification. Despite being designated as negotiation, the process is not comparable to business negotiations as they happen in the free market.

The tenderer may make proposals to the contracting authority during the negotiations. The tenderer may suggest that specific changes in the tender details would result in an economically more favourable offer.

However, the provisional offer remains binding. Subsequent amendments can only be undertaken to the extent in which the contracting authority modifies the final call for tender. The contracting authority has also an option to completely skip the negotiation phase and choose the most economically profitable initial offer without negotiations. Consequently, the provisional offer must fulfil all the tender criteria and be structured in a way in which the tenderer is willing to effect supply at the conditions offered.

Competitive dialogue and innovation partnership

A special form of the negotiated procedure is the competitive dialogue. This procedure skips the provisional offers and includes rather open negotiations with the participants concerning the way by which the needs of the contracting entity can best be served. It is only on the basis of these negotiations that the contracting entity formulates the actual requirements and the call for bids.

With innovation partnership, the objective is to acquire something that is not available on the market yet. The product development phase and the contract for the finished solution are combined in the procurement – this means that after the product, service or prototype has been developed, it can be acquired from the developer. The research and development work can consider either a whole new product or service or a complete change of an existing one.

Appeal against flawed award decisions

In the event of a flawed contract award, tenderers can bring legal proceedings before the Market Court, whereby extremely short periods of limitation apply.

As a rule, proceedings must be initiated directly following the contract award decision. However, where a tenderer has already been ruled out of the procedure by a preceding decision (e.g. in the qualification procedure), this prior decision must be promptly appealed against.

Under normal circumstances, before concluding the award of contract the contracting authority is required to wait for the final decision in the legal proceedings. Where the legal action is successful, the award of contract must be repeated while ensuring avoidance of the established flaw.

Particularly in the case of major infrastructure projects, the contracting authority will often be authorised by the Market Court to execute the contract award decision despite a pending appeal. Where the contract is duly concluded, it will not be rendered invalid in the event that the contract award decision is subsequently judged unlawful. In this case, the petitioner will only be entitled to financial compensation. Such a claim will only succeed where it can be shown with near certainty, that the party in question would have successfully been awarded the contract had the decision been correct.

Bidding for Project Alliances

Public purchasers are conducting a growing number of procurements for large infrastructure projects in the form of so-called project alliances.

A project alliance is based on the idea that the parties form a joint, integrated project organization in which risks and liabilities as well as opportunities are shared by the parties. In recent years, various prominent projects were implemented as alliances, with significant success in terms of project duration and cost savings.

A paradigm shift

The alliance concept implies that the opposition of the client on the one hand and the supplier on the other hand is removed. Both of them work closely together on planning and implementing the project. In the end, either all parties win, or all of them loose.

Of course, it is still the client who is paying, and the supplier will have to provide its services. But the parties will not agree on a certain price, the sufficiency of which may then be debated later. Instead, both work and agree on a cost budget. In the course of project implementation, the supplier will be compensated for all costs actually incurred, and a certain percentage is added as a premium. It is this percentage that actually constitutes the "price" element in the supplier's bid.

The alliance concept assumes that the interests of client and supplier are aligned. In order to achieve this, an incentive system is created, granting bonuses for savings in cost or overachievements in terms of the work result. Maluses may be "earned" as well, i.e. in cases of cost overrun or delays.

Earlier investment

The members of the alliance are expected to contribute substantial resources to the common project management. Most decisions are to be made unanimously. The common decision-making organs are expected to settle all questions swiftly. In turn, the alliance contract models in use in Finland provide for an almost complete exclusion of any legal remedy for either side.

Alliance projects have met a considerable degree of enthusiasm. It is obvious that the model is capable of creating a cooperation environment in which all resources are focused on the success of the project (rather than securing one's own rights). It is equally obvious that the desired effect will depend on many factors. Procurement agencies underline that the choice of the right alliance partners is key in this process.

For bidders, this means that they will have to invest more resources into the bidding process earlier in the project timeline. The bidder must convince the client that they will be capable of cooperating productively in the alliance model. They will have to provide their own vision of the project and also already present a team of people that are to represent the bidder in the project management group.

Participation as subcontractor

On the other hand, not every party supplying goods or services for the project is necessarily a member of the "alliance". The latter generally consists of high-level suppliers and designers. It is possible and common that works are awarded to subcontractors. These generally conclude standard work contracts with one or several of the alliance members.

Regardless of which alliance member(s) acts as the contract partner for the subcontractor, it is part of the alliance concept that the whole alliance is factually the client. This is because the compensations to be paid to the subcontractor are regarded as project costs and will be reimbursed in full to the alliance partner that contracted the subcontractor (the alliance partner's premium added). In turn, the choice of subcontractors and the approval of their terms is part of the alliance's decision-making process, with the unanimity requirement in force.

Licenses and permits

Procedures and permits for industrial building projects in Finland

The timely availability of authority permits is a determining factor for a project's schedule. Permits have to be applied for in the project owner's name. But technical preparation of applications often falls to the general contractor - occasionally along with the risk of the permit's timely issue.

Planning and communication

Every industrial project in Finland requires a number of permits for which different authorities are each responsible. The different procedures are independent of one another, with no centralised procedure in the sense of "one-stop shopping."

Many procedures also entail public hearings and/or obtaining statements, which require budgeting for time. Therefore, it is important to plan out procedures from the beginning and dovetail them appropriately in order to adhere to the project schedule.

In addition to the processing time, it may be hard to predict whether authorities will be satisfied with the submitted documentation. However, this uncertainty can be mitigated to a considerable extent through proactive and close communication with the officials in charge. Finnish authorities are open to directly exchanging information, and clerks are usually responsive to informal phone calls or meetings.

Permits unrelated to the industry

At the beginning, there is municipal land-use planning, which in many cases has to be adapted for the planned project. This is a decision process at the level of local politics, but preparation is often done in cooperation with the project owner (and frequently at their own expense).

Likewise, the environmental impact assessment has to be done in an early stage if the size of the project makes this a requirement.

Actual licensing procedures include in particular:

- The building permit (under building law) from the municipality is based on urban land-use planning.
- An environmental permit, which is generally issued by regional environmental authorities, certifies the planned operations' compatibility with environmental values and investigates disruptions for neighbours.
- A separate water permit is required for any use of natural water bodies.
- Other permits for traffic regulation, over- and underpasses on streets and rails, interference with air traffic due to high buildings, impact on nature reserves or similar may be required.

Tukes

The Finnish Safety and Chemicals Agency (Tukes) is the most important licensing authority for industrial plant construction. Their scope of responsibility includes supervising a multitude of industrial applications.

The Tukes work areas most relevant to plant construction cover all plants in the gas sector (particularly liquefied gases, natural gas, and LNG), containers for chemicals, pressure tanks, and electrical and measurement engineering.

Particularly plants in which chemicals are going to be processed, transported, or stored on a large scale, require a prior construction licence from Tukes. Natural gas also counts as one of the chemicals.

The licence must generally be present before construction starts. This is issued upstream through public hearing. If the project comes under the scope of the mandatory environmental impact assessment, this has to be present before applying. All of this must be taken into consideration during project scheduling.

If the project requires a construction licence, it generally also needs an operating licence which is issued after completion and a commissioning test.

Other licensing authorities specific to the industry

Not all projects fall under Tukes' scope of responsibility. Depending on the object of the project, one or more other licensing authorities may be relevant. These include:

- Finland's Radiation and Nuclear Safety Authority (STUK) is the authority for monitoring and licensing nuclear plants, but also for industrial applications in which radiation is used or formed.
- The Finnish Medicines Agency, Fimea, issues permits for manufacturing and selling pharmaceutical products.

Allocating permitting responsibilities in the delivery chain

A supplier who has accepted responsibility for licensing will have to compensate for the consequences of late delivery if the delay is due to licensing issues. For contractors, it is an important decision whether to apply for the necessary licenses themselves or to hand these responsibilities down to subcontractors. The apparently easiest solution is not always the best.

It is not always feasible to shift responsibility for licence procedures to sub-suppliers. After all, if any delays occur in the licensing process, this commonly leads to a standstill in the whole project. Even more fatal are the consequences if a necessary license is simply forgotten. A subcontractor will not be likely to be able to carry these consequences under its contractual liability.

The general contractor, as well as any contractor down the delivery chain should consider independently which licences will be needed, what is the quickest and most effective way to obtain them, and how much time should be allowed for the process. One should not make assumptions on these issues based on experiences in one's home country.

Various issues have a bearing in this regard:

- Often the party who has the best technical know-how will also be in a position to prepare application procedures effectively.
- On the other hand, a local company acting as applicant might be the most effective door-opener.
- The applicable public law may restrict the group of possible applicants.
- Some licences can be applied for by way of a simplified procedure if the applicant already holds certain general licences. General operation licences often include licences for transport and storage of dangerous goods, whereas an applicant not holding an operation licence would have to run through the full procedure.
- In order to protect business secrets, one will often have an interest in the centralised handling of applications.

These aspects may sometimes point in different directions. The most effective solution may demand a tailored division of responsibilities in which the internal responsibility is borne by one party, but the external representative function is fulfilled by the other.

Taxation

Income taxation of construction activity in Finland

Whenever a foreign company engages in a construction project in Finland that may take more than a few months, becoming subject to corporate income taxation in Finland is a possibility to be considered.

Taxation is straightforward if the contractor handles the project through a subsidiary established in Finland. In that case, the subsidiary's income is taxed exclusively in Finland. The amount of income generated for the subsidiary will depend on the pricing mechanisms established between the subsidiary and its parent. In cross-border scenarios, such transfer pricing must be **at arm's length**: The pricing must correspond to what non-affiliated entities would have agreed. Compliance with the arm's-length principle must be well documented, with additional formal requirements in place depending on the extent of operations.

If the contractor does not act through a subsidiary in Finland, they may still be subject to taxation in Finland with the income generated in Finland if the contractor's operations are such that they are considered to have a **permanent establishment** under Finnish tax law and applicable tax treaties.

Tax treaties are bilateral agreements between states that have the purpose of delineating each country's right of taxation in cross-border cases, and to avoid the risk of falling subject to double taxation in different countries with the same income. Most tax treaties, including those made by Finland, follow more or less closely the OECD Model Tax Convention.

In general terms, a foreign company is considered to have a permanent establishment in Finland if it maintains a fixed place of business in Finland (e.g., site offices or equipment storage) through which the business is wholly or partly operated. The degree of control over the site, continuity, and the nature of the work carried out are relevant considerations.

However, according to most Finnish tax treaties, a building site, construction or installation project constitutes a permanent establishment only if its duration exceeds a specified threshold. This threshold is twelve months in most cases. In some cases, most prominently for the Baltic countries, a shorter six-month threshold is applied.

Separate projects may be aggregated when determining the duration threshold, especially if they are commercially or geographically coherent. For example, if a company undertakes several phases of construction on the same site or in close proximity under related contracts, tax authorities may consider them a single project. A foreign contractor may also be deemed to have a permanent establishment in Finland if they supervise activities on-site for a sufficiently long period, even if the actual building work is subcontracted.

If a permanent establishment emerges, the contractor becomes liable to pay Finnish income tax on the income attributable to the permanent establishment. This requires keeping separate accounts for the Finnish activity and may lead to obligations such as registering for Finnish corporate taxation, appointing a tax representative, and filing tax returns in Finland. Based on the tax treaties, taxes paid in Finland are taken into account in taxation in the contractor's country of origin, either by crediting the amounts paid or by exempting the relevant income from taxation there.

Value-added taxes

As soon as a contractor has a fixed establishment in Finland, it is also liable to apply value-added taxes in Finland. The meaning of a fixed establishment in VAT added taxation is closely related to but not identical with the term "permanent establishment" in income taxation.

There is some degree of uncertainty as to what exactly is required for a fixed establishment to emerge. Finnish tax authorities prefer applying a nine-month threshold for individual or aggregated subsequent construction projects. However, this

threshold is not based on a legal definition and may be challenged in future. In borderline cases, it may be prudent to register for voluntary VAT liability.

As a peculiar trait of Finnish VAT, a reverse charge mechanism applies to building work and related services under certain conditions. This system shifts the VAT liability from the seller to the buyer, aiming to combat VAT fraud in the construction sector.

The reverse charge applies on the sale of construction services (not goods), and it requires that the purchaser of the services is also a construction company (i.e., an enterprise that is engaged in the sale of construction services). Hence, the concept is tailored for the relation between a contractor and their sub-contractor in building work, although other scenarios may qualify as well.

Where the aforementioned conditions are fulfilled, reverse charge is obligatory. The subcontractor would charge their contractual fees without VAT, and VAT must be declared and paid by the purchaser. It is the responsibility of both parties to assess whether the reverse charge applies. Incorrect application can result in penalties or the obligation to pay VAT retrospectively.

Insurances and risk management

Foreign contractors undertaking large-scale construction or industrial installation projects in Finland – whether under turnkey contracts or as specialised subcontractors – face a range of risks that must be proactively managed. These risks are not only technical and operational in nature, but also legal and contractual.

Contractors typically assume significant responsibilities in EPC or installation projects, and many bring their own machinery, tools, and workforce to the site. The risks they face can be grouped into several broad categories:

- Construction and operational risks (e.g. damage to works, delays, defects)
- Liability risks (e.g. personal injury, property damage to third parties)
- Logistics and equipment risks (e.g. damage in transit, customs issues)
- Employer obligations (e.g. occupational safety, social security)
- Compliance risks (e.g. incorrect tax or social security handling)

There is no single right way to handle these risks. Some of them may be small enough that they do not need to be handled at all. For example, certain contractual liabilities may effectively be limited to amounts that can be funded from the contractor's normal business budget if necessary.

But there will be many risks that do need attention, and it is a good idea to identify and address these as early as possible in any project. Adequate risk management will usually entail a mix of elements.

First of all, certain risks may be **contracted out** to other project participants, in particular to subcontractors and suppliers. Of course, it is not enough to enter into a contract in which a supplier accepts wide liability for damages, defects, or delays. It is also necessary to ensure that the supplier is able to carry the risk if damages materialise. If the supplier themself is not strong enough to carry the risk, they

should be required to procure adequate insurances. However, it may be more cost efficient not to move the risk to the supplier at all and procure insurance yourself.

Taking out sufficient **insurances** is at the core of project risk management. No single insurance should be viewed in isolation, but insurances taken out by a contractor should form a coherent set that covers the actual project risks and does not leave gaps. Underinsurance of risks should be avoided, as this will usually lead to reductions in cover in case that damage occurs, even if the damage remains within the defined limits of insurance cover.

Certain insurances are mandated by law, including most notably accident insurances and pension insurances for employees active in the project (whether local or posted). We will cover these further below.

Insurances are also commonly mandated in Finnish contracting practice. Ultimately, adequate cover is of course in the contractor's own interest regardless of the contract. The following types of insurance are typically considered:

- **CAR/EAR insurance (Construction/Erection All Risks)**: Typically taken out by the project owner or main contractor, but foreign subcontractors should ensure that they are named as insured parties. Alternatively, they may be required to provide their own CAR/EAR insurance if working independently or on isolated site areas.
- **DSU insurance (Delay of Startup)**: Usually an extension to CAR/EAR insurances, DSU covers a loss of revenue suffered by the project owner in case of delays caused by insured events. Where the main contractor is required by contract to take our CAR/EAR insurance, such requirement may include DSU cover for the benefit of the project owner. It should be noted that DSU insurance does not typically cover the contractor's risk of having to pay liquidated damages for delay.
- **General liability insurance**: Contractors must carry their own third-party liability insurance, covering both personal injury and property damage. This must also be valid in Finland and align with local standards.
- **Professional indemnity insurance (PI)**: Where design or engineering services are involved, PI insurance may be required.
- **Equipment and Tools Insurance**: Machinery and tools brought into Finland are not usually covered under site CAR/EAR policies. Separate coverage (either through transport insurance or a standalone policy valid in Finland) is often necessary.

Finally, and above all, **diligent project management** is the cornerstone of all risk management. In some cases, such as for compliance risks, it is the only way to manage risks adequately. But also where risks are contracted out or insured, it is usually necessary to manage observations, communications, and claims towards contract partners and insurers in a stringent way in order to avoid loss of claims or cover. Diligent management includes involvement of local legal and insurance experts early during contract negotiations.

Posting employees to Finland

Work and residence permits

EU, EEA and Swiss citizens

Citizens of the European Union, Iceland, Liechtenstein, Norway and Switzerland do not need a work or residence permit to work in Finland. They are, however, required to **register** their **residence right** with the Finnish Immigration Service if they reside in Finland continuously for more than three months.

The process is different for Nordic country citizens. They need to register long-term residencies of over six months with the Digital and Population Data Services Agency at latest within one month after moving to Finland.

Third country citizens

Citizens of other countries typically require a **residence permit** that grants the **right to work**:

- The general **residence permit for an employee** is only granted if no suitable workforce is available in Finland within a reasonable time (2 weeks) in the relevant line of work. Proving this may require the employer to first make a (unsuccessful) public job posting at a dedicated platform. The work force criterion applies only to this permit type. In addition, there is also a minimum salary requirement of EUR 1,600 per month.
- Highly skilled employees with special skills, whose remuneration is at least equal to the average gross wage of Finnish employees (EUR 3,827 per month in 2025) may be granted a **residence permit for a specialist**. The requirement of special expertise is typically demonstrated by a higher education degree.
- Highly skilled workers whose employment in Finland lasts at least six months may obtain an **EU Blue Card**, if they have a higher education degree that takes at least 3 years to complete, or at least 5 years of professional experience equivalent to higher education.
- **Other residence permit for employment** apply in specific cases, such as work for a delivery of a machine or a system (up to six months), preparation of the company's establishment to Finland, such as market research and order preparation, if neither the employer nor the employee has an establishment in Finland (up to one year), consulting work (up to one year), and top or middle management roles.

In certain limited cases, no employee residence permit is required for **short-term work** up to 90 days within a 180-day period, but a visa, visa exemption or Schengen residence permit is sufficient.

The first permit is always for a fixed term, which depends on the duration of the work task. The typical term is one year and the maximum term two years. Possible extensions must be applied before the expiry of the initial permit.

As a rule, residence permits need to be applied for by the employee in question, and the application process includes an in-person meeting at an embassy, consulate or service point. The employer is required to submit certain information about the employment, and the permit decision is notified both to the employee and employer. Processing time is as a rule two months.

Obtaining a residence permit typically requires confirmation that the following preconditions are met:

- The employer has fulfilled and is able to fulfil its employer obligations.
- Employment terms match those in Finnish legislation and the applicable collective agreement or, in its absence, applicable market standard.
- The employee has the special qualifications, authorisations and medical conditions required for the work.

- The employee's salary is secured for the permit duration, the salary is at least EUR 1,134 per month (full-time work) and complies with minimum requirements of the applicable collective agreement (or, in its absence) market standard.

Employment terms

Applicable law

The law applicable during to the employment relation during the posting depends on what the parties have agreed in the employment contract. In absence of an express agreement, the law applicable to the employment relationship is generally determined based on the main place of work.

Even where the employment relationship in general is governed by the law of another country, certain **mandatory terms of Finnish law** must be observed during the posting to the extent they are more beneficial to the employee than the applicable foreign provisions. These include working hours, annual holidays and related remuneration, family leave, salary, travel and accommodation costs, work safety and occupational health. Additional requirements apply when posting individual employee to Finland for over 12 months.

In addition, Finland has numerous **collective agreements** which have been declared as generally binding. As a result, the mandatory provisions of these agreements therefore must be observed by all employers in the sector (regardless of employer association or union membership). This typically concerns salary, regular working hours, overtime, annual holiday, among other benefits. The applicable collective agreement depends on the employer activities and employee tasks and qualification.

Working time

The statutory regular working time is 8 hours a day and 40 hours per week, but most collective agreements provide for shorter regular working hours.

Overtime work or work on Sundays and holidays requires employee consent and is subject to higher renumeration. The applicable rules depend on the employee's position and more flexibility exists for supervisory positions. Flexible arrangements or balancing out working time over longer time are possible within certain limits, with the extent depending on nature of work and local agreements between employees and employers.

Annual holiday

Unlike in many other countries, Finnish provisions on annual holidays are not tied to the calendar year. Instead, annual holidays are earned during the holiday determination year, which runs from April to March. These holidays are typically granted during the following holiday season, from May to April.

Employees accrue 2 or 2.5 days of vacation per month, depending on their length of employment with the company. Holidays are calculated based on a six-day work week, effectively providing four to five weeks of annual leave.

Most collective agreements also include extra holiday pay, typically 50% of the salary paid during the vacation, on top of the regular salary.

Finnish holiday rules can be challenging to align with those of other countries, highlighting the need for special agreements when posting employees abroad.

Salary

There is no minimum wage specified in Finnish legislation. Instead, minimum wage levels are typically determined in the collective agreements. If no such agreement applies to the posted worker, a normal and reasonable wage must be paid.

Occupational health care and work safety

Employers are required to provide preventive occupational health care for employees. The employer typically concludes a service agreement with a selected provider, which include public and private options, and must prepare an occu-

pational health care implementation plan. While employers are not required to organise medical care for employees, they may choose to do so voluntarily.

Employers also have an extensive responsibility for ensuring work safety. This relates to the work, workspaces, work procedures as well as tools, equipment and materials used. Employers must continuously monitor the working environment to identify and prevent any occupational hazards. Key obligations include drawing up a health and safety programme and implementing the safety measures specified in it.

Contractual arrangements

The overlap in employment provisions between different countries creates considerable complexity and ambiguity. Therefore, it is advisable to conclude an explicit agreement on the employment terms applicable during the assignment in Finland. Such agreement also serves to demonstrate that the Finnish requirements are being complied with, and if applicable, that the requirements for a temporary posting in the context of social security are met.

Such agreement should cover at least the following aspects:

- Remuneration, fringe benefits, and compensation of travel costs
- Working hours and vacation
- Duration of the assignment
- Hierarchical structure and direction rights related to work performed in Finland
- Reintegration of the employee in the home country after the end of the assignment

There are several options for structuring the agreement. The existing employment contract may be supplemented for the time of the assignment or suspended and replaced by an assignment-specific agreement for the duration of the posting period. It is also possible to transfer the employment relationship to a Finnish subsidiary.

The choice depends on various factors, including taxation and social security implications. For example, to ensure an employee remains within their home country's social security and pension system, it is usually necessary to maintain some form of employment relationship with the posting company.

Income taxation of posted employees

Generally, foreign employees working in Finland are subject to Finnish income tax as resident or non-resident taxpayers. The extent depends on the duration of the assignment and the employer's presence in Finland. Additionally, international tax treaties may limit Finland's taxation rights.

As a starting point, foreign employees working in Finland are subject to Finnish income tax as:

- **Resident taxpayers** (being liable for Finnish income tax on their world-wide income), **or**
- **Non-resident taxpayers** (being liable for Finnish income tax on their Finnish income).

Tax residents

A posted employee is considered a resident taxpayer in the following situations, both of which are assessed on a case-by-case basis:

- **Permanent home and residence in Finland**: This covers cases where a person has their main abode and home in Finland. A temporary residence does not usually qualify, unless there are strong personal ties to Finland, such as family or intention to settle.
- **Continuous stay of over 6 months**: The duration is calculated based on days between arrival to and departure from Finland and is not tied to a

calendar year. Temporary absences do not necessarily interrupt continuous residency. Postings for a project or several consecutive projects lasting more than six months are prone to trigger tax-residency in Finland.

Tax residents are typically subject to **progressive taxation** on earned income. As an exception, employees fulfilling the prerequisites for expert employees may apply for a 32 per cent flat-rate tax-at-source if their monthly gross income exceeds EUR 5,800.

Non-residents

Posted employees who do not qualify as tax residents, are generally treated as a non-resident taxpayer and must pay Finnish income tax on **income received from Finland**.

Income is considered received from Finland if the following two criteria are met:

- **Work is performed in Finland**, meaning that more than half of the working hours during a pay period must take place in Finland. In this case, the wages for the entire pay period are regarded as earned in Finland, regardless of any work outside Finland.
- Work is performed for **employer or principal present in Finland**. This generally covers entities registered with the Finnish trade register, foreign entities whose effective place of management is in Finland and permanent establishments of foreign entities in Finland.

Non-resident taxpayers' income is, as a rule, subject to a 35 percent **tax at source**, regardless of the amount.

Elimination of double taxation via tax treaties

Tax treaties may limit Finland's taxation rights. Finland has concluded income tax treaties with over 70 countries, which are primarily based on the OECD Model Tax Convention.

To determine how tax rights are divided between Finland and another country, one must first identify the employee's **country of residence according to the tax treaty**. Where a person is considered a tax resident under the national law of both countries, the country of residence is primarily determined by where they have a permanent home or a centre of vital interests, referring to family, economic, and societal ties.

Salaries and other work-related remuneration are typically taxed in the country **where the work is performed**. A prominent exception included in most tax treaties is the **183-day rule**: the income is taxed (solely) in the country of residence if: 1) the employer is not a resident of the country of working, 2) the income is not borne by a permanent establishment in the country of working and 3) the employee resides at the working country up to 183 days during a 12-month period, calendar year, or other period specified in the applicable tax treaty. The details regarding application of the 183-day rule can vary significantly between different tax treaties.

A **permanent establishment** in this sense typically includes a place of management, branch, office, factory, workshop. A building site or construction or installation project usually constitutes a permanent establishment only if it lasts more than twelve months, but the threshold varies between different tax treaties. The income is typically regarded to be borne by the permanent establishment when the income is deductible in the country of the permanent establishment.

To the extent both treaty states have right to tax the same income, double taxation is typically eliminated by the credit method (whereby tax paid in one country is credited in the other country) or by the exemption method (whereby income taxed in one country is exempt from tax in the other country). The method applied and its details are specified in each tax treaty.

Non-treaty situations

In the absence of a tax treaty, the elimination of a possible double taxation needs to be determined based on the national rules of the countries involved. As these rules

and related procedures are typically not aligned with each other, double taxation can often not be eliminated entirely in non-treaty situations.

In Finland, resident taxpayers may generally apply the credit method whereby foreign-paid tax on income derived from abroad can be deducted from Finnish tax on the same income. Non-resident taxpayers, on the other hand, must typically seek relief in their country of residence for income subject to taxation in Finland.

Related employer obligations

Employer obligations and procedures depend on whether the employer has a permanent establishment in Finland and is registered in the Employer Register.

A foreign entity is required to register in the Employer Register if it has a permanent establishment (PE) in Finland and pays salaries regularly to at least two permanent employees or simultaneously at least six employees on a temporary basis. In this case, the employer must:

- **Report wages and employer contributions** for work carried out in Finland to the Incomes Register. Additional income (for example from work performed outside of Finland) may need to be reported if the employee in question is a tax resident or subject to Finnish social security.
- **Withold and pay income tax** to the Tax Administration. Tax must be withheld from wages paid to resident taxpayers, and for non-resident taxpayers, tax-at-source must be collected from wages earned in Finland. The applicable tax rates are generally specified on each employee's tax card or tax-at-source card.
- **Pay the employer's health insurance contributions**, unless the employees have documentation proving that they remain in the social security system of their home country for the duration of the posting.

Even if an employer has no Finnish PE, it can voluntarily register in the Employer Register. A voluntarily registered employer has similar reporting and withholding obligations as a PE, but in most cases does not need to collect tax-at-source from non-resident employees.

If a foreign employer has no PE in Finland and it has not voluntarily registered in the Employer Register, it is not obligated to withhold tax from an employee's wages. Such employer must nevertheless file earnings payment reports to the Finnish Incomes Register, for example, when employing Finnish tax residents or employees subject to Finnish social security.

Social security

Applicable social security scheme

Social security arrangements for cross-border employment are coordinated under EU law. Similar rules apply to postings to and from the EEA, Switzerland and the United Kingdom.

When work is performed abroad, social security contributions are typically paid to only one country at a time. The general rule is that employees are subject to the social security legislation of the employment country. As a notable exception, employees may remain in the social security scheme of their home country in case of **temporary postings** that meet the following criteria:

- **Employer activities in the sending country**: The employer must have substantial activities in the sending country. The assessment depends on several factors, including the location of registered office, administrative staff, employee recruitment, and conclusion of contracts with customers, the law applicable to employment and customer contracts, the turnover in each country, as well as the number of contracts concluded in the sending country.
- **Employee activities in the sending country**: The sent employee must have been working in the sending country or otherwise have been subject to the social security system of the sending country for at least one month directly

prior to the employment relationship. Shorter pre-existing social security arrangements may suffice in certain cases.

- **Work on behalf of the employer**: A direct relationship must exist between the employee and employer for the duration of the posting abroad. This criterion is generally met if the original employment relationship stays in place and the employer retains ultimate authority over it, including nature of work, termination, wage payments.
- **Anticipated duration**: The posting must be limited to a maximum of 24 months. This can encompass consecutive or simultaneous projects in Finland for the same employer. A new posting in Finland resetting this 24-month limit generally requires at least a two-month gap. The duration is calculated separately for each receiving country, with prior postings to other countries contributing to their own 24-month limit.
- **No replacement**: If an employee is sent to the recipient country to replace another employee, they are automatically disqualified from the exemption.

Coverage by the social security of the sending country is documented with an A1 certificate. The certificate is granted by the sending country and should be obtained in advance.

Specific rules apply to situations where employees regularly work in several countries.

Where not all criteria for a temporary posting are met, it may nevertheless be possible for the employee to remain in the social security system of their home country, if the competent authorities in all relevant countries agree on a derogation and the arrangement is in the employee's interest.

Statutory social security obligations in Finland

Where no exemption applies, employees must be insured in Finland in accordance with Finnish law. Employers are responsible for handling both their own contributions and those of their employees.

Central components of the Finnish social security scheme include the following:

- The **employment pension insurance** consists of employee and employer contributions paid by the employer to their chosen insurance provider. In 2025, the average total contributions are 24.85% of the salary (with the average employer contribution being 17.38%.
- The **unemployment insurance** consists of employee and employer contributions paid by the employer to the Employment Fund. In 2025, the employee contribution is 0.59 percent and the employer contribution 0.20 percent (0.80 percent for aggregate annual salary paid by an employer exceeding EUR 2,455,500).
- The **accident and occupational disease insurance** provides coverage for injuries from workplace accidents, injuries incurred during business trips and occupational diseases. Insurance fees are paid by the employer to the authorised insurance provider of their choice. Premiums depend on risk level and insurance provider and typically vary between 0.05 and 5 percent.
- **Health insurance** contributions are paid alongside taxes. As a rule, employers withhold the employee contribution and pay it together with the employer contribution to the Tax Administration. The employer contribution is 1.87 percent in 2025. For employees, the medical contribution is 1.06 percent in 2025, and the daily allowance contribution is 0.84 percent.
- Many binding collective agreements also require **group life assurance**. The premium is paid by the employer to the insurance provider, often together with the statutory accident insurance. The premium depends on the type of work and is on average 0.06 percent of the salary.

Formalities and notifications

When posting employees in Finland, the employer must take care of certain obligations, including:

- make a notification of hiring of a third country citizen to the Immigration Service as well as to the workplace shop steward, elected representative, and occupational safety representative,
- maintain records of foreign employees at the workplace, during the employment and for two years after the end of the employment,
- make a notification to the Finnish Occupational Safety and Health Administration of the posting of workers before starting working in Finland,
- appoint a company representative based in Finland who can be contacted throughout the worker's posting. The representative may be a natural person or a company, for example an accounting company,
- maintain records of working time and annual holidays of posted workers,
- keep available in writing 1) the identification details of the posting company and information on the responsible persons in the country of establishment, 2) identification details of the posted workers, 3) a statement of the terms and conditions applicable to the employment contract of posted workers, 4) information about the basis of the posted worker's right to work, and 5) working time records, pay slips and a receipt from a financial institution for wages paid while working in Finland, and
- provide the contractual counterpart information on how the social security of employees is determined before they commence work in Finland.

Dispute Resolution

Companies involved in large-scale construction or installation projects often face complex disputes that require effective resolution mechanisms.

Arbitration

Arbitration is a preferred method for resolving business-to-business disputes in Finland, especially in international transactions. It offers several advantages over regular court proceedings. Arbitration is generally faster than court litigation, with final decisions often reached within a year. Arbitral awards are final and not subject to appeal, ensuring a swift resolution. Unlike public court proceedings, arbitration is confidential, protecting business secrets. Finally, arbitral awards are widely enforceable under the New York Convention, making them effective across borders.

Arbitration proceedings can only be initiated if both parties have agreed to it, typically through an arbitration clause in the contract. Standard arbitration rules provided by arbitration institutions are often used to streamline procedures. The Arbitration Institute of the Central Chamber of Commerce of Finland (FAI) is commonly used in Finland. For international disputes, institutions like the International Chamber of Commerce (ICC) or the Swedish Chamber of Commerce (SCC) are also widely used.

Arbitration procedures are flexible, allowing parties to define many aspects themselves. Typically, proceedings involve oral hearings where witnesses may be heard. Since arbitrators cannot compel witnesses to appear, parties should secure witness cooperation early. The procedural principles often mirror those of national courts but are influenced by the arbitrator's background.

Alternative Dispute Resolution (ADR)

ADR aims to settle disputes amicably without resorting to binding arbitration or court orders. It is particularly useful in large projects and long-term contractual relationships, helping to prevent disputes from escalating. ADR techniques include:

- **Mediation**: A neutral mediator facilitates settlement negotiations through individual and joint meetings, without offering opinions on the merits of each party's position.
- **Neutral evaluation**: An expert provides a non-binding opinion on the disputed matter.
- **Dispute advisors/boards**: Appointed at the start of a project, these advisors help mitigate disputes early and provide neutral recommendations.

ADR participation is voluntary, and the procedures are subject to agreement between the parties. It is essential to include ADR clauses in contracts, specifying the techniques to be used and the qualifications of the neutral evaluator. Standard rules from organizations like the ICC or the International Federation of Consulting Engineers (FIDIC) provide a stable procedural framework and access to a network of experts.

Useful Contacts

Networks and advisors

Bergmann Attorneys at Law

Helsinki-based law firm focused on energy, construction and infrastructure projects.

www.bergmann.fi

Business Finland

Agency owned by the Finnish government, which inter alia helps foreign companies to establish and expand operations in Finland.

www.businessfinland.fi

FinnCham

Network of various trade associations and Finnish Chambers of Commerce around the world.

www.finncham.fi

Finnish Energy

Sector organisation for companies in the energy sector, promoting energy and labour market policies.

www.energia.fi

RAKLI ry

Association of professional property owners, real estate investors, corporate real estate managers and construction clients in Finland.

www.rakli.fi

Technology Industries of Finland

Business and labour market lobbying organization representing the electronics and electrotechnical industry, mechanical engineering, the metals industry, information technology, and consulting engineering.

www.teknologiateollisuus.fi

The Finland Chamber of Commerce

The central Chamber of Commerce in Finland providing information on business practises and networking opportunities.

www.kauppakamari.fi

The Confederation of Finnish Construction Industries RT

The joint interest organization of building contractors, special contractors and the construction product industry.

www.rt.fi

The Finnish Construction Trade Union

Trade union for employees working in the construction sector in Finland.

www.rakennusliitto.fi

The German-Finnish Chamber of Commerce

Promotes German-Finnish economic relations as part of the international network of German Chambers of Commerce abroad. Organises B2B events and matchmaking in Germany and Finland.

www.ahkfinnland.de

Authorities and public administration

Centres for Economic Development, Transport and the Environment (ELY Centres)

15 ELY Centres responsible for the regional implementation and development tasks of the central government. ELY Centres are involved in the assessment of environmental impacts of projects.

www.ely-keskus.fi

Finnish Immigration Service

Authority handling residence and work permits for foreign workers in Finland.

www.migri.fi

Finnish Institute of Occupational Health

Research and specialist organization providing information on occupational health and safety practices.

www.ttl.fi

Finnish Safety and Chemicals Agency (Tukes)

Licensing and supervisory authority promoting the safety and reliability of products, services and industrial activities.

www.tukes.fi

Finnish Tax Administration

Tax authority in Finland handling taxation and overseeing certain reporting obligations.

www.vero.fi

Ministry of the Environment

The ministry responsible for climate, housing and built environment, biodiversity, sustainable use of natural resources, and protection of the environment.

www.ym.fi

Radiation and Nuclear Safety Authority

Authority supervising and contributing to radiation safety.

www.stuk.fi

Regional State Administrative Agency (AVI)

Six regional agencies responsible for carrying out executive, steering and supervisory tasks related to, inter alia, environmental protection, environmental safety, and public safety.

www.avi.fi

berg:mann

About Bergmann

Bergmann is a boutique law firm specialised in the construction, energy and infrastructure sectors in Finland. Our team of industry-savvy lawyers advises clients throughout the lifecycle of complex construction projects, from procurement and financing through execution and dispute resolution.

We are particularly experienced in industrial plant construction and large-scale infrastructure builds, combining legal precision with a practical understanding of the industry's technical and commercial dynamics. With our hands-on mindset and business-focused approach, we help clients manage risk and move projects forward with confidence.

Services for the construction sector

Project structuring and preparation

- Procurement strategy and tendering
- Contract models and negotiation (e.g. EPC, design-build, alliance)
- Financing and tax structuring

Project execution and risk management

- Project-time legal advisory
- Claims management and dispute avoidance
- Compliance and governance

Dispute resolution

- Negotiation and mediation
- Litigation and arbitration
- Construction-related insurance and liability matters

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May 2025