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Summary

The amount of the net take-home pension is affected by how earnings-related and national pension benefits and the taxation of pensions are determined. This report provides an overview of how these factors have been determined for 2024. Tables are included to illustrate the composition of net pension income in different income brackets. We have also examined the taxation of pensions in general terms and have compared the tax and contribution burden of pension recipients and wage earners in different income brackets.

Earnings-related pensions rose at the beginning of 2024 by 5.7 per cent in line with the earnings-related pension index. The wage coefficient, which is used among other things to revalue earnings for purposes of calculating pension benefits, was up 5.1 per cent. Exceptionally, the earnings-related pension index that is mainly based on price development thus grew more than the wage coefficient, as in 2023. However, this year, the gap between the indexes is considerably smaller than a year ago.

In 2024, the earnings-related old-age pension may begin at the retirement age of those born in September-December 1959 (64 years and 3 months) and those born in January-May 1960 (64 years and 6 months).

Starting earnings-related pensions are adjusted using the life expectancy coefficient. The life expectancy coefficient for 2024 for those born in 1962 or for those younger than 62 whose pensions have started in 2024 has been confirmed at 0.94692. The coefficient will reduce the monthly pension by around 5.3 per cent. The life expectancy coefficient confirmed for 2024 will exceptionally reduce the monthly pension by less than the previous year’s coefficient. This is due to the high mortality rates during the years of the corona pandemic.

At the beginning of 2024, the monthly amount of the full national pension and the full guarantee pension increased by 5.9 per cent. In 2024 the full amount of the monthly national pension for a single person is 775.70 euros and for a married or cohabiting person 692.54 euros. Together with the guarantee pension, the minimum pension in 2024 is 976.59 euros per month for both single and married or cohabiting persons.

Thus, Kela pensions were index adjusted as usual, but other benefits linked to the national pension index were frozen. For example, the index adjustments to the housing allowance for pensioners were frozen for the period 2024–2027.

In 2024, the tax on earned income will be reduced. An index adjustment of 2.8 per cent was made to the income tax bases to prevent the tax from being tightened as a result of earnings growth. The indexation adjustment was reduced in line with the reduction in unemployment insurance contributions. The index adjustment is made by increasing the income limits of the income tax scale and by increasing the ceilings and income limits for the basic deduction and the earned income tax credit.

The tax burden on high-income earners will be reduced since the temporary two-percentage-point additional tax (the so-called solidarity tax) levied in the top bracket of the state income tax scale is paid on income exceeding 150,000 euros (in 2024) instead of 85,800 euros (in 2023).

As a result of the large index increases, the pension income deduction linked to the full amount of the national pension will increase by 600 euros to 10,920 euros. The taxation of pension income is also affected by changes to the income tax scale and the basic deduction.

The increase in the earned income deduction that aims to encourage older people to work will be reallocated in 2024. The increase introduced in 2023 applied to wage-earners aged 60 and over and increased in steps according to age. In 2024, the increase applies only to those aged 65 and over. The maximum income tax credit is 2,140 euros for those under 65 and 1,200 euros higher for those aged 65 and over.

The average municipal tax rate in 2024 is 7.46 per cent (7.38% in 2023). The public broadcasting tax is 2.5 per cent of the annual income that exceeds 14,000 euros. However, the maximum tax amount is 163 euros.

In 2024, the earnings-related pension contribution for employees aged 17–52 and 63–67 is 7.15 per cent, and for those aged 53–62, it is 8.65 per cent. Both figures have been on the same level since 2020. Employees' unemployment insurance contribution decreases to 0.79 per cent (1.5% in 2023).

In 2024, the medical care insurance contribution for wage earners is 0.51 per cent (0.6 in 2023). The medical care insurance contribution levied on pension and other benefit income decreases to 1.48 per cent in 2024 (1.57 in 2023). Employees with annual earnings of at least 16,499 euros pay a health insurance daily allowance contribution of 1.01 per cent. In 2023, the contribution was 1.36 per cent for annual earnings that exceeded 15,703 euros.

The change in the tax and contribution rate of pension and earned income from 2023 varies on different income levels. When tax rates for the same income are compared to the previous year using average municipal tax rates, the pensioner's tax rate is reduced by around 1 percentage points.

In 2024, the net pension income of persons who receive only a national pension will rise by 5.9 per cent compared to 2023 because of increases in the national and guarantee pension indexes. At higher income levels the net pension income will increase by around 5–6 per cent. As inflation is expected to come in at 1.8 per cent in 2024, the purchasing power of pensions will increase for guarantee pension recipients by around 4 per cent. For other income brackets, the purchasing power of pensions will increase by 3–4 per cent.

Contents

1 Introduction

The Finnish statutory pension system consists of the statutory earnings-related pension and the residence-based national pension and the guarantee pension. Earnings-related pensions are designed to ensure that people retiring from work can maintain a reasonable consumption level compared to their pre-retirement income. The national pension and the guarantee pension, on the other hand, ensure a minimum level of pension income for persons who worked for such a short period of time or whose earnings were so low that they have only a small or no earnings-related pension at all. In addition, pensioners may also receive other benefits paid by Kela, such as the housing allowance for pensioners.

Pensioners may also be eligible to receive compensation under motor liability, workers' compensation or military accident insurance (LITA), which take precedence over earnings-related pensions. These compensations are subject to tax under the same principles as earned income.

The economic welfare of pensioners depends first and foremost on their monthly pension income and on how it compares with their pre-retirement earnings. When earnings-related pension legislation was drafted in the 1960s, the target was to peg pensions at 40 per cent of earned income after 40 years' employment. Following the step increase in the 1970s, the target was raised to 60 per cent. At the same time, pensions were capped at 60 per cent of the individual's highest earnings during their career. Since the 2005 pension reform it has been harder to establish an exact target for the level of earnings-related pension. The reform included the introduction of a life expectancy coefficient, which impacts the amount of monthly pension payable. The most recent pension reform in 2017 included the decision to incrementally raise the statutory retirement age and to harmonize pension accrual rates at different ages.

Because of progressive taxation, the net pension to pre-retirement net earnings ratio is higher than the gross ratio. In other words, an individual's pension is taxed with a lower average tax rate than their wage because their pension is lower than their wage. Furthermore, differences in tax deductions and allowances and social security contributions mean that pensions and wages also differ in terms of their tax and contribution burdens. Persons who receive only a national pension pay no tax on their pension income.

The earnings-related pension scheme has been phased in incrementally. The amount of earnings-related pension as a proportion of overall pension income has steadily increased, while the share of national pension has decreased accordingly. Until 1995 the national pension consisted of a universal basic amount and an additional amount dependent on other pension income. Since 1996 persons receiving a specified minimum in earnings-related pension have no longer been eligible to receive a national pension. The guarantee pension was introduced in March 2011 to secure a minimum pension income for persons with a low earnings-related or national pension.

Discretionary increases have been made to benefits paid by Kela from time to time. In the 2000s, they were made to the national pension in 2001, 2005, 2006, 2008 and 2020, and to the guarantee pension in 2016, 2018, 2019 and 2020. The discretionary increases made to the guarantee pension have been targeted more directly at recipients of the smallest pensions while the increases to the national pension have been targeted also to all recipients who get both an earnings-related and a national pension. As a result of the discretionary increases of the national pension, the number of pension recipients entitled to a national pension also grows.

At year-end 2022, around 66 per cent of Finnish resident recipients of a pension in their own right had only an earnings-related pension (old-age, disability and farmers' special pensions; excluding part-time pension and partial old-age pension). Around 29 per cent had a pension under both the national pension and the earnings-related pension scheme, and 5 per cent received only a national pension. National pensions were paid to 557,000 persons, of whom around 81,000 received the pension in full. In 2022 there were 116,000 guarantee pension recipients with an average monthly guarantee pension of 206 euros. The total number of Finnish resident recipients of a pension in their own right at year-end 2022 was 1,596,000.

In 2022 the average monthly pension of Finnish resident old-age and disability pension recipients was 1,845 euros, with the earnings-related pension accounting for an average 1,698 euros, the Kela pension for 132 euros and LITA pensions for 16 euros. The average monthly pension income for persons receiving both a Kela pension and an earnings-related pension was 1,143 euros, with earnings-related pension accounting for 842 euros, Kela pension for 296 euros and LITA pension for 5 euros. The total monthly pension income for persons who received only a national pension was 855 euros (including the guarantee pension), while the average for persons who had only an earnings-related pension was 2,241 euros. These figures include any survivors' pension paid to the pensioner.

The average monthly earnings-related old-age pension for new retirees in 2022 was 1,998 euros. Statistics Finland's figures show that the average monthly earnings of full-time wage and salary earners in 2022 stood at 3,848 euros. The average earnings-related old-age pension for persons retiring that year was thus around 52 per cent of average wage and salary earnings.

This report examines the effects of different factors on overall pensions and net pension income in 2024. Chapter 2 looks at how earnings-related pensions are determined. Chapter 3 deals with national pensions, national pension supplements and the guarantee pension, and Chapter 4 presents compensations from motor liability and workers' compensation. Chapter 5 covers the general principles of taxation and compares the taxation of pensioners and employees. It also considers situations where earned income includes both pension and employment income, as in the case of partial old-age pensions. Chapter 6 describes the formation of gross and net pensions at different income levels and looks at how net pension income has changed over the past 10 years. The appendices provide time series on sums and contributions that impact on total pension income. The data of the graphs in this report are available as excel files on the report's website[1].

1 https://urn.fi/URN:NBN:fi-fe202401244175

2 Earnings-related pensions

A Finnish earnings-related pension is payable in the form of an old-age pension, disability pension, years-of-service pension and survivors' pension as well as a partial old-age pension. Earnings-related pension accrual has been calculated on a calendar year basis since 2005. Pension rights accrued before 2005 are calculated based on legislation in force at the time. Pension entitlements accrued for service under different earnings-related pension acts and for self-employment are added together. The total amount of earnings-related pension earned is finally multiplied by the life expectancy coefficient.

Earnings-related pensions are integrated with statutory benefits paid out under the Workers' Compensation Act and the Motor Liability Insurance Act (LITA). These benefits take precedence over earnings-related pension, which is only payable to the extent that it exceeds these LITA benefits.

Statutory earnings-related pensions for employees and the self-employed is managed by pension insurance companies, industry-wide and company pension funds and special pension institutions. Earnings-related pensions in current payment are primarily financed with insurance contributions paid by employers, employees and the self-employed, with accumulated pension assets and returns from these assets.

2.1 Old-age pension

The age of eligibility for old-age pension is being progressively raised by three months a year from 63 to 65 years for persons born in 1955 and later (Table 2.1). In 2024, the earnings-related old-age pension may begin at the retirement age of those born in September-December 1959 (64 years and 3 months) and those born in January-May 1960 (64 years and 6 months).

Table 2.1

Old-age pension: retirement age, age at which insurance obligation and pension accrual end, by year of birth

Year of birth	Retirement age	Age at which insurance obligation and pension accrual ends
1954	63 yrs	68 yrs
1955	63 yrs 3 mos	68 yrs
1956	63 yrs 6 mos	68 yrs
1957	63 yrs 9 mos	68 yrs
1958	64 yrs	69 yrs
1959	64 yrs 3 mos	69 yrs
1960	64 yrs 6 mos	69 yrs
1961	64 yrs 9 mos	69 yrs
1962–1964	65 yrs	70 yrs
1965 and younger	to be confirmed later	70 yrs

For persons born in 1962–1964, the retirement age is 65 years, and as of those born in 1965, the threshold for old-age pension will be linked to life expectancy. The first increase of no more than two months to the 65-year retirement age for persons born in 1965 will be endorsed in 2027 and take effect in 2030. The upper age limit for insurance obligation and for pension accrual will also rise, but in full years. Projections on the retirement age for persons born in 1965 and later have been presented in Appendix Table 3.8.

The pension accrual rate is 1.5 per cent for each year of service from the age of 17, for self-employed persons from the age of 18. For persons aged 53–62 the accrual rate for the transition period (2017–2025) is 1.7 per cent of earnings. Earnings-related pensions are adjusted using the life expectancy coefficient (see section 2.8). Pension accrued before 2017 is subject to the rules that were valid at the time of work.

The rate of pension accrual for unsalaried periods is 1.5 per cent of the earnings which were used to calculate the social security benefits. The same rate of 1.5 per cent applies to earnings from paid employment and self-employment while receiving a pension, up to the upper age limit for insurance obligation. A person receiving an old-age pension may take up work without reductions to their earnings-related pension.

The pension will be increased by 0.4 per cent for each month of deferral (past the retirement age). When pensions are calculated, career lifetime earnings are adjusted to the level of the first year of pension using a wage coefficient.

2.2 Partial old-age pension

It is possible to take payment of 25 or 50 per cent of the accrued pension in the form of a partial old-age pension. The amount of partial old-age pension is calculated based on the pension rights accrued by the end of the year preceding the year the pension commences. Eligibility for a partial old-age pension starts at age 61; there is no upper age limit. It will rise to 62 years for persons born in 1964. The age limit will subsequently be linked to changes in life expectancy and will rise along with the old-age retirement age.

The portion of pension taken out early is subject to an actuarial reduction, which is 0.4 per cent for each month that the pension is taken early. For instance, a partial old-age pension taken one year early is permanently reduced by 4.8 per cent. Persons who take payment of a partial old-age pension after they have reached their retirement age will receive an increase for deferred retirement, which is 0.4 per cent for each month that the pension is deferred.

Partial old-age pensions are adjusted using a life expectancy coefficient confirmed for the year that the pension starts, if this is before the year the person turns 62. If the partial old-age pension starts during the year the person reaches age 62, or later, the adjustment will be made using the life expectancy coefficient confirmed for the person’s age group.

A partial old-age pension awarded at 25 per cent can be exchanged for a 50 per cent pension, but no other changes can be made to the amount of pension payable. The pension cannot be discontinued but it can be cancelled within three months of pension commencement.

There are no employment or earnings restrictions while drawing a partial old-age pension. Old-age pension accrues at a rate of 1.5 per cent on income from employment while drawing a partial old-age pension, or at a rate of 1.7 per cent until age 63 during the transition period 2017–2025. The remainder of the pension is granted at the earliest age of retirement without a deduction for early retirement, or later, with an increase for late retirement.

Part-time pensions were no longer granted as of the year 2017, when the partial old-age pension came into force. Part-time pensions granted before 2017 ended in 2023 at the latest.

2.3 Disability benefits

Disability benefits under the earnings-related pension scheme are the disability pension, partial disability pension, temporary disability pension (also called cash rehabilitation benefit) and partial cash rehabilitation benefit. A full disability pension is paid to a person suffering a loss of at least three-fifths of working capacity; the criterion for a partial pension is a loss of at least two-fifths of working capacity. A partial disability pension is half the amount of the full disability pension for the insured person. The cash rehabilitation benefit is always granted for a fixed period, and it is the same amount as the disability pension.

A disability pension consists of the pension that the individual has accrued by the time of disability onset and the projected pension component. The projected pension component is calculated from the beginning of the year of the pension contingency to the end of the month in which the individual reaches the age group’s old-age retirement age. If the retirement age has not yet been set for the age group, the projected pension component is calculated to the corresponding age specified for the nearest age group. For persons born in 1965 and later, the termination age for the projected pension component is currently 65 years, which is the earliest age of eligibility stipulated in the law for persons born in 1964. As a rule, the projected pension component is calculated based on earnings over the five years preceding the year of the pension contingency. The accrual rate for the projected pension component is 1.5 per cent.

The disability pension is multiplied by the life expectancy coefficient for the age group reaching 62 during the year of the pension contingency. The coefficient is applied only to the part of the pension earned before the onset of the disability. The coefficient will therefore have less effect than when determining the amount of the old-age pension. The life expectancy coefficient does not change when the disability pension is converted into an old-age pension.

A permanent lump-sum increase is added to the disability pension or cash rehabilitation benefit when five full calendar years have elapsed since the commencement of pension payments. The increase depends on the person's age at the start of the year of the increase. For employees aged 31 and younger, the pension increase is 25 per cent, and from age 32 onward the increase drops by one percentage point per year of age. Persons over 55 at the beginning of the year no longer receive the lump-sum increase.

While drawing a pension, disability pension recipients may earn up to 40 per cent and partial disability pension recipients up to 60 per cent of their average pre-disability earnings. The impact on amount of pension payable also depends on how long the working that exceeds the earnings limit continues. According to the temporary act for the promotion of return to work, both full and partial disability pension recipients may in any case earn at least 976.59 euros per month (in 2024). The act expires at the end of 2024.

When the disability pension recipient's earned income exceeds the 60 per cent limit or 976.59 euros, pension payments will be suspended for a minimum of three months and a maximum of two years. Pension accrues for income earned while pension payments are suspended at a rate of 1.5 per cent on annual earnings.

A full disability pension is converted into an old-age pension and a partial disability pension into an old-age pension equivalent to a full disability pension from the beginning of the month after the pensioner reaches their retirement age. If the disability started before 2017, the pension is converted into an old-age pension at the age of termination of the projected pension component for the disability pension concerned.

2.4 Years-of-service pension

The years-of-service pension can be claimed no earlier than at age 63. The age limit is linked to life expectancy as of the 1965 birth cohort. For this and subsequent cohorts the age limit is always two years lower than the full retirement age. In 2024 a years-of-service pension can be claimed by the 1961 birth cohort, whose retirement age is 64 years and 9 months. The maximum duration of payment for the years-of-service pension for that cohort is thus one year and nine months before the pension is converted to an old-age pension. The first years-of-service pensions were granted in 2018. In 2018–2023, a total of around 450 persons were granted a years-of-service pension, and 139 of them were in payment in November 2023.

A years-of-service pension requires loss of working capacity, but to a lesser extent than in the case of the disability pension. Eligibility requires an employment history spanning at least 38 years of arduous and hazardous jobs. The individual may have claimed daily allowances for parents for no more than three years. The length of employment criterion is verified on the basis of data in the earnings- and accrual register of the earnings-related pension system and reliable documentation submitted by the pension claimant.

The amount of years-of-service pension is calculated based on the pension rights accrued by the end of the month before the pension starts. The years-of-service pension is smaller than the disability pension because it does not include a projected pension component.

2.5 Survivors' pension

Under certain conditions, the surviving spouse's pension is paid to the married or common-law spouse of the deceased person. A cohabiting spouse is entitled to the surviving spouse's pension if they have a dependent child together with the deceased and the cohabitation had lasted for at least five years. A partner in a same-sex registered partnership is treated in the same way as a spouse. The orphan's pension can be claimed by the deceased person's children under age 20.

Earnings-related survivors' pensions are based on the deceased person's old-age or disability pension at the time of death. If the deceased person was not yet retired with an earnings-related pension or had not reached their retirement age, the survivors' pensions are determined based on the earnings-related pension they would have received had they lost their ability to work at the time of death.

The survivors' pension cannot exceed the deceased person's full earnings-related pension. The shares of the deceased person's earnings-related pension received by the surviving spouse and children are shown in Table 2.2. If there is no surviving spouse who is entitled to the surviving spouse's pension, the imputed share of the surviving spouse's pension is paid as an orphan's pension to the children.

The payment of the surviving spouse's pension is limited to 10 years for those born in 1975 or later. However, the surviving spouse's pension is paid at least until the youngest child receiving an orphan's pension turns 18 years. If the surviving spouse was born before 1975 or if the spouse died before 2022, the surviving spouse's pension may be paid as a lifelong pension. The surviving spouse's pension of a common-law spouse continues until the youngest child that the common-law spouses had together turns 18 years. The orphan's pension is paid until the child turns 20 years.

Table 2.2
Survivors' shares of the survivors' pension

Number of children	0	1	2	3	4–
Surviving spouse's pension	6/12	6/12	5/12	3/12	2/12
Orphan's pension	-	4/12	7/12	9/12	10/12
Total	6/12	10/12	12/12	12/12	12/12

If there are no underage children and the surviving spouse is not retired, the surviving spouse will be paid a full (6/12) surviving spouse's pension for six months. After these six months, the surviving spouse's own imputed earnings-related pension income will reduce the amount of surviving spouse's pension paid out.

Any pension received by the surviving spouse that is over and above 818.50 euros a month (in 2024) will reduce the amount of survivors' pension payable to the surviving spouse. This threshold for the reduction of the surviving spouse's pension is adjusted in line with the wage coefficient. If the surviving spouse's own earnings-related pension income falls below the threshold, the surviving spouse's pension will not be reduced.

If the surviving spouse's own pension is higher than the reduction threshold and there are no underage children, the reduced surviving spouse's pension is calculated using the following formula:

Reduced surviving spouse's pension = 0.5 x deceased person's pension – 0.5 x (surviving spouse's own pension – €818.50)

Table 2.3 lists some examples of a reduced surviving spouse's pension.

Table 2.3.
Reduced surviving spouse's pension, €

Surviving spouse's own earnings-related pension	Deceased person's pension							
	500	1,000	1,500	2,000	2,500	3,000	3,500	4,000
0	250	500	750	1,000	1,250	1,500	1,750	2,000
500	250	500	750	1,000	1,250	1,500	1,750	2,000
1,000	159	409	659	909	1,159	1,409	1,659	1,909
1,500	0	159	409	659	909	1,159	1,409	1,659
2,000	0	0	159	409	659	909	1,159	1,409
2,500	0	0	0	159	409	659	909	1,159
3,000	0	0	0	0	159	409	659	909
3,500	0	0	0	0	0	159	409	659
4,000	0	0	0	0	0	0	159	409

2.6 Unsalaried periods

Sickness and rehabilitation benefits, daily allowances for parents, unemployment benefits and training and education subsidies add to pension entitlements (see Table 2.4). For periods of earnings-related social benefits, pension rights accrue according to the earnings on which the social benefit concerned is determined. Calculations of accrued pension and the projected pension component take these earnings into account in different ways.

For periods on daily allowances pursuant to the Health Insurance Act, the pension is based on the same annual income for 12 calendar months that the benefit is based on. The earnings that form the basis of the following benefits are multiplied as follows: the daily allowances for parents by 1.21, Kela's rehabilitation allowance by 0.55, the sickness allowance by 0.62, and the earnings-related unemployment allowance by 0.75.

Table 2.4

How earnings used when determining social benefits count towards pension entitlement (2024 values)

Benefit	Percentage or amount of basis for benefit counted towards earned pension	Percentage or amount of basis for benefit counted towards projected pension component
Daily allowances for parents	121%	121%
• For period paid to employer (employer pays maternity pay)	21%	21%
• At least	€857.15/month	€857.15/month
Earnings-related unemployment allowance	75%	100%
Rehabilitation allowance (Kela)	55%	100%
Rehabilitation allowance (earnings-related pension acts, LITA)	65%	100%
LITA compensation for loss of income	65%	100%
Adult education allowance*	65%	100%
Sickness allowance and special care allowance	62%	100%
Infectious disease allowance	65%	100%
Job alternation compensation*	55%	100%
Basic daily allowance and labour market support under the Unemployment Security Act	0%	€1,714.30/month
Sickness allowance after basic daily allowance	0%	€1,714.30/month
Child home care allowance	€857.15/month	€1,714.30/month
Degree	€857.15/month	€1,714.30/month

*The Finnish Government has proposed that the adult education allowance and the job alternation compensation be abolished as of 1 August 2024.

The pension accrual rate is 1.5 per cent of the earnings listed in Table 2.4. Pension is earned for periods on social security benefits if the person's lifetime career earnings are at least 20,571.69 euros (at 2024 level). No pension accrues for the social security benefit for time during which pension under an earnings-related pension act is paid. A pension paid from abroad does not prevent pension from accruing for unsalaried periods.

As benefits may be calculated on an annual or monthly basis but are usually paid per diem, the earnings used in determining benefits must be converted into daily earnings for purposes of pension calculation. These daily earnings are multiplied by the number of benefit days to obtain the annual earnings for the calculation of the benefit scheme concerned.

Pension-like benefits also accrue for periods of caring for a child under three and periods of study, as stipulated in separate provisions of law. Benefits that accrue under the Act on Compensation for Pension Accrual from State Funds for Periods of Childcare and Periods of Study are based on the same fixed amount. Benefit earnings are counted as double in the projected pension component.

Studies leading to a higher university degree afford entitlement to pension accrual for five years, a polytechnic bachelor's degree for four years and a university bachelor's degree and a vocational upper secondary qualification for three years. However, persons completing more than one qualification or degree can only accrue pension entitlement for a maximum of five years in total.

2.7 Indexes

Pensions in payment are adjusted at the start of each year using an earnings-related pension index, in which changes in earnings level have a weighting of 0.2 and changes in consumer prices a weighting of 0.8. In 2024 the earnings-related pension index increased by 5.7 per cent from the previous year to 3037 point figures. Due to high inflation, the change in the earnings-related pension index and, consequently, the index adjustments of pensions have been clearly higher in 2023 and 2024 than in previous years.

When pensions are calculated, career lifetime earnings are adjusted to the level of the first year of pension using a wage coefficient. The wage coefficient in 2024 is 1.637. up 5.1 per cent from the year before. In the wage coefficient, changes in earnings level have a weighting of 0.8 and changes in consumer prices a weighting of 0.2. The wage coefficient is also used to annually adjust the monetary amounts specified in earnings-related pension acts which, among other things, determine the terms and conditions for pension insurance and accrual.

As in 2023, the earnings-related pension index exceptionally grew more than the wage coefficient in 2024. However, this year, the gap between the indexes is considerably smaller than a year ago. The higher growth of the earnings-related pension index than of the wage coefficient favour taking the pension before the turn of the year since pensions in payment are adjusted with the earnings-related pension index at the turn of the year, while pensions starting after the turn of the year are adjusted with the wage coefficient.

The wage coefficient and the earnings-related pension index are determined based on official Statistics Finland time series of wage and salary indexes and consumer price indexes. The index of wage and salary earnings measures the development of all employees' earnings from regular working hours. Prices are monitored using the national consumer price index. The development of earnings and consumer prices is measured by annual third quarter change. The wage coefficient and the earnings-related pension index is issued by the Ministry of Social Affairs and Health each year by the end of October.

2.8 Life expectancy coefficient

Since 2010 all new old-age pensions have been adjusted using a life expectancy coefficient to automatically account for changes in life expectancy. In times of rising life expectancy, the coefficient will reduce the monthly pension payout, but not the lifetime amount of old-age pension received by the beneficiary if they live out the new projected life expectancy.

A life expectancy coefficient is set for each birth cohort at age 62. In 2024 the life expectancy coefficient is fixed at 0.94692, which applies to old-age pensions for persons born in 1962. The coefficient also applies to younger age groups who are granted an early old-age pension, a disability pension or a partial old-age pension in 2024. The life expectancy coefficient confirmed for 2024 will exceptionally reduce the monthly pension by less than the previous year's coefficient. This is due to the high mortality rates during the years of the corona pandemic.

Pensions granted to persons retiring in 2024 at their retirement age or older are adjusted by a coefficient that was confirmed for the age group (Appendix Table 3.8). The method used to calculate the coefficient will change for those born in 1965 and later. The pension-cutting effect of the life expectancy coefficient will lessen when also the retirement age is linked to rising life expectancy.

The life expectancy coefficient impacts on survivors' pensions via the deceased person's pension. The coefficient is not applied to survivors' pensions themselves, but its effect is mediated through the deceased person's earnings-related pension on the basis of which survivors' pensions are calculated.

The life expectancy coefficient is not applied to the national pension. The national pension and guarantee pension contribute to offset in part the reduction in earnings-related pension caused by the life expectancy coefficient.

3 National pension benefits

Administered by Kela, the national pension scheme offers national pension and guarantee pension benefits to provide a basic pension income for persons with limited or no earnings-related pension. Funding for national pension benefits and the operating costs of the National Pension Fund comes from the state budget.

The National Pensions Act provides for three types of pension benefits that are paid out by Kela: the old-age pension, the disability pension and survivors' pensions. The old-age pension and disability pension are subject to the same rules of determination. These pensions are supplemented by a guarantee pension for individuals with inadequate overall pension income. The determination of survivors' pensions is covered in a separate chapter below.

Pensioners may also qualify for Kela's housing allowance for pensioners, care allowance for pensioners, child increase or front-veteran's supplement.

3.1 National pension

3.1.1 Entitlement to national pension

Entitlement to a full old-age pension under the National Pensions Act begins at age 65. For persons born in 1965 or later, the age limit for national old-age pension will be linked to the age group's retirement age as set out in the relevant earnings-related pension act. Persons are entitled to an early old-age pension at age 64. Persons born in 1962 or later cannot take early payment of a national pension.

Older long-term unemployed persons who may receive an unemployment benefit until their retirement age are entitled to a national old-age pension under the National Pensions Act with no reduction for early retirement at age 64. Long-term unemployed persons born in 1962 or later are not entitled to receive an unreduced old-age pension before reaching full retirement age.

Persons with an illness, handicap or injury that prevents them from earning a reasonable income may be eligible to receive a disability pension under the National Pensions Act. A reasonable income is defined as monthly earnings of over 976.59 euros.

Persons with only a partial old-age pension or years-of-service pension do not qualify for a national pension if they do not meet the requirements for Kela's old-age or disability pension.

3.1.2 Amount of national pension.

The amount of national pension is dependent on other pension income, family circumstances and time spent residing in Finland. The full national pension will increase by 5.9 per cent in 2024. The full pension for a single person living alone is 775.70 euros a month and for a married or cohabiting person 692.54 euros a month. The amount of national pension decreases with increasing pension income, as one-half of the beneficiary's earnings-related pension is deducted from the full national pension. However, deductions from the national pension are only made when the earnings-related pension income exceeds the threshold income of 65.62 euros a month (in 2024). The minimum national pension paid out in 2024 is 7.90 euros a month.

National pension = Full national pension – 0.5 x (other pension income – €65.62)

Table 3.1
Full national pension in 2024 (€/month)

Housing status	Full national pension	Earnings-related pension income ceiling for national pension eligibility
Single	775.70	1,601.21
Married or cohabiting	692.54	1,434.88

An old-age pension that is taken early is permanently reduced by 0.4 per cent for each month the pension is claimed before reaching one's retirement age. A deferred national pension is increased by 0.6 per cent for each month that the pension is postponed beyond one's retirement age. For persons born in 1962 or later, the national pension is increased by 0.4 per cent for each month that the pension is postponed beyond one's retirement age.

Kela calculates the amount of national pension payable based on annual euro values. The monthly earnings-related pension is multiplied by 12 and rounded to the nearest euro. Threshold incomes are included in the calculations on an annual basis. The final monthly national pension is rounded to the nearest cent. The amount of a national pension in payment is reviewed in the event of a change in marital status or other than an indexation change in the beneficiary's earnings-related pension.

3.1.3 Earnings considered for the calculation of national pension

The following sources of pension income are considered for purposes of calculating the individual's national pension:

- statutory earnings-related pensions;
- voluntary pension arrangements provided by the employer;
- compensation paid out under the Workers' Compensation Act, the Motor Liability Insurance Act and the Military Accidents Acts, excluding any lumps-sum increases to these compensations; and
- partial old-age pension, including any reduction for early retirement and excluding any increase for deferred retirement.

The following are excluded from earnings-related pension income when calculating the amount of national pension payable:

- the portion of earnings-related pension accrued from employment in 2005–2016 after age 63,
- the increase for deferred retirement on earnings-related pension for periods after reaching full retirement age;
- rehabilitation increase to earnings-related pension;
- portion of pension accrued for studies and for periods of caring for a child under three (applies also to portion included in survivors' pension); and
- lump-sum increase to disability pension after five years (applies also to portion included in survivors' pension).

The national pension is reduced by the full amount of survivors' pension paid out under the earnings-related pension scheme, excluding the pension paid for studies leading to a degree, periods of caring for a child under three, and the lump-sum increase to the disability pension. In other words, the 4.5-per-cent accrual rate earned by the deceased person before 2017 for employment at age 63–67 and included in the survivors' pension will also reduce the amount of national pension payable. A partial old-age pension taken early is counted as income without deduction for early retirement.

Pensions and compensation received from abroad will under certain conditions reduce the amount of national pension. An earnings-related pension paid from another EU country will reduce the amount of national pension in the same way as a Finnish earnings-related pension where EU Social Security Regulation 883/2004 is applicable.

The following pension income from abroad will affect the amount of national pension payable:

- statutory and voluntary earnings-related pensions based on an employment and service relationship, as well as self-employment;
- own pensions and survivors' pensions based on accidents at work;
- own pensions and survivors' pensions based on traffic accidents;
- survivors' pensions based on military injuries; and
- pensions corresponding to national pension and survivors' pensions under the National Pensions Act.

3.2 Guarantee pension

The guarantee pension is a benefit provided by Kela for low-income pensioners. However, the benefit is not paid to persons who receive only a partial disability pension, survivors' pension or partial old-age pension. The guarantee pension is a taxable benefit and paid only to persons resident in Finland.

In 2024, the full amount of the guarantee pension is 976.59 euros per month. The index increase raised the full amount with 5.9 per cent. Married or cohabiting persons who receive only a national pension are paid a maximum of 284.05 euros a month in guarantee pension. The lowest amount of guarantee pension paid out is 7.90 euros a month.

The guarantee pension is not increased when taken out late, but the early retirement reduction rules are the same as for the national pension. Therefore, the earliest age at which old-age pension recipients can claim a guarantee pension is the same as for the national pension, that is, 64 years.

The amount of guarantee pension payable depends on the beneficiary's other pension income, including pension payments from abroad. It is not affected by receipt of a pensioner's care allowance, front-veterans' supplement or child increase, nor by earnings from employment, capital income or property, or by receipt of an informal care allowance. However, the amount of guarantee pension is considered when calculating the pensioner's housing allowance. A partial old-age pension does not give its recipients the right to a guarantee pension. If the beneficiary has a partial old-age pension and additionally another pension that qualifies them for a guarantee pension, the partial old-age pension in payment will reduce the amount of guarantee pension payable.

The following will be considered as pension income for purposes of calculating the amount of guarantee pension payable:

- national pension;
- statutory earnings-related pensions;
- voluntary pension arrangements provided by the employer;
- all pensions and compensation received from abroad that, if paid in Finland, would be considered as income;
- compensation paid out under the Workers' Compensation Act, the Motor Liability Insurance Act and the Military Accidents Act, excluding any lump-sum increases to these compensations;
- partial old-age pension to the amount in payment; and
- other pensions and compensation (journalist pensions, athlete and artist pensions and survivors' pensions, pensions and survivors' pensions for Artist Professors and artist grant recipients, special compensation paid to spouses of officials in foreign representative offices, survivors' pensions under the Act on Compensation for Crime Damage, survivors' pension under the Patient Injuries Act).

Immigrants aged 65 or over and immigrants over 16 and disabled under the National Pensions Act are also entitled to receive a guarantee pension if they meet the length of residence requirements.

Guarantee pension = €976.59 – other pension income

3.3 Survivors' pension

3.3.1 Surviving spouse's pension

Entitlement to a surviving spouse's pension under the National Pensions Act is restricted to surviving spouses aged under 65. Under certain conditions, the surviving spouse's pension is paid to the married or common-law spouse of the deceased person. A cohabiting spouse is entitled to the surviving spouse's pension if they have a dependent child together with the deceased and they have been cohabiting for at least five years. A partner in a same-sex registered partnership is treated in the same way as a spouse.

The surviving spouse's pension consists of an initial pension and a continuing pension if applicable. Surviving spouses can claim an initial pension for six months after the death of their spouse. The initial pension is a fixed amount unaffected by the surviving spouse's income or property assets. In 2024, the initial pension is 383.30 euros a month.

If the surviving spouse has a dependent child under the age of 18, the surviving spouse's continuing pension will include the basic amount (€120.06/month) and, depending on income, an additional amount. The additional amount will not be paid if the surviving spouse's monthly income is more than 1,311.80 euros (€1,143.88 for married or cohabiting persons).

If the surviving spouse does not have a dependent child under the age of 18, the continuing pension may consist only of the additional amount, which is dependent on the claimant's income. If the surviving spouse has a monthly income of over 65.62 euros, half the amount of excess income will be deducted from the full additional amount. The additional amount will not be paid if the surviving spouse's monthly income is more than 1,296.05 euros (€1,128.13 for married or cohabiting persons).

The payment of the surviving spouse's pension is limited to 10 years for those born in 1975 or later. However, the surviving spouse's pension is paid at least until the youngest child receiving an orphan's pension turns 18 years. If the surviving spouse was born before 1975 or the spouse died before 2022, the surviving spouse's pension is paid until the surviving spouse turns 65. The surviving spouse's pension of a common-law spouse continues until the youngest child that the common-law spouses had together turns 18 years. However, the surviving spouse's pension is paid only until the surviving spouse turns 65.

Other income reduces the surviving spouse's continuing pension. The calculation will consider 60 per cent of earned income, unemployment security, sickness daily allowance and children's home care allowance; and 100 per cent of the surviving spouse's own pension income, survivors' pensions, interests and dividends received, other capital income, and confirmed income under the Self-Employed Persons' Pension Act and the Farmers' Pensions Act. The same earnings-related pension components are considered as income as in the calculation of the claimant's own national pension.

Table 3.2.
Amount of surviving spouse's pension in 2024

Type of surviving spouse's pension	€/month
Initial pension (6 months)	383.30
Full continuing pension when single claimant has children under age 18	743.19
Full continuing pension when married or cohabiting claimant has children under age 18	659.21
Full continuing pension when single claimant does not have children under age 18	623.13
Full continuing pension when married or cohabiting claimant does not have children under age 18	539.15

3.3.2 Orphan's pension

Orphan's pensions under the National Pensions Act are paid out by Kela to children under the age of 18: the deceased person's own child, the deceased person's adopted child, or a child who at the time of death was the deceased person's dependant. Kela may also grant a so-called student's pension to full-time students aged over 18 until they turn 21. This benefit only includes the basic amount of the orphan's pension. If both parents or guardians of the child have died, the orphan's pension is paid separately after each of them.

Orphan's pensions include a basic amount that is independent of earnings, plus an additional amount that is paid if survivors' or assistance pensions paid from other than Kela sources come to less than 278.96 euros a month.

Orphan's pension = €70.53 + (€106.68 - 0.5 x [other survivors' pensions - €65.62])

Table 3.3.
Orphan's pension in 2024

Orphan's pension	€/month
Basic amount	70.53
Child's additional amount	106.68
Full orphan's pension	177.21
Threshold income = maximum earnings for full pension eligibility	65.62

3.4 Pension assistance

Pension assistance is a one-off arrangement intended to provide income security for long-term unemployed persons ahead of their retirement on old-age pension. This scheme was rolled out to apply to persons born before 1 September 1958 who were out of work almost without interruption for five years. The pension assistance is equal to the amount of the guarantee pension. The pension assistance ended when the old-age pension began at age 65 at the latest, so the last pension assistances ended in 2023.

3.5 National pension index

Benefits under the national pension scheme are adjusted annually based on the national pension index. The 2024 national pension index is 1911 points, which is 5.9 per cent higher than in 2023. The national and guarantee pension and disabilty benefit amounts were adjusted as usual, but not all benefits paid by Kela are index adjusted due to the decision to freeze benefits in 2024–2027. For example, the basis of the housing allowance for pensioners are not adjusted.

There is an upper limit for the frozen index. If the freezing reduces the real level of benefits by more than 10.2 per cent, regular index adjustments are made to them. In practice, if the national pension index is at least 2009 in any of the years in which the laws are in force, the law only applies until the end of that year.

The national pension index is adjusted annually based on the cost-of-living index. The index point figure for the following year is calculated by dividing the mean whole-number cost-of-living index for the previous year's third-quarter months (July, August and September) with a divider defined in law. Kela confirms the national pension index for the next calendar year by the end of October each year, and benefits under the new index are paid from the beginning of January the following year.

3.6 Residence requirements

All persons who live in Finland and who have lived in the country for at least three years after reaching age 16 may be eligible for a national pension and a guarantee pension.

Eligibility for a survivors' pension requires that the deceased person had lived in Finland for at least three years after reaching age 16. Furthermore, eligibility for a surviving spouse's pension requires that the surviving spouse has lived in Finland for at least three years before the death of the deceased spouse and after reaching age 16, and that the surviving spouse has moved to Finland within one year of the death of the deceased spouse. As for the orphan's pension, it is required that the child has lived in Finland at the time of the death of the deceased parent or moved to Finland within one year of the deceased parent's death.

Where EU Social Security Regulation 883/2004 is applicable, the accrual of pension rights in another EU country will be considered for the determination of pension rights and the calculation of pensions. Claimants who have not accumulated a one-year insurance period in any country are nonetheless entitled to a national pension if they were last insured in Finland and if their insurance period from all countries is at least three years in total.

If the claimant meets the length of residence requirements but if either the claimant or the deceased person has spent less than 80 per cent of their time between age 16 and the start of the pension or age 65 in Finland, the national pension and the surviving spouse's pension will be adjusted to the length of time lived in Finland. The orphan's pension and guarantee pension are not adjusted according to length of residence.

3.7 Housing allowance for pensioners

The housing allowance for pensioners can be claimed by single low-income pensioners who receive a pension based on which they qualify for the housing allowance, married or cohabiting couples where one or both receive a pension based on which they qualify for the housing allowance, and households where all receive a pension based on which they qualify for the housing allowance for pensioners. Other households may be eligible to claim general housing allowance.

The housing allowance for pensioners is not granted to persons who receive a partial disability pension, a partial old-age pension, or to those who receive a pension based on voluntary pension insurance. These persons may be eligible to claim general housing allowance.

The increases in the housing allowance for pensioners that are linked to the national pension index have been frozen for the years 2024–2027. Thus, they remain at the 2023 level. In other respects, the housing allowance for pensioners is determined as before. The general housing allowance, on the other hand, decreases following cuts as of the beginnig of April 2024, and the payment of the allowance for persons living in owner-occupied housing ends in 2025.

A pensioners' housing allowance may be granted if the claimant's annual housing costs are at least 787 euros (in 2024). The minimum allowance is 7.46 euros a month. The housing allowance for pensioners is 85 per cent of acceptable housing costs exceeding the deductible.

The basic deductible for all pensioners is 681.39 euros a year. Depending on the pensioner's and his or her spouse's income there may be an additional deductible on top of the basic deductible. The additional deductible is 41.3 per cent of the household income exceeding the income limits that are determined according to family status. The amount of pensioners' housing allowance is affected by virtually all regular income received by the claimant and the claimant's spouse. The amount of housing allowance is not adjusted according to length of residence in Finland.

Housing allowance = 0.85 x (acceptable housing costs – [basic deductible + additional deductible if applicable])

The maximum acceptable housing costs are determined according to municipality of residence. In 2024, the maximum housing costs remain at the same level as in 2023.

Table 3.4
Maximum acceptable housing costs in 2024 (€/year)

Class I municipality	Class II municipality	Class III municipality
9,287	8,541	7,493

Class I municipalities: Espoo, Helsinki, Kauniainen and Vantaa. **Class II municipalities:** Hyvinkää, Hämeenlinna, Joensuu, Jyväskylä, Järvenpää, Kerava, Kirkkonummi, Kouvola, Kuopio, Lahti, Lappeenranta, Lohja, Nurmijärvi, Oulu, Pori, Porvoo, Raisio, Riihimäki, Rovaniemi, Seinäjoki, Sipoo, Tampere, Turku, Tuusula, Vaasa and Vihti. **Class III municipalities:** other municipalities.

Table 3.5
Income limits for additional deductible in 2024

Housing status	€/year	€/month
Single	10,280	856.67
Spouse not eligible for housing allowance	14,746	1,228.83
Spouse eligible for housing allowance	16,783	1,398.58

Table 3.6
Maximum housing allowance in 2024 (€/month)

Housing status	Class I municipality	Class II municipality	Class III municipality
Single	609.56	556.72	482.49
Spouse eligible for housing allowance	304.78	278.36	241.24

3.8 Other supplements

Table 3.7 lists the amounts of pensioners' care allowances, child increases, front veterans' supplements and veteran's supplements in 2024. These supplements were index adjusted as usual. Provisions concerning the pensioners' care allowance are laid down in the Disability Allowances Act. The allowance is intended to offset the costs from living at home and special costs incurred by pensioners with illnesses and disabilities. Pensioners' care allowances are granted at three rates – basic, middle-rate and highest – based on the claimants' need for assistance, guidance and supervision and the amount of special costs. These benefits are calculated based on the recipient's length of residence in Finland.

Kela grants a child increase to pensioners for children under age 16. War veterans may be eligible to receive a front-veteran's supplement and an additional front-veteran's supplement. Persons receiving an additional front-veteran's supplement and a middle rate or the highest care allowance are also paid a special veteran's supplement. These supplements are not calculated based on the length of residence in Finland.

Table 3.7

Amounts of other supplements in 2024 (€/month)

Benefit	€/month
Basic care allowance	83.34
Middle-rate care allowance	181.56
Highest care allowance	383.92
Child increase	25.92
Front-veteran's supplement	146.28
Additional front-veteran's supplement, full amount (living in a single-person household)	300.97
Additional front-veteran's supplement, full amount (married or cohabiting)	263.55
Special veteran's supplement	125.79

4 Primary benefits

Compensation paid under workers' compensation and motor liability insurance takes precedence over earnings-related pensions. In other words, earnings-related pension payments will be made only to the extent that the pension exceeds the amount of the primary benefit. However, primary benefits do not reduce the amount of earnings-related pension accrued for employment after the calendar year of the accident. New earnings-related pension also accrues for periods of daily allowance under workers' compensation insurance and periods of compensation for loss of earnings equivalent to daily allowance under motor liability insurance based on the benefit concerned.

Loss of earnings is compensated out of primary benefits at the actual amount that the injured party would have earned had the accident not occurred. Primary benefits include compensation for loss of earnings or, with certain exceptions, pensions under the following acts:

- Workers' Compensation Act (TyTAL),
- Occupational Accidents and Diseases Act for Farmers,
- Motor Liability Insurance Act (LVL),
- Act on Compensation for Military Accidents and Service-related Illnesses, and
- Act on Compensation for Accidents and Service-related Illnesses in Crisis Management Duties.

Statutory workers' compensation insurance takes precedence over motor liability insurance.

The Workers' Compensation Act provides for compensation of loss of earnings and medical expenses due to accidents at work and occupational diseases. Daily allowance under statutory workers' compensation insurance is paid out for a maximum of one year. In the event of continued incapacity to work the beneficiary will receive a workers' compensation pension. A rehabilitation allowance may be paid at the same rate as the daily allowance and worker's compensation pension. The insurance also covers medical examination and treatment costs, compensation for permanent harm, the costs of vocational and medical rehabilitation, and a funeral grant and survivors' pension to family members in the case of death.

For the first four weeks after the date of the accident, the amount of daily allowance payable under the Workers' Compensation Act is the same as the amount of sick pay for employees; alternatively, it is determined on the basis of earnings during the four weeks before the accident. After the first four weeks, the daily allowance is 1/360 of the injured person's annual earnings. As a rule, the annual earnings are determined either based on the earnings from the year before or the average earnings of the past five years if the difference between the two is at least 20 per cent. The daily allowance can also be paid out in the form of a partial compensation if the individual's incapacity and loss of earnings is partial. The person's capacity for work must be reduced by at least 10 per cent.

The full workers' compensation pension is 85 per cent of annual earnings for persons under 65 and 70 per cent of annual earnings for those over 65. The workers' compensation pension can also be paid out in the form of a partial compensation if the individual's capacity for work and loss of earnings is at least 10 per cent.

If the accident occurs in employment while receiving an old-age pension, the daily allowance and workers' compensation pension will be paid for a maximum of three years, but not beyond the age at which the insurance obligation ends. In this case the daily allowance and workers' compensation pension are not deducted from the earnings-related pension.

Persons injured in a road accident receive compensation under the **Motor Liability Insurance Act**. Insurance coverage includes medical expenses, loss of earnings, temporary and permanent harm and loss of maintenance to the surviving spouse and children. There is no ceiling for compensation paid for personal injuries; instead the compensation shall reflect the true loss.

Compensation for personal injury can also be paid under the **Patient Injuries Act**. Before 2021, compensation for treatment injuries was primary in relation to earnings-related benefits, but as of 2021, they are secondary from the point of view of the pension recipient. The earnings-related pension is paid in full and the component exceeding the earnings-related pension is paid under the Patient Injuries Act. However, the earnings-related pension provider can recover the component corresponding to the earnings-related disability and rehabilitation pensions from the Patient Insurance Centre.

5 Taxation

Earnings-related pensions, the national pension and the guarantee pension are taxable income in Finland. However, the national pension child increase, pensioners' care allowance, front-veteran's supplement, special veteran's supplement and housing allowance are exempt from tax.

Pensions paid under workers' compensation, motor liability and patient injury insurance are treated as pension income and taxed as earned income. However, daily allowances paid under these insurances or compensation received based on disability for less than one year are not treated as pension income.

A collective supplementary pension and a lump-sum pension provided by the employer are both taxed as earned income. A pension based on voluntary personal pension insurance is taxed as capital income under legislation that took effect from the beginning of 2005. Previously this pension was taxed as earned income. Pensions paid out from voluntary personal pension schemes are taxed as earned income or capital income depending on how the corresponding premiums were deducted.

5.1 Deductions in earned income taxation

Expenses incurred from acquiring or managing income are deductible for purposes of income tax. The deductions reduce the taxable income and thus lower the amount of tax due. As of 2023, the taxable income has been determined in the same way in municipal and state taxation, and thus the deductions are also the same.

In addition to deductions which reduce the amount of taxable income, there are various tax allowances and credits that are subtracted from the individual's tax liability. These include the earned income credit, child maintenance credit, domestic help credit, credit for deficit in capital income, and special deficit credit. The following only covers some of the most important deductions and allowances available to pensioners and employees. Tax deductions are explained in more detail in Appendix 2.

For purposes of municipal and state taxation, pensioners may qualify for a pension income allowance and a basic allowance. The maximum basic allowance was increased by 110 euros to 3,980 euros from the beginning of 2024.

The amount of the pension income allowance is determined based on the full amount of national pension. The allowance therefore varies following indexed and discretionary increases to the national pension. In 2024, the full pension income allowance is 10,920 euros. If the taxpayer's net earned income exceeds the full pension income allowance, the deduction is reduced by 51 per cent of the excess. If the taxpayer's net earned income exceeds 22,500 euros, the deduction is reduced by 15 per cent of the excess. The pension recipient's other possible earnings are also considered when calculating the pension income allowance.

The pension income allowance and basic allowance mean that low-income pensioners pay no municipal tax on annual pension earnings of less than 13,556 euros (€1,130/month). Eligibility for pension income allowance extends to annual earnings of 55,927 euros (€4,661/month).

Table 5.1

Full amount of pension income allowance in 2024, minimum threshold for the taxation of pensions and ceiling for pension income allowance (€)

	Full deduction	Threshold for taxes	No deduction
Pension income allowance	10,920	13,556	55,927

Employees can claim a deduction for work-related expenses, the basic allowance, the earned income allowance and an earned income tax credit. Earnings-related pension contributions, unemployment insurance contributions and health insurance daily allowance contributions paid by employees are all tax deductible.

In 2024, the earned income allowance is 51 per cent of earnings exceeding 2,500 euros up to 7,230 euros, and 28 per cent for the portion exceeding 7,230 euros. The maximum tax credit is 3,570 euros. If the taxpayer's net earned income exceeds 14,000 euros, the amount of the deduction is reduced by 4.5 per cent of the net earned income that exceeds 14,000 euros. The earned income allowance applies to annual earnings up to around 94,000 euros.

In 2024, the earned income tax credit is 12 per cent of the earned income. To encourage older people to work, the maximum tax credit was tiered in 2023 so that those aged 60 or older received an increase to the tax credit. The four-tier increase grew by age. In 2024, the earned income tax credit was reallocated and now applies only to those aged 65 or older. For persons under the age of 65, the maximum earned income tax credit is 2,140 euros, for persons aged 65 and over, it is 3,340 euros.

If the taxpayer's net annual earned income exceeds 23,420 euros, the credit is reduced by 2.03 per cent. If the taxpayer's net earned annual income exceeds 71,900 euros, the credit is reduced by 1.21 per cent. For persons under age 65, it can be claimed on annual earnings up to around 168,100 euros.

5.2 Taxes on earned income and statutory social insurance contributions

State income tax is payable on taxable earned income in accordance with the progressive income tax scale. In 2024, an index adjustment of 2.8 per cent was made to the income tax bases to prevent the tax from being tightened as a result of earnings growth.

A new top bracket was also added to the state income tax scale for incomes above 150,000 euros. The new bracket means that the two-percentage-point additional tax (the so-called solidarity tax) is levied on higher income than in 2023, when it was levied on income exceeding 85,800 euros. The solidarity tax, which was originally set for a limited period, has been in force since 2013.

The rate of additional tax on pension income is unchanged from 2023 and will be 5.85 per cent of the annual pension income that exceeds 47,000 euros (€3,917/month).

Table 5.2

State income tax scale 2024

Taxable earned income (€)	Tax at lower limit (€)	Tax rate for portion of income exceeding lower limit (%)
0–20,500	0	12.64
20,500–30,500	2,591.20	19.00
30,500–50,400	4,491.20	30.25
50,400–88,200	10,510.95	34.00
88,200–150,000	23,362.95	42.00
150,000–	49,318.95	44.00

Public broadcasting tax is levied at the same rate as in 2023, that is, at 2.5 per cent on annual earnings of over 14,000 euros. However, the maximum tax amount is 163 euros. Pensioners must pay public broadcasting tax from earnings of 1,167 euros. The maximum amount is payable on a monthly pension of 1,710 euros and over.

Municipal tax is paid on earned income to the taxpayer's municipality of residence based on the local income tax rate. In 2024, the average municipal tax rate is 7.46 per cent (7.38 in 2023). Table 5.3 shows the tax rates for selected municipalities.

Table 5.3

Income tax rates in selected municipalities and health insurance contribution in 2024

	Municipal income tax rate
Helsinki	5.30
Espoo	5.30
Vantaa	6.40
Tampere	7.60
Oulu	7.90
Turku	6.90
Kuopio	8.10
National average	7.46
Employee's health insurance contribution	0.51
Pensioner's health insurance contribution	1.48

The amount of church tax payable is calculated based on taxable earned income according to the local church income tax rate. The average church tax rate is 1.38 per cent and is payable by members of the Evangelical Lutheran Church. The church tax is not included in the calculations presented below.

Employees pay a health insurance contribution of 0.51 per cent of their annual wages in 2024. The health insurance contribution payable on pension and benefit income is 1.48 per cent. Employees with annual earnings of at least 16,499 euros (€15,703 in 2023) pay a health insurance daily allowance contribution of 1.01 per cent (1.36% in 2023). If they earn less than 16,499 euros, they pay no daily allowance contribution. Self-employed persons insured under the Self-employed Persons' Pensions Act are liable to pay an additional contribution of 0.22 per cent (0.23% in 2023), bringing their daily allowance contribution rate in 2024 to 1.23 per cent. The daily allowance contribution is not payable on pension and benefit income.

In 2024 the earnings-related pension contribution for employees aged 17–52 and 63–67 is 7.15 per cent, and for those aged 53–62, it is 8.65 per cent (as in 2023). Employees' unemployment insurance contribution decreases to 0.79 per cent (1.5% in 2023).

The employee's tax and contribution rates vary by age because statutory contributions and earned income credits differ in different age groups (Table 5.4). Earnings-related pension contributions are payable from age 17, unemployment insurance contributions from age 18 and the health insurance daily allowance contribution from age 16.
In addition to the contributions listed in the table below (share of gross income), employees pay a health insurance contribution of 0.51 per cent. The contribution is paid when the annual income exceeds approximately 18,950 euros. The contribution share of the gross income varies according to income level.

Table 5.4
Employee contributions in different age groups

Age	Earnings-related pension contribution	Unemployment insurance contribution	Health insurance daily allowance contribution (as of annual income of €16,499)	Total
under 53	7.15%	0.79%	1.01%	8.95%
53–62	8.65%	0.79%	1.01%	10.45%
63–64	7.15%	0.79%	1.01%	8.95%
65–67	7.15%	0.00%	1.01%	8.16%
68–	0.00%	0.00%	0.00%	0.00%

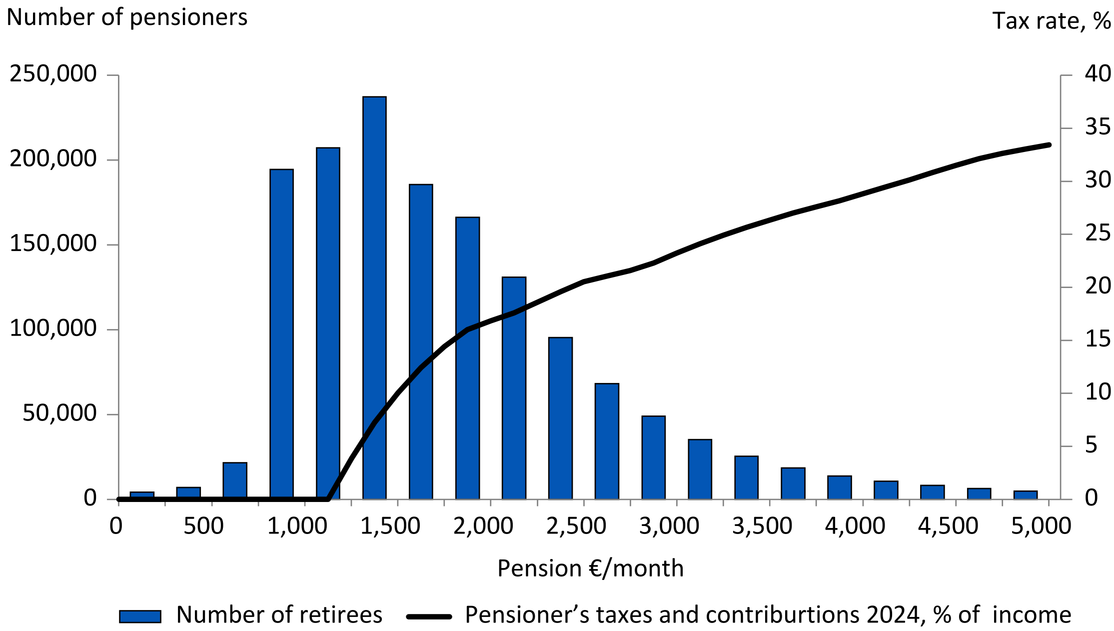
5.3 Differences in the taxation of pensioners and employees

Statutory pensions are taxed in basically the same way as other earned income. However, the tax and contribution burden on pensions and wage income is different because of differences in tax deductions and social insurance contributions.

As shown in Figure 5.1, the number of pensioners is highest in income brackets with low or zero tax rates. Some 29 per cent of pensioners have a monthly pension of less than 1,250 euros and therefore pay less than 4 per cent in tax. Around 17 per cent have a pension of over 2,500 euros, which attracts a tax rate of over 20 per cent. 3.6 per cent of pensioners have a pension of over 4,000 euros, on which they pay more than 28 per cent in tax. Pensioners' other sources of income are not considered in Figure 5.1.

Figure 5.1

Pension income distribution for pension recipients residing in Finland in their own right (excluding part-time pension and partial old-age pension) at 31 December 2022, and pensioner's tax and contribution rate in 2024



The following figures and tables compare the taxes paid by pensioners and employees in different income brackets. As a rule, the pensioner's tax rate in 2008–2012 was lower than the employee's tax and contribution rate, which also considers the employee's pension contribution (53–67 yrs) and unemployment insurance contribution. In 2013 an additional tax was introduced to bring the taxation of large pensions in line with the tax and contribution rate for employees aged over 53. Now there is no significant difference to the contribution burden of 53–62-year-olds.

The change in the tax and contribution rate of pension and earned income from 2023 varies on different income levels. When comparing to the previous year's tax rate for the same level of income, and when the municipal tax rates are average, the pensioner's tax rate is reduced by around 1.5 percentage points for monthly earnings under 1,500 euros and around one percentage point for monthly earnings up to 4,500 euros. When comparing the tax rate on wage income to the tax rate for the same income in 2023, the tax rate will fall by less than 1.5 percentage points.

Figure 5.2 shows the tax and contribution rates for pensioners and wage-earning employees in different income brackets. The employee's tax and contribution rate varies by age because the employee's statutory contributions differ in different age groups and the earned income tax credit increases for those who have turned 65. Employees aged over 68 no longer pay employee contributions.

Figure 5.2

Employee's and pensioner's taxes and contributions in 2024 (% of income; monthly income is annual income divided by 12)

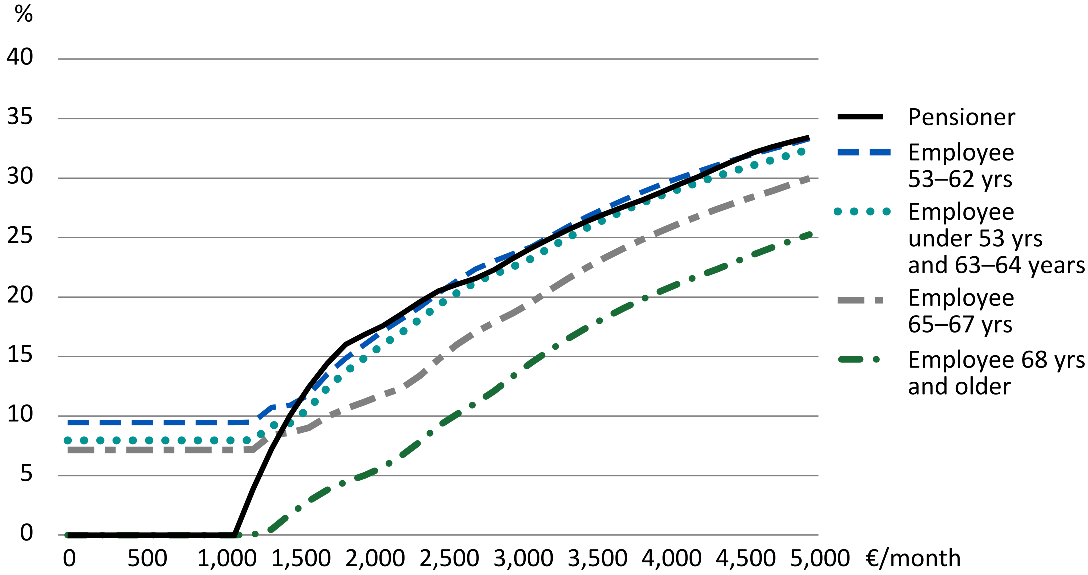


Table 5.5

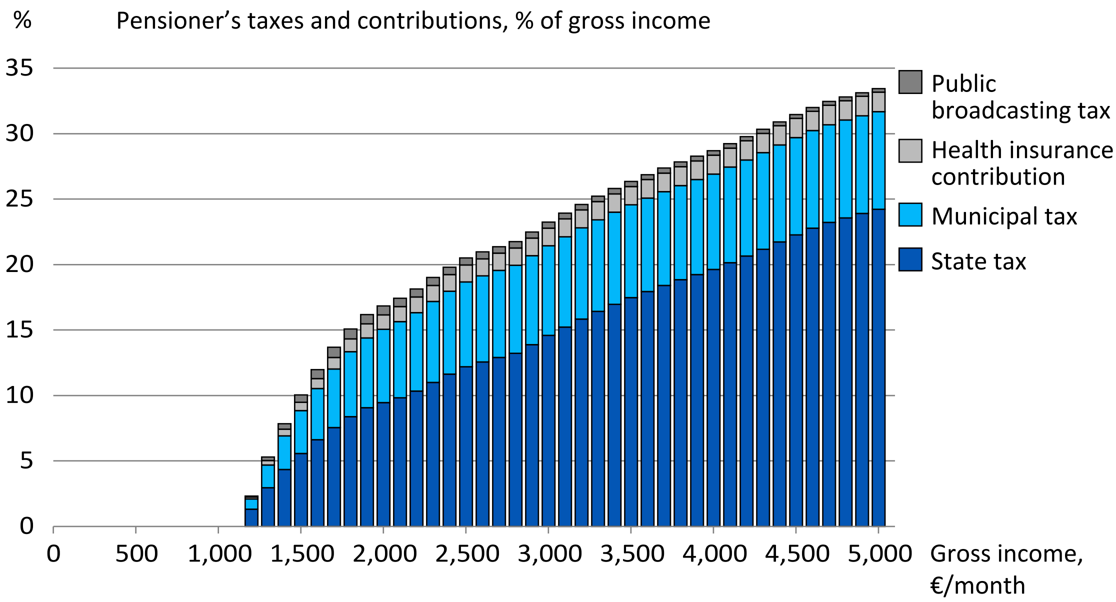
Taxes and contributions in 2024 (% of income)

Income €/ month (annual income/12)	Pensioner	Employee under 53 yrs and 63–64 years	Employee 53–62 yrs	Employee 65–67 yrs	Employee 68– yrs
500	0	7.9	9.4	7.2	0.0
750	0.0	7.9	9.4	7.2	0.0
1,000	0.0	7.9	9.4	7.2	0.0
1,250	3.9	8.0	9.5	7.2	0.0
1,500	10.0	9.4	10.9	8.6	1.8
1,750	14.4	12.4	13.5	10.0	3.8
2,000	16.8	14.9	16.0	11.2	5.0
2,250	18.6	17.0	18.1	12.3	6.7
2,500	20.5	19.3	20.3	14.8	9.2
2,750	21.6	21.2	22.3	17.0	11.1
3,000	23.2	22.5	23.6	18.6	13.3
3,500	26.4	25.8	26.7	22.5	17.4
4,000	28.7	28.5	29.5	25.5	20.5
5,000	33.4	32.4	33.3	30.0	25.2
6,000	36.0	35.5	36.4	33.4	28.7
7,000	37.8	37.7	38.5	35.8	31.0
8,000	39.8	39.2	40.1	37.5	33.3
9,000	41.7	40.9	41.7	39.4	35.3
10,000	43.2	42.4	43.1	41.0	36.9
15,000	48.1	46.9	47.6	45.9	42.0

Figure 5.3 shows the structure of pensioners' and employees' taxes and contributions in different income brackets. Employees pay an earnings-related pension contribution and unemployment insurance contribution on income that falls below the taxable income threshold. At higher income levels the overall tax rate for pensioners and employees is almost the same, but for employees this also includes earnings-related pension contributions and unemployment insurance contributions, so the share of municipal and state taxes is lower than for pensioners. In 2023, the municipal tax rate decreased significantly and the state tax rate increased clearly when the social and health services transferred to the wellbeing services counties and their financing transferred from the municipalities to the State.

Figure 5.3

Structure of pensioner's and employee's (53–62 yrs) taxes and contributions in different income brackets in 2024 (% of gross income)



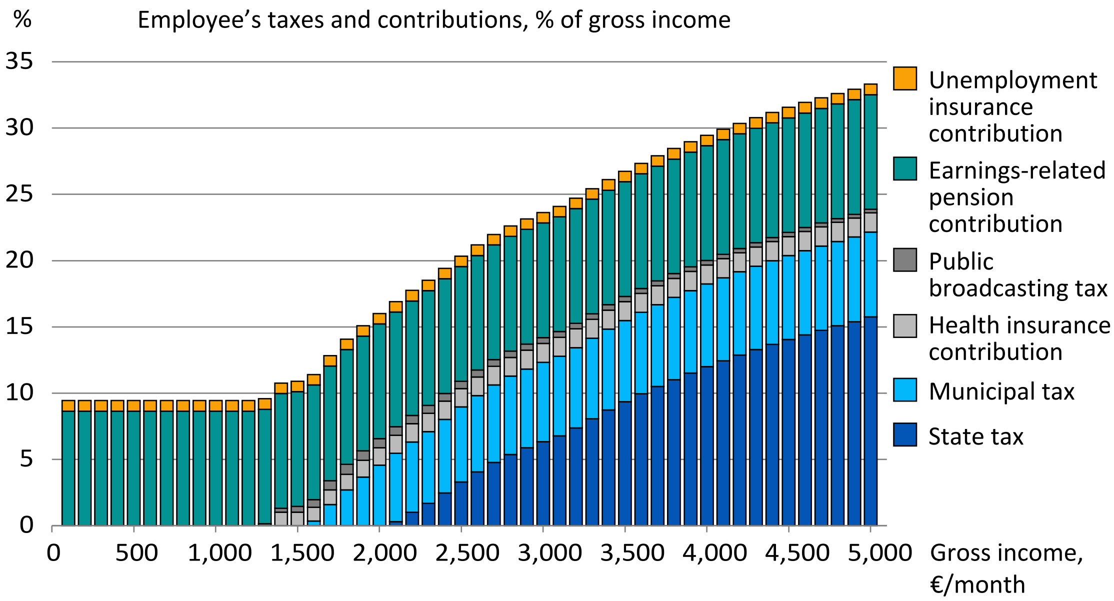
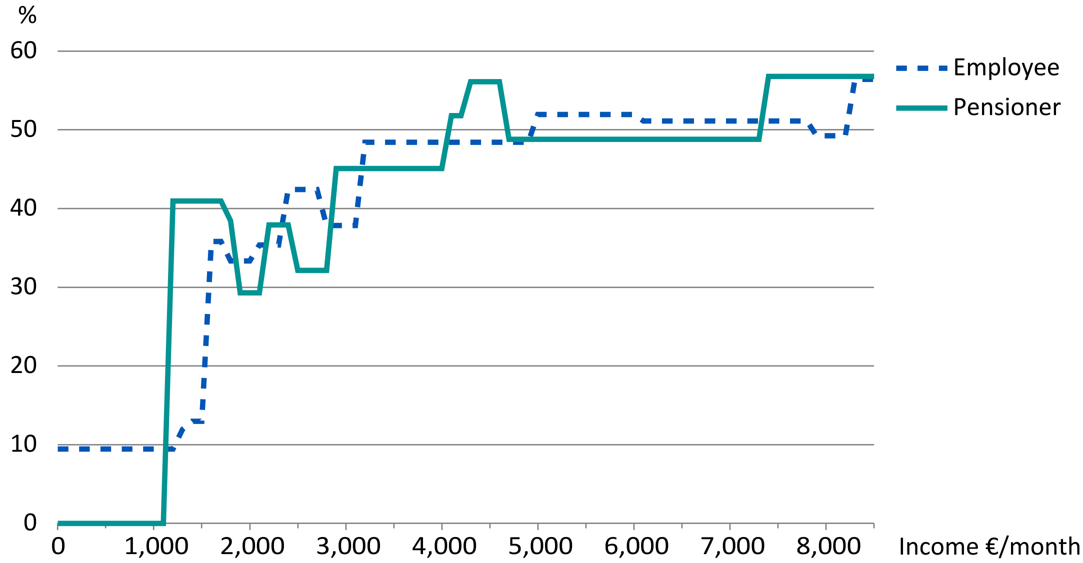


Figure 5.4 shows how large a share of employees and pensioners increased earnings goes to taxes and contributions in different income brackets. Pensioners' marginal taxation is essentially unchanged from the year before. In municipal taxation the pension income allowance and basic allowance decrease with increasing income, so the pension tax rate rises sharply for monthly incomes of 1,200–1,800 euros. In this income range the pensioner's marginal tax rate for additional income is around 40 per cent.

The marginal tax rate increases to 45 per cent for a monthly pension of 2,900 euros, which pushes the taxpayer across another threshold in the state income tax scale (after deductions). Additional income attracts a high tax rate in this income bracket, as well, because the pension income allowance in state taxation decreases with increasing earnings and is no longer granted at a monthly income of around 4,600 euros.

Figure 5.4

Pensioner's and employee's (53–62 yrs) marginal tax rate in 2024 in different income brackets



5.4 Taxation of earnings consisting of both pension and wage income

Pensioners' wage income is taxed on the same basis as any other wage income. Other earned income reduces the pension income allowance: a decreased allowance will increase the tax rate. On the other hand, employees receive a deduction for work-related expenses as well as an earned income allowance and an earned income tax credit. Taken together, these deductions mean that the tax and contribution rate for a combination of pension and wage income is generally lower than the same amount of income comprising only a pension income or a wage income.

Employee contributions are withheld also from pensioners' wages. However, unemployment insurance contributions are no longer payable after age 65. Earnings-related pension contributions are paid through to the highest age of insurance obligation for the age group. The health insurance daily allowance contribution is not withheld from wages after age 68.

5.4.1 Wage income alongside old-age or disability pension income

Gainful employment while on old-age pension does not affect the payment of earnings-related or Kela pensions[2]. Table 5.6. shows the tax and contribution rates for pensioners who have a wage income. It also shows how large a share of the income from employment is lost to taxes and contributions. For example, the tax rate for an annual pension of 18,000 (€1,500/month) is 10.0 per cent. If the pensioner additionally earns 6,000 euros a year in wages, the tax and contribution rate for this additional income is 20.7 per cent. The tax and contribution rate for total income is 12.7 per cent. The taxes and contributions are calculated for pensioners who have a reduced earnings-related pension contribution (7.15%) and who also pay an unemployment insurance contribution and health insurance daily allowance contribution.

Table 5.6

Taxes and contributions on pensioner's (under age 53 and 63–64 yrs) wage income in 2024

Pension €/year	Wage €/year	Total income €/year	Taxes and contributions on wages	Tax and contribution rate	Tax rate (%) if total income consists only of pension	Tax rate (%) if total income consists only of wages
12,000	0	12,000	-	0.0	0.0	7.9
12,000	6,000	18,000	11.3	3.8	10.0	9.4
12,000	12,000	24,000	18.1	9.1	16.8	14.9
12,000	18,000	30,000	21.4	12.8	20.5	19.3
18,000	0	18,000	-	10.0	10.0	9.4
18,000	6,000	24,000	20.7	12.7	16.8	14.9
18,000	12,000	30,000	19.3	13.7	20.5	19.3
18,000	18,000	36,000	24.4	17.2	23.2	22.5
24,000	0	24,000	-	16.8	16.8	14.9
24,000	6,000	30,000	18.8	17.2	20.5	19.3
24,000	12,000	36,000	20.3	18.0	23.2	22.5
24,000	18,000	42,000	26.7	21.0	26.4	25.8
30,000	0	30,000	-	20.5	20.5	19.3
30,000	6,000	36,000	21.7	20.7	23.2	22.5
30,000	12,000	42,000	25.4	21.9	26.4	25.8
30,000	18,000	48,000	31.2	24.5	28.7	28.5
36,000	0	36,000	-	23.2	23.2	22.5
36,000	6,000	42,000	33.7	24.7	26.4	25.8
36,000	12,000	48,000	31.4	25.3	28.7	28.5
36,000	18,000	54,000	35.2	27.2	31.5	30.6

2 When the pension for work done in retirement is granted, the national pension is recalculated, taking into account the pension earned during retirement as a reducing factor.

As shown in the table, an annual income of, for example, 24,000 euros that consists half and half of pension and wage income attracts a tax rate of 9.1 per cent. The tax and contribution rate is 12.7 per cent for the same total income when pension earnings account for three-quarters, and 16.8 per cent when pension earnings account for all of the income.

Persons on a disability pension are allowed to earn up to 40 per cent and those on a partial disability pension up to 60 per cent of their pre-disability earnings, but always at least 976.59 euros a month. Pension payment is suspended when the 60 per cent or 976.59 euro limit is exceeded for at least three months. Under the national pension scheme, persons on a disability pension may earn up to 976.59 euros per month.

5.4.2 Partial old-age pension and wage income (€)

Taxes and contributions are determined in the same manner as above in situations where an employee decides to take a partial old-age pension early and to remain in gainful employment. The progressive tax scale eases the impact of a decline in employment income on the reduction in total income. Correspondingly, taxes will rise if a partial old-age pension is taken early on top of existing earnings.

Table 5.7

Partial old-age pension and wage income (€) for person born in 1963

Pension earned by the start of the partial old-age pension	Partial old-age pension	Wages during partial old-age pension	Gross income total	Net income	Tax rate, %	Taxe rate on wages without partial-old-age pension
1,500	574	0	574	574	0.0	0.0
1,500	574	1,500	2,074	1,870	9.8	10.9
1,500	574	3,000	3,574	2,705	24.3	23.6
2,000	765	0	765	765	0.0	0.0
2,000	765	2,000	2,765	2,292	17.1	16.0
2,000	765	4,000	4,765	3,264	31.5	29.5
3,000	1,148	0	1,148	1,141	0.6	0.0
3,000	1,148	3,000	4,148	3,000	27.7	23.6
3,000	1,148	6,000	7,148	4,441	37.9	36.4

The amount of partial old-age pension is calculated based on pension rights earned by the end of the year preceding the start of the pension (see section 2.2). In table 5.7, the accrued amount of monthly pension is 1,500, 2,000 or 3,000 euros, and early payment of the pension is taken at a 50-per-cent rate. The earliest full retirement age for the 1963 birth cohort is 65 years, and the pension is taken 48 months early, bringing the total reduction for early retirement to 19.2 per cent. The partial old-age pension is also multiplied by the life expectancy coefficient confirmed for the first year of the pension.

The table describes three different scenarios in which the individual, while drawing a partial old-age pension, does not work, reduces their working hours by 50 per cent, or continues to work at the same wage level as before. As the partial old-age pension in the example starts at age 61, the individual will pay an increased earnings-related pension contribution of 8.65 per cent of wages.

The last column of the table also shows the corresponding tax and contribution rate for wage income only, without a partial old-age pension. Progression increases the overall tax rate when earned income includes not only wages but also a pension. At the income levels shown in the example, the additional income from the partial old-age pension means that the overall tax rate is 4 percentage points higher at most than the tax and contribution rate for wage income alone. At the lowest income level, taking a partial old-age pension even reduces the tax rate.

5.5 International situations

Pensions paid abroad are taxed in the same way as pensions paid to Finnish residents. The tax rate, deductions and tax return procedure are all the same. All taxes paid by pensioners who live abroad, including imputed municipal tax calculated based on the average municipal tax rate, go to the state.

In some situations, tax treaties mean that pensions are not taxed in Finland at all but only in the pensioner's country of residence. The tax treatment of pensions depends on the tax treaty signed between Finland and the country in question to avoid double taxation. Finland has entered into double tax agreements with more than 60 countries.

For example, Finland was previously unable to impose taxes on pensions paid to Portugal, apart from public sector pensions. In 2018 Finland terminated the tax treaty it agreed with Portugal in 1970, and Portugal failed to accept the new treaty in the agreed period. As of 2019, there is no tax treaty in place between Finland and Portugal, which means that tax on pensions paid from Finland is paid to Finland.

Finland and Spain signed a new tax treaty, which took effect on 1 January 2019. Under the tax treaty, pensions received in Spain from Finland are subject to Finnish tax. For private sector pensions there was a three-year transition period from 2019–2021 during which no taxes were payable in Finland. As of the beginning of 2022, tax on private sector earnings-related pensions are also paid to Finland. Pensions based on motor liability insurance or other comparable risk insurance policies will continue to be taxed only in Spain.

Pensions paid from abroad are often taxed in the source country. In this case no income tax will be imposed on the pension in Finland, but the pension will increase the amount of tax payable on income received from Finland through progression. As a rule, the health insurance contribution is usually payable on pensions received from other countries. Pensions from some countries are not taxed in the country of origin, and in these cases Finland will levy tax on pension income as per normal provisions. For example, as of 2018, under the tax treaty between Finland and Germany, Finland has a right to tax all pensions received from Germany if the person resides in Finland.

EU officials' pensions are not taxed in Finland. If EU pension rights are transferred to the Finnish earnings-related pension scheme, the pension will be treated in full as taxable earned income in the same way as other pensions under the earnings-related pension scheme.

5.6 Capital income taxation – voluntary personal pension insurance and long-term saving

The capital income tax rate is 30 per cent, rising to 34 per cent for annual income exceeding 30,000 euros. Since 2006 voluntary personal pension insurance payments have also been subject in full to capital income tax. Voluntary personal pension insurance premiums are deductible from taxable capital income in the year the premiums are paid. Pension income from such insurance will be subject to capital income tax in due course.

Voluntary personal pension insurance and long-term savings premiums have been eligible for tax deductions only on condition that pension payments start after age 68, the age of eligibility for deferred retirement under the Employees Pensions Act. The age limit was raised from 63 to 68 years from the beginning of 2013. Due to the 2017 pension reform, eligibility for tax deductions required that pension payments can only start after the age that the age group's obligation to insure ends. This age limit is 68 years for persons born in 1957 or earlier, 69 years for those born between 1958 and 1961, and 70 years for those born later. Premiums on voluntary personal pension insurance and long-term savings contracts taken out before 2013 are deductible under previous rules.

The higher age limit also applies to collective additional pension insurance insofar as the employee pays part of the insurance premiums. If the premiums are paid in full by the employer, the pension can be claimed at an earlier age. Pension income through additional pension insurance cover provided by the employer is taxed as earned income.

An annual deduction of up to 5,000 euros can be claimed against capital income for premiums paid on voluntary pension insurance and long-term savings schemes. If the employer has taken out voluntary pension insurance for the employee, the maximum tax deduction for premiums paid by the employee on their own insurance or long-term savings scheme is 2,500 euros.

Returns earned on savings are not taxed during the saving period. Payments received after retirement age are treated as capital income. Pension insurance policies cannot be repurchased nor can assets in long-term savings be withdrawn before the retirement age except in the case of unemployment lasting at least one year, permanent or partial disability, spousal death or divorce.

Pensions paid out from voluntary personal pension schemes are taxed as earned income or capital income depending on how the corresponding premiums were deducted. In old pension insurance policies taken out before 6 May 2004, the share of pension that accumulated on premiums paid before 2006 is taxed as earned income, and the share accumulated on premiums since 2006 is taxed as capital income.

6 Total pension income

As stated earlier, statutory pension provision in Finland consists of the earnings-related pension, the national pension and the guarantee pension. Individuals may also be eligible to receive benefits that take precedence over an earnings-related pension, for instance under workers' compensation or motor liability insurance. In this case, earnings-related pension is paid only to the extent that it exceeds the primary benefit.

Earnings-related pensions are intended to ensure that people can maintain a reasonable level of consumption in retirement compared to their pre-retirement situation. The national pension and guarantee pension are intended to ensure a minimum level of pension income for people who worked for such a short period of time or whose earnings were so low that they have only a small earnings-related pension, or who are not entitled to receive an earnings-related pension at all.

6.1 Total pension income in 2024

The amount of national pension payable decreases with increasing pension income, as one-half of the amount of earnings-related pension is deducted from the full national pension (see section 3.1). No national pension is paid to single persons living alone with an earnings-related pension of over 1,601 euros, or to persons living with a spouse or partner and receiving an earnings-related pension of over 1,435 euros.

Figure 6.1 shows how earnings-related pension, national pension and guarantee pension income contribute to total pension income according to career wage earnings. Pensioners may also receive a means-tested housing allowance, which is included in Figure 6.2.

The amount of housing allowance is calculated based on assumed monthly housing costs of 595 euros (estimated average housing costs in 2024). The pensioners' housing allowance was paid to around 207,000 persons at the end of November 2023 at an average of 265 euros per month.

In Figures 6.1 and 6.2 the earnings-related pension is 50 per cent of wage income and payable to a pensioner living alone. The national pension and guarantee pension are payable from age 65. The Figures are based on the assumption that the full amount of earnings-related pension is taken into account when calculating the amount of national pension.

The earnings-related and the national pension schemes are mutually complementary even with respect to survivors' pensions. A child and a surviving spouse under 65 may simultaneously receive a survivors' pension through both systems. A surviving spouse and a child may also be eligible to receive a survivors' pension or assistance pension under workers' compensation or motor liability insurance. If these survivors' pensions provide adequate income security, Kela will not pay the additional amount to the survivors' pension (see section 3.2).

Figure 6.1

Total pension income in 2024

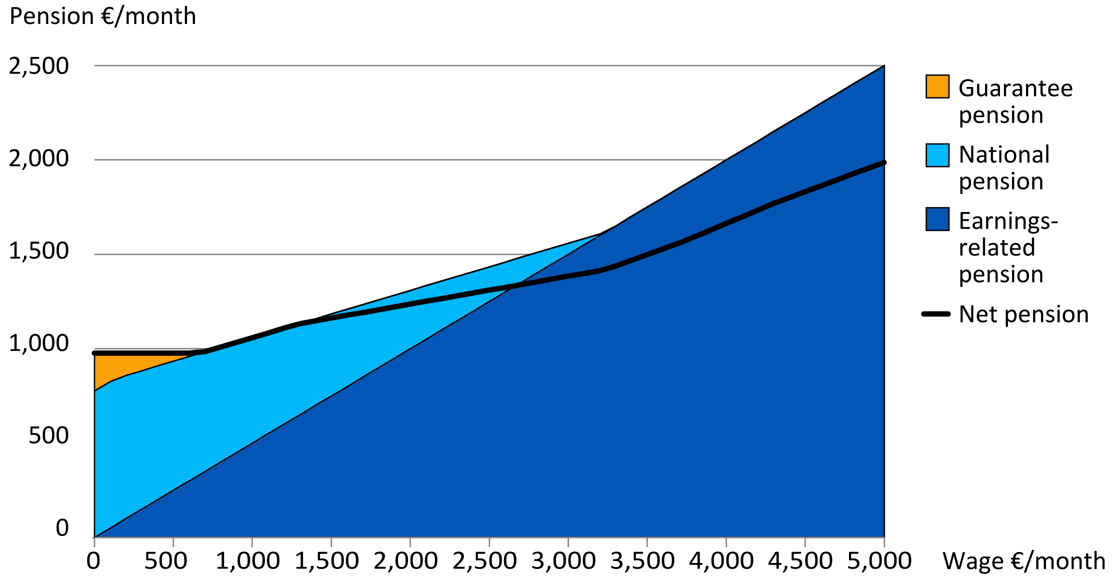


Figure 6.2

Earnings-related pension, national pension, guarantee pension and housing allowance in 2024

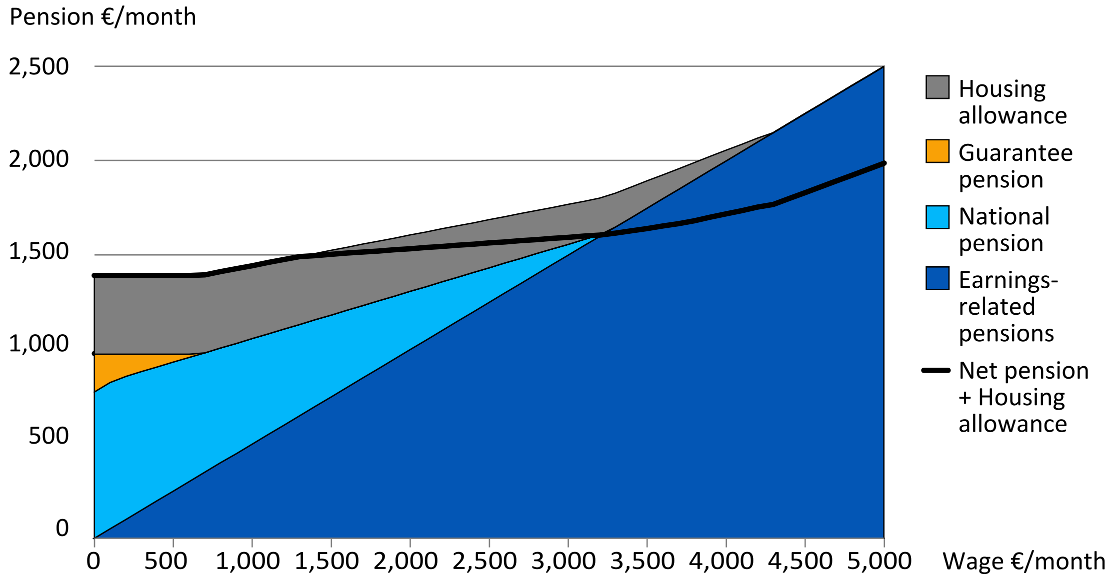


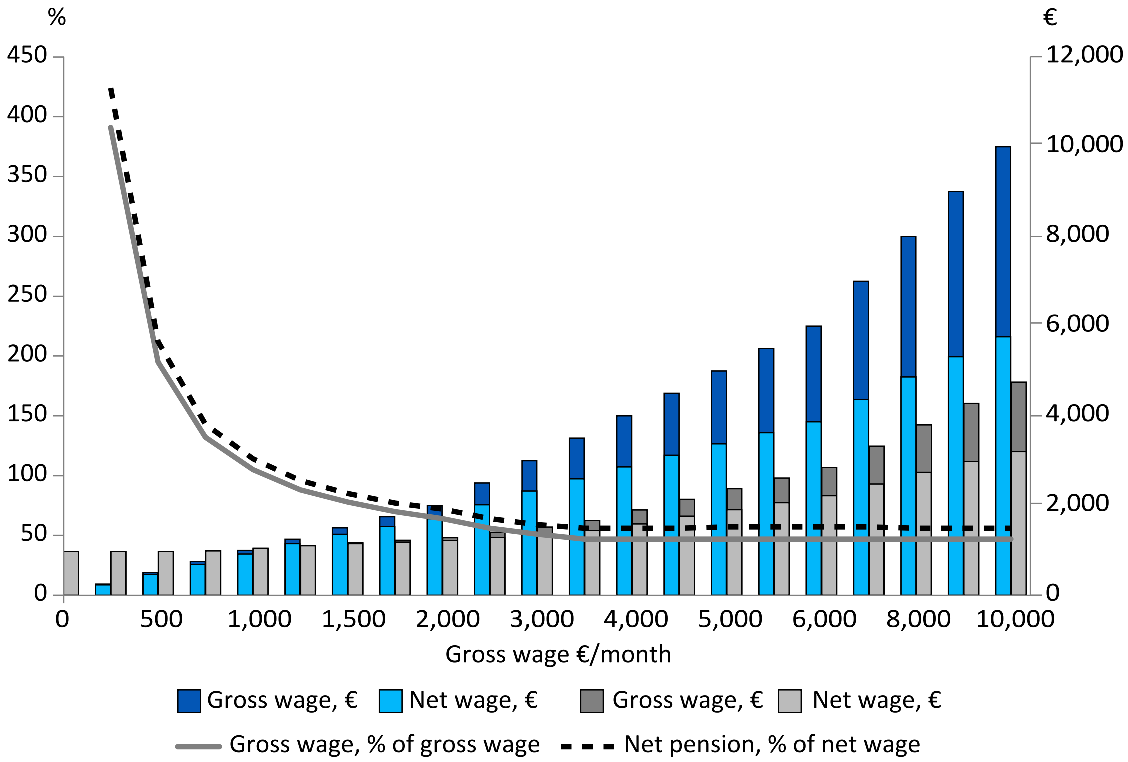
Figure 6.3 describes the total pension (gross and net) that consists of earnings-related, national and guarantee pensions. It is assumed that the earnings-related pension is 50 per cent of the individual’s earnings prior to adjustment with the life-expectancy coefficient. For those who have only an earnings-related pension, the gross pension ratio (gross pension/gross earnings) is just under 50 per cent because of the life expectancy coefficient. Persons receiving a Kela pension have had a low income and therefore have a high pension-to-wage ratio. Because of progressive taxation, the net

pension to pre-retirement net earnings ratio is higher than the gross ratio. For those who have only an earnings-related pension, the ratio in the example is 55–59 per cent in net terms.

The example in Figure 6.3 illustrates a simplified situation where the national pension is reduced by the full amount of earnings-related pension, and the national pension is a full pension payable at age 65 without a reduction for early retirement. Earnings-related pensions will typically also include components that do not reduce the amount of national pension, such as the increase for deferred retirement.

Figure 6.3

Gross and net pension, amount €/month and % of wage



Appendix 1 presents the details of the example case, as well as two other example cases. In one of them, the person retires at the retirement age, which means that a deduction for early retirement is made to Kela pensions. In the other example, the person retires at age 65 when, contrary to the the situation in Figure 6.3, the pension that accrues after the retirement age is considered.

Net earnings and net pension amounts are calculated based on 2024 taxation, assuming that earnings are the same for the whole year and that annual income is 12 times the monthly income. The municipal tax rate is set at 7.46 per cent, that is, the national average. The contributions and deductions of the wage earner are calculated for a 63–64-year-old.

6.2 Change in net pension income

The pension amount changes annually in line with the index adjustment. The national pension and the guarantee pension have also been increased from time to time by separate decisions. Changes in taxation affect the net pension amount.

Table 6.1 describes how a pension that started in 2014 has developed through to 2024. The national pension has increased in accordance with the national pension index and the earnings-related pension in accordance with the earnings-related pension index. The increases in the national pension index were frozen in 2017–2019, and in 2017, the index was reduced by 0.85 per cent. The most recent discretionary increase to the national pension was made in 2020 and to the guarantee pension in 2016, 2018, 2019 and 2020. The minimum pension consists of a national pension and a guarantee pension.

Table 6.1

Change in nominal pensions that started in 2014, from 2014–2024

Gross pension €/month 2014	Net pension €/month 2014	Annual change % 2020	Annual change % 2021	Annual change % 2022*	Annual change % 2023	Annual change % 2024	Change % 2014–2024	Net pension €/month 2024
743	738	6.4	0.4	3.6	6.3	5.9	32.3	977
787	782	5.2	0.4	3.2	6.4	5.8	24.1	970
912	902	2.6	0.5	2.9	6.6	5.8	22.4	1,104
1,037	978	2.2	0.6	3.2	6.4	5.4	23.1	1,203
1,162	1,053	1.7	0.6	3.0	6.3	5.4	22.6	1,290
1,287	1,128	1.3	0.6	2.9	6.4	5.4	22.1	1,378
1,500	1,256	1.6	0.6	2.8	6.4	5.6	22.5	1,538
1,750	1,408	1.5	0.6	2.9	7.4	6.2	24.1	1,747
2,000	1,574	1.2	0.4	3.0	7.7	6.1	23.1	1,938
2,250	1,736	1.1	0.4	2.6	8.6	6.1	23.2	2,139
2,500	1,903	1.2	0.4	2.7	7.0	5.9	21.8	2,317
2,750	2,036	1.2	0.4	2.8	6.9	5.9	22.0	2,483
3,000	2,170	1.2	0.4	2.8	6.9	5.9	22.1	2,650
3,250	2,304	1.1	0.5	2.7	6.9	5.9	22.2	2,816
3,500	2,435	1.3	0.7	2.6	6.1	5.5	21.8	2,967
3,750	2,578	1.4	0.8	2.5	5.3	5.0	20.3	3,101
4,000	2,707	1.2	0.8	2.5	5.3	4.8	20.0	3,247

*In 2022 Kela pensions have been averaged in proportion to the months of contributions due to the mid-year indexation.

In 2024, the net pension income of persons who receive only a national pension will rise by 5.9 per cent compared to 2023 because of increases in the national and guarantee pension indexes. In higher income levels, the net pension income will increase by 4.8–6.2 per cent.

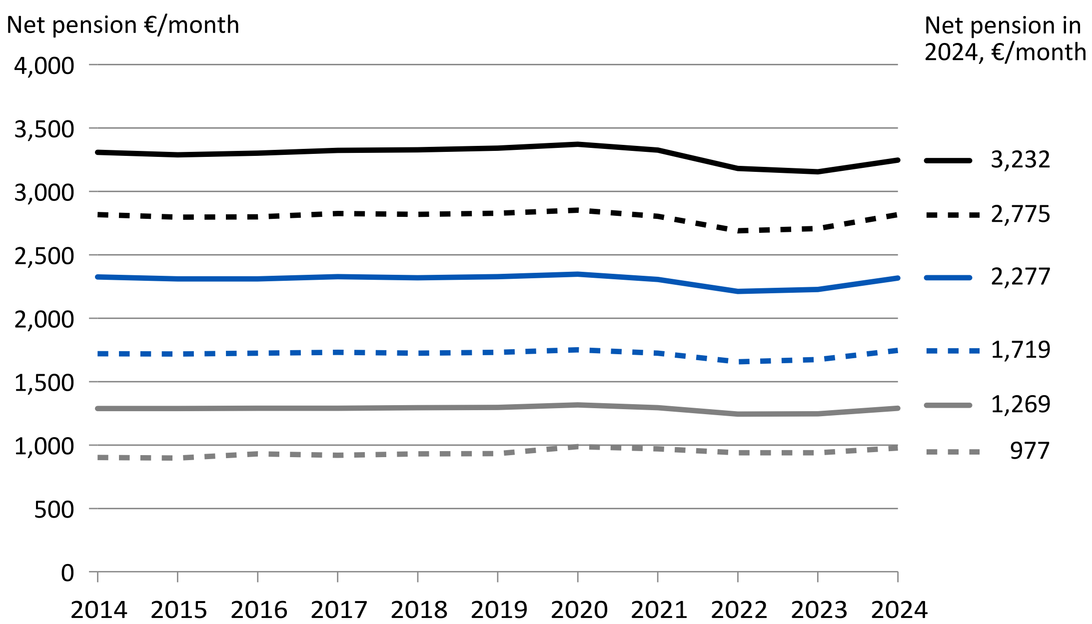
With an expected inflation of 1.8 per cent in 2024 (Finnish Centre for Pensions' economic forecast 17 January 2024), the pension income of a guarantee pension recipient will increase by around 4 per cent in real term. Higher pensions will increase about 3–4 per cent more than the price level, which means that the purchasing power of the pension income grows. In 2022, the purchasing power of pensions decreased by around 3–4 per cent in all income brackets due to high inflation, and will remain mainly at the same level in 2024 as in 2023.

Figure 6.4 presents the development of pensions that started in 2014. The euro amounts have been adjusted in line with the development of consumer prices to the 2024 price level. In other words, the figure shows the development of the purchasing power of pensions over the last decade.

Over the last ten years, the pension of recipients receiving only a Kela pension has grown in real terms by around 8 per cent. After the 2022 bump, pensions above this level are essentially at the same real level as 10 years ago. Depending on income level, the purchasing power has decreased by less than one per cent. In the higher income levels in Figure 6.4, pensions have decreased by slightly less than 2 per cent.

Figure 6.4

Net pension income in 2014–2024, at 2024 prices



Appendix 1 Example tables of how the total pension is determined

Appendix Table 1.1

Total pension income and net pension in 2024, pensioner aged 65, living alone. National pension is reduced by full amount of earnings-related pension. Life expectancy coefficient 0.94984. Housing costs €595/month.

Gross wage (GW) €/month	Net wage (NW) €/month	Earnings-related pension €/ month	National pension + guarantee pension	Total pension gross €/month	% of GW	Net €/ month	% of NW	+ housing allowance €/month	% of NW
0	0	0	776+201	977	-	977	-	1392	-
250	230	119	749+109	977	391	977	424	1,392	605
500	460	237	690+49	977	195	977	212	1,392	302
750	690	356	630	987	132	987	143	1,398	203
1,000	921	475	571	1,046	105	1,046	114	1,437	156
1,250	1,150	594	512	1,105	88	1,105	96	1,476	128
1,500	1,359	712	452	1,165	78	1,151	85	1,501	110
1,750	1,534	831	393	1,224	70	1,186	77	1,515	99
2,000	1,703	950	334	1,283	64	1,221	72	1,529	90
2,500	2,017	1,187	215	1,402	56	1,291	64	1,557	77
3,000	2,324	1,425	96	1,521	51	1,362	59	1,586	68
3,500	2,596	1,662	0	1,662	47	1,445	56	1,620	62
4,000	2,859	1,900	0	1,900	47	1,592	56	1,684	59
4,500	3,121	2,137	0	2,137	47	1,760	56	1,768	57
5,000	3,378	2,375	0	2,375	47	1,909	57	1,909	57
5,500	3,623	2,612	0	2,612	47	2,063	57	2,063	57
6,000	3,867	2,850	0	2,850	47	2,220	57	2,220	57
7,000	4,364	3,324	0	3,324	47	2,481	57	2,481	57
8,000	4,864	3,799	0	3,799	47	2,742	56	2,742	56
9,000	5,318	4,274	0	4,274	47	2,985	56	2,985	56
10,000	5,762	4,749	0	4,749	47	3,200	56	3,200	56

Appendix Table 1.2

Total pension income and net pension in 2024 at the age group's earliest age of eligibility for old-age pension (64 yrs 6 mos), person born in 1960, living alone. Life expectancy coefficient 0.94659. Housing costs €595/month. Kela's deduction for early retirement for 6 months 2.4 per cent

Gross wage (GW) €/month	Net wage (NW) €/month	Earnings-related pension €/month	National and guarantee pension	Total pension gross €/month	% of GW	Net €/ month	% of NW	+ housing allowance €/month	% of NW
0	0	0	757+196	953	-	953	-	1,377	-
250	228	118	731+103	953	381	953	414	1,377	598
500	457	237	674+43	953	191	953	207	1,377	299
750	685	355	616	971	129	971	141	1,388	201
1,000	914	473	558	1,031	103	1,031	112	1,428	155
1,250	1,141	592	500	1,092	87	1,092	95	1,467	128
1,500	1,343	710	443	1,153	77	1,144	84	1,497	110
1,750	1,541	828	385	1,213	69	1,180	77	1,512	99
2,000	1,706	947	327	1,274	64	1,216	71	1,527	90
2,500	2,015	1,183	212	1,395	56	1,287	64	1,556	77
3,000	2,319	1,420	96	1,516	51	1,359	58	1,585	68
3,500	2,584	1,657	0	1,657	47	1,442	56	1,618	62
4,000	2,844	1,893	0	1,893	47	1,588	56	1,681	59
4,500	3,103	2,130	0	2,130	47	1,755	56	1,766	57
5,000	3,353	2,366	0	2,366	47	1,904	56	1,904	56
5,500	3,595	2,603	0	2,603	47	2,057	57	2,057	57
6,000	3,837	2,840	0	2,840	47	2,215	57	2,215	57
7,000	4,328	3,313	0	3,313	47	2,475	57	2,475	57
8,000	4,823	3,786	0	3,786	47	2,735	56	2,735	56
9,000	5,244	4,260	0	4,260	47	2,978	56	2,978	56
10,000	5,664	4,733	0	4,733	47	3,191	55	3,191	55

Appendix Table 1.3

Total pension income and net pension at age 65 in 2024, person born in 1959, living alone. Life expectancy coefficient 0.94984. Housing costs €595/month. Retirement age 64 years 3 months, working for 9 months past the retirement age. The increment for late retirement does not reduce the national pension. The earnings-related pension accrued by the retirement age is 50 per cent of earnings before adjustment with the life expectancy coefficient. The accrual rate of the pension based on earnings after the retirement age is also calculated based on the same pay level.

Gross wage (GW) €/month	Net wage (NW) €/month	Earnings-related pension, which reduces national pension	Earnings-related pension, which does not reduce national pension	National pension + guarantee pension	Total pension gross €/month	% of GW	Net €/ month	% of NW	+ housing allowance	% of NW
0	0	0	0	776+201	977	-	977	-	1,392	-
250	228	121	4	748+103	977	391	977	424	1,392	605
500	457	243	9	687+38	977	195	977	212	1,392	302
750	685	364	13	626	1,004	134	1,004	145	1,410	204
1,000	914	486	17	566	1,069	107	1,069	116	1,452	158
1,250	1,141	607	22	505	1,134	91	1,132	98	1,492	130
1,500	1,343	728	26	444	1,199	80	1,171	86	1,509	111
1,750	1,541	850	31	384	1,264	72	1,210	79	1,524	99
2,000	1,706	971	35	323	1,329	66	1,248	73	1,540	90
2,500	2,015	1,214	44	202	1,459	58	1,325	66	1,571	78
3,000	2,319	1,457	52	80	1,589	53	1,402	60	1,602	69
3,500	2,584	1,700	61	0	1,761	50	1,505	58	1,645	63
4,000	2,844	1,942	70	0	2,012	50	1,672	58	1,724	60
4,500	3,103	2,185	79	0	2,264	50	1,840	59	1,840	59
5,000	3,353	2,428	87	0	2,515	50	1,998	59	1,998	59
5,500	3,595	2,671	96	0	2,767	50	2,168	60	2,168	60
6,000	3,837	2,914	105	0	3,019	50	2,313	60	2,313	60
7,000	4,328	3,399	122	0	3,522	50	2,589	59	2,589	59
8,000	4,823	3,885	140	0	4,025	50	2,865	59	2,865	59
9,000	5,244	4,370	157	0	4,528	50	3,096	58	3,096	58
10,000	5,664	4,856	175	0	5,031	50	3,344	58	3,344	58

Appendix 2 Deductions in earned income taxation

Appendix Table 2.1

Deductions in earned income taxation, municipal and state taxation

Municipal and state taxation
Total earned income
– Production-of-income expenses
Net earned income
– Statutory insurance contributions
– Collective supplementary pension insurance contributions
– Deduction for reduced capacity to pay taxes
– Pension income allowance
– Sailors' earnings allowance
– Student grant allowance
– Earned income allowance
– Basic allowance
= Earned income for tax year

Deductions on earned income in state and municipal taxation

Expenses incurred in acquiring and maintaining income

- Standard deduction for work-related expenses 750 euros for all employees, but not exceeding the amount of wage income
- Commuting expenses over 900 eros up to a maximum of 7,000 euros
- Trade union membership fees and unemployment fund contributions
- Other expenses insofar as they exceed the standard deduction for work-related expenses (for example, expenses for professional literature, office, work tools)
- Maximum deduction for second home for work 450 euros/month.

Deductions on net earned income

Statutory insurance contributions

- Employee's sattutory earnings-related pension contribution (7.15%/8.65%)
- Unemployment insurance contribution (0.79%)
- Health insurance daily allowance contribution (1.01% of total earned income if annual earnings exceed €16,499; no contribution is payable if annual earnings are less than €15,703).

Collective supplementary pension insurance contributions

Contributions by taxpayers for collective supplementary pension insurance provided through a company pension fund, industry-wide pension fund or insurance company to the amount of 5 per cent of wages up to a maximum of 5,000 euros a year but not exceeding the amount paid by the employer. A further requirement is that the pension does not start before the age when the insurance obligation under the Employees Pensions Act ends.

Sailors' earnings allowance

The deduction is 20 per cent of sailors' earnings up to a maximum of 7,000 euros. When total earnings exceed 50,000 euros, the sailors' earnings allowance is reduced by 5 per cent for the portion exceeding 50,000 euros.

Deduction for reduced capacity to pay taxes

A discretionary allowance that is granted in the event of a substantial reduction in the individual's capacity to pay taxes for reasons of, for example, unemployment, illness or child maintenance obligations. In the event of illness, the capacity to pay taxes is considered substantially reduced if the individual's and their family members' combined medical expenses during the tax year are 700 euros or more and at least 10 per cent of the sum total of the individual's net capital and earned income. The maximum deduction is 1,400 euros.

Pension income allowance

The full amount of pension income allowance is calculated by multiplying the full amount of national pension by 1.173 and rounding the product up to the next 10 euros. The allowance cannot be more than the amount of pension income. In 2024, the maximum pension income allowance is 10,920 euros. If the taxpayer's net earned income exceeds the full pension income allowance of 10,920 euros, the allowance is reduced by 51 per cent of the amount of the excess. If the taxpayer's net earned income exceeds 22,500 euros, the deduction is reduced by 15 per cent of the excess.

When pension income ≤ € 10,920
Deduction = pension income

When pension income › €10,920
€10,920 – 0.51 x (net earned income – €10,920)

When pension income › €22,500
€10,920 – 0.51 x (€22,500–€10,920) – 0.15 x (net earned income – €22,500)

Student grant allowance

The maximum student grant allowance is 2,600 euros but no more than the amount of the grant. The deduction is reduced by 50 per cent for the amount of net annual earned income that exceeds 7,800 euros.

Earned income allowance

The earned income allowance is calculated based on taxable wages or other earned income from work done for another person and a partner's earned income share of business profits or agricultural income, but not on pension income or daily unemployment benefits.

The earned income allowance is 51 per cent of earnings exceeding 2,500 euros up to 7,230 euros, and 28 per cent for the portion exceeding 7,230 euros. The maximum tax credit is 3,570 euros. If the taxpayer's net earned income exceeds 14,000 euros, the amount of the deduction is reduced by 4.5 per cent of the net earned income that exceeds 14,000 euros. Net earned income includes any pension income and other benefits.

Earned income allowance = 0.51 x (Earned income – €2,500), up to €7,230 +
0.28 x (Earned income – €7,230) for earnings exceeding €7,230, maximum €3,570

If net income › €14,000:
Earned income allowance – 0.045 x (Net earned income – €14,000)

Basic allowance

The basic allowance is calculated on net earned income reduced by other granted deductions. If the taxpayer's net earned income after these deductions does not exceed 3,980 euros, this full amount will be deducted from net earned income. If the amount of net earned income exceeds the full amount of the basic allowance, the allowance is reduced by 18 per cent of the excess.

€3,980 – 0.18 x (net earned income – €3,980)

Tax deductions

Earned income credit

The earned income credit is calculated based on the same earnings as the earned income allowance. In 2024, the earned income tax credit is 12 per cent of the earned income. The maximum tax credit is 2,140 euros. The earned income credit is raised by 1,200 euros if the taxpayer has turned 65 before the beginning of the fiscal year.

If the taxpayer's net earned income exceeds 23,420 euros, the credit is reduced by 2.03 per cent of the excess. If the taxpayer's net earned income exceeds 71,900 euros, the credit is reduced by 1.21 per cent of the excess. The earned income credit is given before the deficit credit and special deficit credit. If the credit exceeds the amount of tax on earned income, it is deducted proportionally from municipal tax, the medical care contribution and church tax.

If net earned income ≤ €23,420: 0.12 x earned income

If net earned income › €23,420:
0.12 x earned income – 0.0203 x (net earned income – €23,420)

If net earned income › 71,900 euros:
0.12 x earned income – 0.0203 x (€71,900 – €23,420) – 0.0121 x (net earned income – €71,900)

Child maintenance credit

The child maintenance credit is 1/8 of the amount of maintenance allowance paid, subject to a maximum of 80 euros per child.

Domestic help credit

The maximum annual credit is 2,250 euros. Taxpayers are entitled to deduct the employer's social security contributions, statutory pension contributions, workers' compensation insurance contributions, group life assurance contributions and unemployment insurance contributions (but not the employee's share of these contributions) paid on housekeeping work, care and nursing provision, and maintenance and renovation work on their home or holiday home as well as 15 per cent of wage remuneration paid. In 2024, the domestic help credit is also paid on physiotherapy and occupational therapy given at home. In 2023, domestic help credit can be claimed on 40 per cent of wage payments to a person registered in the prepayment register. The own risk is 100 euros.

Temporarily, the maximum domestic help credit is 3,500 euros for those who give up oil heating and for domestic, nursing and care work. A deduction of 30 per cent of paid wages and 60 per cent of the employment remuneration can also be made in such cases.

As a rule, the credit is deducted from state income tax. If the credit exceeds the amount of state income tax, the excess can also be deducted from municipal tax, the medical care contribution and church tax in proportion. The excess can also be transferred to the other spouse if one's own state tax is not big enough for making the deduction. In the case of tax on earned income the credit is deducted after other deductions and before the credit for deficit in capital income.

Credit for deficit in capital income

Credit for deficit in capital income can be claimed on interest payments on housing loans, student loans and debt incurred in acquiring or maintaining income. A deficit is created if the taxpayer has no capital income or if deductible expenses against capital income are higher than the capital income itself. The deficit credit can be deducted from earned income tax at the capital tax rate (30%). The maximum amount of deficit credit is 1,400 euros. The maximum child increment is 400 euros for one and 800 euros for two or more children.

Special deficit credit

A special deficit in capital income may also be created based on voluntary pension insurance premiums that are deductible from capital income. If the sum total of deductible insurance premiums exceeds the total of taxable capital income, 30 per cent of the excess will be deducted from the tax payable on earned income. The amount of special deficit credit is not included in the calculation of the maximum amount of credit for deficit in capital income.

Tax allowance for entrepreneurial and self-employment income

Five per cent of net income from business, agriculture and reindeer farming is deductible for tax purposes when that income is declared in the tax returns of a natural person or an estate of a deceased person. The corresponding allowance is granted in forestry taxation.

Appendix 3 Time series

Appendix Table 3.1
Full pension income allowance in municipal and state taxation in 1990–2024 (€)

Year	Pension income allowance in municipal taxation, single person	Pension income allowance in municipal taxation, spouse	Pension income allowance in state taxation
1990	4,692.44	3,733.77	3,528.70
1991	4,995.18	4,204.70	3,767.40
1992	5,197.01	4,372.89	4,087.00
1993	5,382.01	4,541.07	4,389.70
1994	5,382.01	4,541.07	4,221.50
1995	5,516.56	4,641.99	4,255.20
1996	5,533.38	4,658.81	4,120.60
1997	5,567.02	4,709.26	3,851.50
1998	5,684.75	4,810.17	3,885.10
1999	5,785.66	4,894.27	3,868.30
2000	5,869.76	4,961.54	3,902.00
2001	6,273.41	5,331.56	1,463.20
2002	6,540.00	5,580.00	1,500.00
2003	6,640,00	5,660,00	1,550,00
2004	6,690,00	5,710,00	1,530,00
2005	6,810,00	5,830,00	1,430,00
2006	6,950,00	5,960,00	1,460,00
2007	7,150,00	6,140,00	1,590,00
2008	7,710,00	6,670,00	11,060,00

Year	Pension income allowance in municipal taxation	Pension income allowance in state taxation
2009	8,130	12,490
2010	8,130	11,300
2011	8,170	11,150
2012	8,530	11,660
2013	8,880	12,630
2014	8,950	12,610
2015	9,140	12,540
2016	9,110	12,230
2017	9,040	11,860
2018	9,040	11,560
2019	9,050	11,590
2020	9,230	11,540
2021	9,270	11,150
2022	9,500	11,190
2023*	10,320	10,320
2024	10,920	10,920

* The pension income allowance merged in the reform of state and municipal taxation.

Appendix Table 3.2
State income tax threshold and average municipal and church tax rates in 1990–2024

Year	State income tax threshold	Average municipal tax rate, %	Average church tax rate, %
1990	6,391	16.47	
1991	6,728	16.62	1.28
1992	6,728	16.88	1.28
1993	6,728	17.20	1.30
1994	6,896	17.52	1.30
1995	7,064	17.53	1.30
1996	7,232	17.51	1.30
1997	7,568	17.43	1.30
1998	7,737	17.54	1.30
1999	7,905	17.62	1.30
2000	8,006	17.67	1.30
2001	11,100	17.67	1.30
2002	11,500	17.78	1.30
2003	11,600	18.03	1.30
2004	11,700	18.12	1.30
2005	12,000	18.29	1.33
2006	12,200	18.40	1.33
2007	12,400	18.46	1.33
2008	12,600	18.55	1.33
2009	13,100	18.59	1.32
2010	15,200	18.98	1.33
2011	15,600	19.17	1.34
2012	16,100	19.25	1.40
2013	16,100	19.38	1.40
2014	16,300	19.74	1.42
2015	16,500	19.82	1.43
2016	16,700	19.86	1.43
2017	16,900	19.91	1.37*
2018	17,200	19.86	1.39
2019	17,600	19.88	1.39
2020	18,100	19.97	1.39
2021	18,600	20.02	1.39
2022	19,200	20.01	1.39
2023	0**	7.38	1.38
2024	0	7.46	1.38

* Technical changes were made in the calculation method of the church tax rate in 2017; in reality, the church tax rate is unchanged from the year before.

** The state tax rate changed significantly due to to the social and health care structural reform.

Appendix Table 3.3

Pensioner's and employee's national pension contribution and health insurance contribution in 1990–2024

	National pension contribution		Medical care contribution under national health insurance (Health insurance contribution until 2005)			Daily allowance contribution under health insurance
Year	Pensioner	Employee	Pensioner	Employee	Increase for earnings of over FIM 80,000 (€13,455)	Employee
1990	0.00	1.55	1.70	1.70		
1991	0.00	1.55	1.70	1.70	1.00	
1992	3.05	3.05	2.20	2.20	1.50	
1993	2.80	1.80	3.90	1.90	1.50	
1994	2.55	1.55	4.90	1.90	1.90	
1995	1.55	0.55	4.90	1.90	1.90	
1996			4.90	1.90	1.45	
1997			4.90	1.90	0.45	
1998			4.20	1.50	0.45	
1999			3.90	1.50		
2000			3.20	1.50		
2001			2.70	1.50		
2002			1.90	1.50		
2003			1.50	1.50		
2004			1.50	1.50		
2005			1.50	1.50		
2006			1.50	1.33		0.77
2007			1.45	1.28		0.75
2008			1.41	1.24		0.67
2009			1.45	1.28		0.70
2010			1.64	1.47		0.93
2011			1.36	1.19		0.82
2012			1.39	1.22		0.82
2013			1.47	1.30		0.74
2014			1.49	1.32		0.84
2015			1.49	1.32		0.78
2016			1.47	1.30		0.82
2017			1.45	0.00		1.58
2018			1.53	0.00		1.53
2019			1.61	0.00		1.54
2020			1.65	0.68		1.18
2021			1.65	0.68		1.36
2022			1.50	0.53		1.18
2023			1.57	0.60		1.36
2024			1.48	0.51		1.01

Appendix Table 3.4

Employee's earnings-related pension insurance contribution and unemployment insurance contribution in 1993–2024 In 2005–2016, the under-53-year-olds paid a lower and the 53–67-year-olds a higher earnings-related pension contribution. Since 2017, persons aged 17–52 and 63–67 pay a reduced earnings-related pension contribution rate and persons aged 53–62 an increased contribution rate.

Year	Lower contribution, %	Higher contribution, %	Unemployment contribution, %
1993	3.0	3.0	0.20
1994	3.0	3.0	1.87
1995	4.0	4.0	1.87
1996	4.3	4.3	1.50
1997	4.5	4.5	1.50
1998	4.7	4.7	1.40
1999	4.7	4.7	1.35
2000	4.7	4.7	1.00
2001	4.5	4.5	0.70
2002	4.4	4.4	0.40
2003	4.6	4.6	0.20
2004	4.6	4.6	0.25
2005	4.6	5.8	0.50
2006	4.3	5.4	0.58
2007	4.3	5.4	0.58
2008	4.1	5.2	0.34
2009	4.3	5.4	0.20
2010	4.5	5.7	0.40
2011	4.7	6.0	0.60
2012	5.15	6.50	0.60
2013	5.15	6.50	0.60
2014	5.55	7.05	0.50
2015	5.70	7.20	0.65
2016	5.70	7.20	1.15
2017	6.15	7.65	1.60
2018	6.35	7.85	1.90
2019	6.75	8.25	1.50
2020	7.15	8.65	1.25
2021	7.15	8.65	1.40
2022	7.15	8.65	1.50
2023	7.15	8.65	1.50
2024	7.15	8.65	0.79

Appendix Table 3.5

National pension index, TEL halfway index, earnings-related pension index and wage coefficient in 1990–2024

Year	National pension index		TEL halfway index (50/50)		Earnings-related pension index (20/80)		Wage coefficient	
	Point figure	Change %	Point figure	Change %	Point figure	Change %	Point figure	Change %
1990	1,045	7.1	1,481	6.8				
1991	1,104	5.6	1,595	7.7				
1992	1,139	3.2	1,682	5.5				
1993	1,170	2.7	1,688	0.4				
1994	1,170	0.0	1,688	0.0				
1995	1,192	1.9	1,712	1.4	1,712			
1996	1,195	0.3	1,760	2.8	1,737	1.5		
1997	1,202	0.6	1,791	1.8	1,754	1.0		
1998	1,223	1.7	1,825	1.9	1,783	1.7		
1999	1,239	1.3	1,868	2.4	1,812	1.6		
2000	1,253	1.1	1,903	1.9	1,838	1.4		
2001	1,302	3.9	1,981	4.1	1,912	4.0		
2002	1,333	2.4	2,054	3.7	1,968	2.9		
2003	1,349	1.2	2,103	2.4	2,002	1.7		
2004	1,357	0.6	2,151	2.3	2,028	1.3	1,000	
2005	1,362	0.4	2,191	1.9	2,047	0.9	1,028	2.8
2006	1,377	1.1	2,246	2.5	2,081	1.7	1,063	3.4
2007	1,401	1.7	2,311	2.9	2,127	2.2	1,100	3.5
2008	1,436	2.5	2,363	2.3	2,178	2.4	1,124	2.2
2009	1,502	4.6	2,494	5.5	2,286	5.0	1,192	6.0
2010	1,502	0.0	2,538	1.8	2,292	0.3	1,231	3.3
2011	1,508	0.4	2,578	1.6	2,323	1.4	1,253	1.8
2012	1,565	3.8	2,663	3.3	2,407	3.6	1,291	3.0
2013	1,609	2.8	2,738	2.8	2,475	2.8	1,327	2.8
2014	1,630	1.3			2,509	1.4	1,350	1.7
2015	1,637	0.4			2,519	0.4	1,363	1.0
2016	1,631	-0.4			2,519	0.0	1,373	0.7
2017	1,617	-0.9			2,534	0.6	1,389	1.2
2018	1,617	0.0			2,548	0.6	1,391	0.1
2019	1,617	0.0			2,585	1.5	1,417	1.9
2020	1,633	1.0			2,617	1.2	1,446	2.0
2021	1,639	0.4			2,631	0.5	1,465	1.3
2022	1,674	2.1			2,691	2.3	1,501	2.5
8/2022	1,733	3.5			-	-	-	-
2023	1,805	4.2			2,874	6.8	1,558	3.8
2024	1,911	5.9			3,037	5.7	1,637	5.1

Appendix Table 3.6

Full amount of national pension, income limits and step increases to national pension in 1990–2024 (€)

Year	Full national pension	Annual income limits for full national pension eligibility, €	Annual income limits for minimum national pension eligibility, €	Step increase
1990	372.36	428.90		
1991	393.39	454.10		
1992	405.84	467.60		
1993	416.94	481.00		
1994	416.94	481.00		
1995	424.84	489.40		
1996	425.85	491.10	8,907.20	
1997	428.37	494.50	10,533.60	
1998	435.77	502.90	10,718.60	
1999	441.49	509.60	10,858.20	
2000	446.54	514.70	10,979.30	
2001	464.03	534.80	11,409.90	12.28 €/month
2002	487.60	549.00	11,987.00	
2003	493.45	555.00	12,130,00	
2004	496.38	559.00	12,203.00	
2005	505.24	561.00	12,247.00	ca €7/month
2006	515.86	567,00	12,553,00	€5/month
2007	524.85	577,00	12,895,00	
2008	558.46	591.00	13,851.00	€20/month
2009	584.13	618.00	14,488.00	
2010	584.13	618.00	14,488.00	
2011	586.46	621.00	14,546.00	
2012	608.63	644.00	15,095.00	
2013	630.02	667.00	15,628.00	
2014	633.91	671.00	15,723.00	
2015	636.63	674.00	15,790.00	
2016	634.30	671.00	15,732.00	
2017	628.85	666.00	15,598.00	
2018	628.85	666.00	15,598.00	
2019	628.85	666.00	15,598.00	
2020	662.86	672,00	16,418.00	€34/month
2021	665.29	675.00	16,476.00	
2022	679.50	689.00	16,831.00	
8/2022	703.45	713.00	17,425.00	
2023	732.67	743.00	18,149.00	
2024	775.70	787.00	19,214.00	

The figures given apply to a person living alone in a municipality ranked in the highest (I) cost-of-living category. The municipal cost-of-living classification was discontinued from the beginning of 2008. Since 1996 all sources of pension income have affected the amount of national pension payable. Previously the national pension consisted of a basic amount payable to all and an additional amount.

Appendix Table 3.7

Full guarantee pension (at full national pension) and minimum pension in 2011–2024 (€)

Year	Full guarantee pension, single	Full guarantee pension, married or cohabiting	Minimum pension	Step increases
2011	101.28	167.55	687.74	
2012	105.10	173.88	713.73	
2013	108.80	179.99	738.82	
2014	109.47	181.11	743.38	
2015	109.94	181.88	746.57	
2016	132.55	204.23	766.85	€23.27/month
2017	131.41	202.47	760.26	
2018	146.42	217.48	775.27	€15.01/month
2019	155.67	226.73	784.52	€9.25/month
2020	171.66	242.73	834.52	€50/month
2021	172.30	243.62	837.59	
2022	175.98	248.83	855.48	
8/2022	182.18	257.60	885.63	
2023	189.75	268.29	922.42	
2024	200.89	284.05	976.59	

Appendix Table 3.8

Life expectancy coefficient and retirement age by age cohort. The life expectancy coefficients are projections for persons born in 1962 and later and the retirement ages for persons born in 1965 and later. The projections are based on Statistics Finland's population projection of 2021, which has been updated with the latest mortality statistics from the Finnish Centre for Pensions.

Year of birth	Life expectancy coefficient	Pension-cutting effect of life expectancy coefficient on monthly pension, %	Retirement age
1947	1	0.0	63 yrs
1948	0.99170	0.8	63 yrs
1949	0.98689	1.3	63 yrs
1950	0.98351	1.6	63 yrs
1951	0.97914	2.1	63 yrs
1952	0.97552	2.4	63 yrs
1953	0.97200	2.8	63 yrs
1954	0.96800	3.2	63 yrs
1955	0.96344	3.7	63 yrs 3 mos
1956	0.96102	3.9	63 yrs 6 mos
1957	0.95722	4.3	63 yrs 9 mos
1958	0.95404	4.6	64 yrs
1959	0.94984	5.0	64 yrs 3 mos
1960	0.94659	5.3	64 yrs 6 mos
1961	0,94419	5.6	64 yrs 9 mos
1962	0.94692	5.3	65 yrs
1963	0.946	5.4	65 yrs

Year of birth	Life expectancy coefficient	Pension-cutting effect of life expectancy coefficient on monthly pension, %	Retirement age
1964	0.945	5.5	65 yrs
1965	0.945	5.5	65 yrs 1 mo.
1966	0.942	5.8	65 yrs 2 mos
1967	0.937	6.3	65 yrs 4 mos
1968	0.934	6.6	65 yrs 6 mos
1969	0.933	6.7	65 yrs 8 mos
1970	0.933	6.7	65 yrs 10 mos
1971	0.930	7.0	65 yrs 11 mos
1972	0.928	7.2	66 yrs
1973	0.927	7.3	66 yrs 2 mos
1974	0.925	7.5	66 yrs 3 mos
1975	0.922	7.8	66 yrs 4 mos
1976	0.920	8.0	66 yrs 5 mos
1977	0.920	8.0	66 yrs 7 mos
1978	0.918	8.2	66 yrs 8 mos
1979	0.915	8.5	66 yrs 9 mos
1980	0.913	8.7	66 yrs 10 mos
1981	0.913	8.7	67 yrs
1982	0.911	8.9	67 yrs 1 mos
1983	0.909	9.1	67 yrs 2 mos
1984	0.907	9.3	67 yrs 3 mos
1985	0.905	9.5	67 yrs 4 mos
1986	0.903	9.7	67 yrs 5 mos
1987	0.901	9.9	67 yrs 6 mos
1988	0.900	10.0	67 yrs 7 mos
1989	0.900	10.0	67 yrs 9 mos
1990	0.899	10.1	67 yrs 10 mos
1991	0.897	10.3	67 yrs 11 mos
1992	0.895	10.5	68 yrs
1993	0.894	10.6	68 yrs 1 mo
1994	0.892	10.8	68 yrs 2 mos
1995	0.891	10.9	68 yrs 3 mos
1996	0.890	11.0	68 yrs 4 mos
1997	0.888	11.2	68 yrs 5 mos
1998	0.887	11.3	68 yrs 6 mos
1999	0.886	11.4	68 yrs 7 mos
2000	0.885	11.5	68 yrs 8 mos
2001	0.881	11.9	68 yrs 8 mos
2002	0.880	12.0	68 yrs 9 mos
2003	0.879	12.1	68 yrs 10 mos
2004	0.878	12.2	68 years 11 months

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Total pension in Finland 2024

How are earnings-related pensions, national pensions and taxation determined?

In this review, we bring together the components which affect the determination of the total pension in Finland in 2024. The amount of the take-home net pension is affected by how the earnings-related and national pension benefits, as well as the taxation of pensions, are determined. The examples and figures illustrate what the Finnish total net pension consists of in the various income brackets. Due to various tax deductions and contributions, the net pension is determined differently for pension recipients and wage earners. This review compares the tax and contribution burden of Finnish pension recipients and wage earners. It also looks at the taxation of pension recipients' wage income.

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The Finnish Centre for Pensions, an expert on earnings-related pensions, is a statutory body that develops pension provision and produces joint services for all parties to the scheme. In the Reports series, we publish reviews, surveys and projections that serve the assessment and development of the pension provision.

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ELÄKETURVAKESKUS