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The 2022 Global Philanthropy Environment Index Finland

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Cooperative, Foundation, Social Enterprise

Five main social issues addressed by these organizations: Arts and Culture, Environment, Human Rights, Religion, Youth and Family

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: USD 150

For associations, the average registration cost is USD 150. The average time for registration is same for different organizations. However, the registration cost for foundations is about USD 1,100, for cooperatives USD 500, and for social companies, it is between USD 100 – USD 500, depending on the form of the company and the process of registration (electronic or manual).

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	5.00	3.50	5.00	5.00	5.00	5.00	4.75
2018 GPEI	5.00	4.00	5.00	5.00	N.A.	5.00	4.80

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 5.0

Military-organized and criminal associations are forbidden. Associations can only do business that is related to their purpose or that is so small by volume that it can be seen as insignificant. Foundations must have a public benefit purpose. Foundations that support the kin of the founder are not allowed. The minimum founding capital for a foundation is EUR 25,000 (approximately USD 28,560). Social enterprises are for-profit companies wherein a minimum of 30 percent of its workforce are individuals with disabilities or individuals who were unemployed long term. Registration as a social enterprise gives the company special support from the state, for example easier procedures and a longer time frame for employment supports. Associations and foundations can be exempt from paying income taxes but not from paying value-added tax (VAT). Other organizations are treated like any other for-profit company. Associations, foundations, cooperatives, and social enterprises must be registered in the Finnish Patent and Registration Office. Social enterprises are also entered in the register of the Ministry of Economic Affairs and Employment.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 5.0

Naturally, all organizations must obey national laws, such as the Income Tax Act, and specific laws like the Association Act, Foundation Act, Cooperative Act, and Finnish Act on Social Enterprises. However, they merely provide rules that ensure the rights of members and regulate an organization's interactions with the rest of society. For example, the chairman of an association cannot be a minor, and a member of the board is disqualified if they are also a member of the municipal council or other public organs in matters concerning the organization.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 5.0

Termination of an association by the government is extremely rare. There have been two major occasions; firstly, after World War II, the Allied Control Commission (whose task was to observe Finnish compliance with the Moscow armistice). It consisted mainly of Russians, and it required the termination of all "Fascist organizations," which meant local militia and women's military aid organizations. Secondly, a few years ago, the Register of Associations cleaned its registries and terminated associations that had not shown any activity since 1995. However, even those had the possibility to inform the Register that they were still active, and then they would not be involuntarily

terminated. Thirdly, in 2020, the Highest Court in Finland ruled the neo-Nazi association Pohjoismainen vastarintaliike (Nordic Resistance Movement) to be terminated. Finally, there is one decision on termination of a criminal MC-club United Brotherhood and another case on the MC-club Cannonball that is still in court.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 3.0

Tax deduction can only be granted to corporations when the donations support organizations promoting sciences, arts, or Finnish cultural heritage. The minimum threshold for eligible donations is EUR 850 (USD 970), and the maximum donation is EUR 250,000 (USD 285,500) on the condition that the recipient is a European Economic Area (EEA) state, government-financed university, institute of higher education, or university-financed entity resident in the EEA. Alternatively, the maximum donation is EUR 50,000 (USD 57,100) on the condition that the recipient is endorsed by the National Board of Taxes as an association, foundation, or fund. The list of accepted organizations is quite short and leaves out all social, youth, sports, and recreational POs.

However, there is a way around this limitation; if an association "sells" ads to its publication or for the wall of its building, it is considered normal business, and a purchaser can count it as costs. Similarly, a company can "buy" products and services—such as recreation services—provided by some association/foundation.

There is no tax deduction for individual charitable contributions to other organizations such as youth association, sports club, and for foundation giving to social or health care services.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 4.0

Fundraising typically requires permission from the local police departments or the National Police Board, which checks that the purpose of the fundraising is legal. Fundraising permits can be applied for according to the applicant's operating area. POs receive tax exemptions on all their income that is nonprofit in nature, including member fees, donations, and income from lotteries and events. Divided incomes are tax-free as well. Any other business income or income derived from real property is taxable, but a PO can apply to be exempt from its payment on a case-by-case basis. Individuals receiving grants and awards from foundations and public entities are tax-free up to certain amount of income (in 2020 EUR 23,400, or USD 26,700), and tax is taken only from the amount that is above that (VERO, 2021).

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 5.0

There is no difference from domestic practices if the organization is within the European Union (EU) and EEA. The Finnish tax law makes no difference whether the recipient PO is resides in Finland or in another EU or EEA country, but the foreign PO registered in another EU or EEA country must fulfill all legal requirements like a domestic PO. Other cross-border donations may also be tax-deductible for the donor, but the receiving foundation must be approved by the Finnish tax authorities.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 5.0

There is no difference from domestic practices. Finnish POs can receive donations without restrictions.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 5.0

It must be noted that Finland is a Nordic welfare state where the government takes care of most of the welfare services. However, there are some niches where POs work effectively (such as mutual help organizations for different handicaps and illnesses, help for alcoholics and drug users, homeless shelters, food delivery for the poor, etc.). Most of them get a great deal of their income as state/municipal support.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 5.0

Associations and foundations are free to do whatever they want under the prevailing legislation and their bylaws. For example, foundations can be established if the purpose of the foundation is useful,

but since the definition of the word “useful” is not clear, this criterion “has only a nominal meaning” (Herberts & Hohti, 2015, p. 8). Foundations are not, however, allowed to give political donations if it is not mentioned as their purpose in their bylaws (Finnish Supreme Court, precedent 2016:39, paragraph 55).

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 5.0

Regarding economic context, one has to remember that the welfare state takes care most of the functions that POs do outside Nordic countries (especially education, health and social services, and culture). The top marginal tax rate in Finland has long been slightly above 42 percent, when the average is 39 percent in the EU (2019) and 34 percent in the OECD (2019). Thus, there is not such need for donations as in other parts of the world. Score parameters give a bit misleading outcome on the context for philanthropy in the Finnish case.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 5.0

Here again—Finns greatly value their public welfare services. However, this does not limit their positive attitude toward philanthropic giving. At the end of 2020, there were 106,879 registered associations (in 2017, 34,975 were cleared from the registers due to inactivity) and 493 registered religious communities (including their parishes, but not including Lutheran and Orthodox churches, which are part of the public sector). Due to the strength of the public welfare state, individuals’ participation of donating money for charities is not very high (only 42% of individuals donate money and 28% time according to the CAF World Giving Index 2019). The average number of new registrations of associations between 2017 and 2020 was 1,938, and the trend is decreasing (in 2013, the average was 2,300). There were about 2,700 registered foundations in 2020. According to the Council of Finnish Foundations, currently an approximated 30 percent of the existing foundations are grantmaking foundations; the rest are either operative (for example nursing homes), or a mixture of operations and grantmaking. Additionally, by the beginning of 2020, 4,045 (in 2016, 4,315) cooperatives and cooperative banks were registered in the Trade Register. Circa 90 percent of Finns are members of at least one cooperative; mostly a consumer cooperative or a cooperative bank.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

Finns call Finland the “Promised Land of Associations.” It is a traditional way of cooperation, from small chess clubs to large sports federations. Foundations are an important part of the society, too. Their role in supporting science has increased when the state has made financial cuts in every public sector. Additionally, in some segments (like students' health care), foundations are the major way to organize services. Cooperatives (as well as mutual benefit companies) have changed to resemble other companies, but still have a significant role in society. Indeed, the largest commercial chain in Finland is a cooperative (supermarkets, gasoline stations, hotels, restaurants, and so on), as well as the second largest bank. On the side of producer cooperatives, the largest dairy chain in the country is also a cooperative.

The concept of social enterprises is quite an innovation, and it has not been as successful as the government hoped. Social enterprises are enterprises which employ at least 30 percent of their staff among some way handicapped or long-time unemployed persons. In other respects, it is like any other enterprise. Because social enterprises have seemed not to keep what the concept promised when the Law on Social Enterprises was enacted in 2003, there have actually been discussions on the possible cancelling of the whole model. Moreover, recently there has emerged another type of enterprises that call themselves Yhteiskunnallinen yritys (Public-Benefit Enterprise). The difference is that the earlier refers more to social help and the latter to other responsibilities of the society, such as the environment. However, there is no special legislation on Yhteiskunnallinen yritys yet.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. Discussion about gambling addictions because the game-monopoly company Veikkaus ("Bet") had been too aggressive in its marketing. Due to this, it was forced to remove many of its slot machines from supermarkets and develop a system of identification for players. Because Veikkaus is a major source of income for large philanthropic organizations, there is a fear that it will cut off the funding of these organizations. The topical question is whether their funding should come directly from the state budget or not.
2. Termination of one fascist anti-immigrant organization (Nordic Resistance Movement) that has been organized according to military discipline and the discussion on termination of two biker clubs (United Brotherhood and Cannonball), which have been sentenced in court as criminal organizations.
3. "Food lines" in front of philanthropies that deliver surplus food for the poor are seen as a national disgrace. The number of people depending on them is increasing, although no exact data is available.

Future development trends in the philanthropic landscape

Concentration can be seen in the trend where 10 largest fundraising campaigns collect 80 percent of all donations. This requires professionals who can organize events on national television and effective marketing. This also has led to cooperation of the largest organization to launch these TV shows. Consequently, this reduces the share of the smaller associations. Active members in many associations are growing old, and there has not been a flow of new volunteers. Thus, it is likely that many associations will die when their members die. Young people seem to be more interested in short-term campaign events than to commit to association work in the long run.

Three key recommendations to improve the environment for philanthropy

- Some university should start a master program for nonprofit leadership and increase nonprofit studies. Now there is no such education, and research is quite minimal. Consequently, politicians are not even aware of the potential of the third sector. Additionally, the leaders of POs have to find needed skills from wherever they find it.
- Tax deductions for individuals and companies for philanthropic donations to all associations and foundations without limits.
- Philanthropic organizations should find again their raison d'être and mission in the society—and market it to young generations and politicians.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

POs have provided mental support, especially to young people, via the Internet; help for the elderly (phone calls on the possible need of help; helping in shopping; food delivery); and activities for the unemployed.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

In general, the nonprofit sector reacts to the needs that are not covered by public help. The Church-related yearly fundraising Yhteisvastuu (Common responsibility) has especially focused on helping associations focusing on unemployment, debts, prostitutes, etc., for which the public sector has no special programs. Many of these projects have served as “innovation laboratories”, and good practices have then diffused to the rest of the society.

Impact of COVID-19 on the philanthropic environment

COVID-19 has shown the vulnerability of society, and the third sector has been very flexible to answer to acute help. For example, mental problems of the youth have increased, and some associations have been able to help young people with various chat and video contact services. On the other hand, meeting restrictions have caused serious losses of income for associations that depend on various summer festivals.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

COVID-19 raises the question of “how to respond to crises” in a whole new way. It is probable that the social and health care reformation that has been in progress for the past 15 years will be finished. According to it, the responsibility will be moved from municipalities to regions. While the previous government tried to privatize most services, the current one stresses public responsibility and that regions can only buy some services. At the same time, there have been scandals regarding privatized elderly care, which supposedly reduces the charm of the “business does it better than

anyone else" mantra. Given that social service officials have reported good experiences working with nonprofits, it is likely that the role of the third sector will be emphasized in the final plans.

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