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# SUMMARY

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# Total pension in Finland 2020

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

The amount of the take-home net pension is affected by how the earnings-related and national pension benefits and the taxation of pensions are determined. This review outlines how these factors have been determined for the year 2021. The tables with examples illustrate what the total net pension consists of in the 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.

At the beginning of 2021, the monthly amount of the full national pension and the full guarantee pension increased by 0.4 per cent. In 2021, the full monthly national pension for a single person is was 665.29 euros and for a married or cohabiting person 593.97 euros. Together with the guarantee pension, the minimum pension amount in 2021 is was 837.59 euros per month for both single and married or cohabiting persons.

Earnings-related pensions rose by 0.5 per cent at the beginning of 2021. The wage coefficient used, for instance, to revalue earnings when determining the pension rose by 1.3 per cent.

Those born in April – December 1957 will reach their retirement age of 63 years and 9 months in 2021. Starting earnings-related pensions are adjusted with the life expectancy coefficient. The life expectancy coefficient for those born in 1959 has been confirmed at 0.94984. It reduces the cohort's monthly pensions starting in 2021 by 5 per cent.

The municipal taxation of earnings has been slightly mitigated in 2021 due to increases in the basic, income and pension income deductions. The change in the basic deduction affects the taxation of both wage earners and pension recipients.

In 2021, the amount of the full pension income deduction in municipal taxation rises by 40 euros to 9,270 euros. The amount of the full pension income deduction in state taxation decreases from 11,540 euros in 2020 to 11,150 euros in 2021.

The income tax scale for 2021 has been mitigated by adjusting the income limits by approximately 2.5 per cent. The highest income bracket added to the income tax scale in 2013, also called the solidarity tax, is kept unchanged in 2021. According to the Government programme, the so-called solidarity tax will be in force throughout the term of government.

In 2021, the average municipal tax rate is 20.02 per cent (19.97% in 2020). The public broadcasting tax is 2.5 per cent for an annual income that exceeds 14,000 euros. However, the maximum broadcasting tax amount is 163 euros.

In 2021, the earnings-related pension contribution rate for wage-earners aged 17–52 and 63–67 is 7.15 per cent and for those aged 53–62 years, 8.65 per cent (same as previous year). The unemployment insurance contribution increases from 1.25 per cent in 2020 to 1.4 per cent in 2021.

In 2021, the medical care insurance contribution for wage earners is 0.68 per cent. No medical care insurance contribution was levied from wage earners in 2017, 2018 and 2019. The medical care insurance contribution levied on pension and other benefit income is 1.65 per cent in 2021 (same as previous year). The health insurance contribution is 1.36 per cent for wage earners with an annual income of at least 14,766 euros (1.18% in 2020 for an annual income of 14,574 euros).

The changes in tax and contribution rates of pension and wage income compared to 2020 are minor. Comparing the tax rate in 2021 for the same amount of income and with average municipal tax rates, the tax rate for pension recipients is decreased slightly in 2021.

The net pension of a person who gets only a national pension from Kela will rise by 0.4 per cent compared to 2020. The net pension in the income level at which national pensions are no longer paid will rise by 0.4–0.8 per cent. As inflation is assumed at 1.0 per cent in 2021, the real growth of pensions will decrease slightly.

In 2021, compensation for treatment injuries become secondary benefits again in relation to pensions from the beneficiarys point of view. This means that compensation paid under the Treatment Injuries Act is no longer deducted from pensions and only the part exceeding these pensions are paid under the Treatment Injuries Act.

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