This review explains how the components which affect the total pension in 2017 are determined. The example tables describe how the total net pension is built up at different income levels. The review surveys how the earnings-related pension, the guarantee pension and the residence-based national pension and its supplements are determined, as well as how the pensions are taxed in the relevant year. The review also contains a more general survey of how pensions are taxed. In addition, the survey compares pensioners’ and wage earners’ tax and contribution burdens at different income levels.

Earnings-related pensions were reformed as of the beginning of 2017. The aims of the reform are to secure the financing of earnings-related pensions, to ensure adequate future pensions, and to maintain intergenerational fairness as life expectancy grows. As a result of the reform, the retirement ages will rise gradually and the pension accrual rates have been standardized. Two new pension types have been introduced: the partial old-age pension and the years-of-service pension. The latter is intended for people who, for a long time, have done mental or physical work that requires a great effort.

At the beginning of 2017, the national pension index has decreased by 0.85 per cent compared to the previous year. In 2017, the full national pension for a single person is 628.85 euros per month and for a married or cohabiting person 557.79 euros per month. Together with the guarantee pension, the minimum pension is 760.26 euros per month for both single and married or cohabiting pensioners.
The earnings-related pension index has grown by 0.59 per cent in 2017 compared to 2016. The wage coefficient that is used to revalue, among other things, the earnings when determining the pension amount has risen by 1.16 per cent. Starting earnings-related pensions are adjusted with the life expectancy coefficient, which is 0.96344 for those aged 62 in 2017 (that is, for those born in 1955).

The taxation of both pensioners and wage earners has been eased in 2017. The reason for the reduced tax rates is the competitiveness pact signed in 2016 which, for its part, reduces gross earnings. Due to the pact, the wage earners’ pension and unemployment insurance contributions have risen. There will be no general wage increases and the holiday bonus of public sector workers have been cut. In 2017, the income limits of the State’s income tax grade has been increased by 1.1 per cent. The marginal tax rate between the lower and the upper income brackets has been reduced by 0.25 percentage points. The maximum amount of the earnings deduction, as well as the accrual and exit rates, along with the maximum amount of the basic deduction in the municipal taxation have been raised. The deduction for the production of income has been raised to 750 euros. The pension income deduction in both municipal and state taxation has been raised. The additional tax on pension income has been lowered by 0.15 percentage points to 5.85 per cent. The income limit has been raised from 45,000 to 47,000 euros. The average municipal tax rate in 2017 is 19.91 per cent (19.87 in 2016). The public broadcasting tax is 0.68 per cent or a maximum of 143 euros (unchanged).

In 2017, the earnings-related pension contribution of wage earners aged 17–52 and 63–67 is 6.15 per cent. For those aged between 53 and 62 years, it is 7.65 per cent. The unemployment contribution of wage earners has risen by 0.65 per cent to 1.15 per cent.

Wage earners no longer have to pay the medical care contribution of health insurance. Instead, the daily allowance contribution has risen. The medical care contribution of taxable pension and benefit income remains and is 1.45 per cent (0.02 percentage points lower than in 2016). The daily allowance of wage earners and self-employed workers is 1.58 per cent of the wages or income from self-employment. It is charged only if the total annual wages or income from self-employment amount to at least 14,000 euros. This makes up for the increase in the contribution burden for low-income employees or self-employed workers as a result of the competitiveness pact.

The changes in the tax and contribution rate of pension and wage income compared to the previous year vary in the different income levels. Compared to last year’s tax rate for the same income level, and when the municipal tax rates are average, the tax and contribution rate of pensioners has been reduced by 0.3 percentage points on average. The pension income tax rate has decreased the most (0.6 percentage points) for persons with a monthly pension of approximately 3,000 euros.

The tax and contribution rate for those with a low income (max. 1,000 euros/month) has risen slightly (0.1 percentage points) while taxation has decrease by approximately 0.7 percentage points for those with a higher income level.
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