

Entries in the meeting minutes for the 2023 budget proposal

Measures to compensate households for unreasonable increases in electricity prices

Russia's invasion of Ukraine has brought radical changes not only to the security environment in Finland and Europe but also to the economy and economic prospects. For the first time in a long time, Europe is at risk of scarcity that affects basic needs – heating, food or consumer goods – and leads to rising prices. Russia's aggression against Ukraine will have indirect effects on purchasing power and will make it necessary to save electricity and increase energy efficiency.

Finland has a sparse population and long distances, and rising electricity prices can risk the livelihoods of low- and middle-income households especially in single-family houses and terraced houses with electric heating. Although the Government cannot compensate all of the increase in electricity prices, it will adopt targeted measures to avoid unreasonable situations. The measures to promote purchasing power will focus in particular on low-income families with children.

The Ministry of Finance's working group on electricity prices has carried out some of the drafting of the decisions. The measures have also been prepared by a temporary ministerial working group focusing on electricity prices led by Minister of Economic Affairs Mika Lintilä. On this basis, the Government has decided on the following measures to seek to compensate households for unreasonable increases in electricity prices:

Fixed-term tax credit and financial support for electricity

As an income tax measure, the Government will prepare and implement a fixed-term tax credit for electricity. In addition, the Government will prepare and implement fixed-term financial support for electricity that will be available to households who cannot make full use of the tax credit.

During further preparation, the fixed-term financial support for electricity and the fixed-term tax credit for electricity will be coordinated to prevent their simultaneous use. The further preparation of these measures will be based on the fair treatment of those eligible for the fixed-term financial support for electricity and the fixed-term tax credit for electricity.

As it is currently exceptionally difficult to gauge how energy prices will develop, the Government reserves the opportunity to review the scale of the measures at a later date. The impact of the full set of measures on income distribution will be examined during the preparation.

Fixed-term tax credit for electricity

A fixed-term tax credit for electricity will be introduced as part of the tax credit for household expenses. The tax credit for electricity will be in force for four months. The purpose of the tax credit is to compensate households whose electricity costs have become unreasonable. The tax credit will cover the portion of the electricity price exceeding a deductible which will be determined at a later date.

The tax credit will be prepared in such a way that its estimated impact on tax revenue will be EUR 300 million.

More detailed criteria for the tax credit will be determined in further preparations. The aim is to allocate the tax credit to taxpayers other than those with the highest incomes.

From February 2023 onwards, taxpayers should be able to apply for a tax card which takes into account the tax credit when calculating the withholding tax. One taxpayer per household could apply for the tax credit on

the basis of household electricity consumption. In the implementation, the focus will be on feasibility and a simple application process.

Fixed-term financial support for electricity for low-income households

The Government will prepare and introduce separate financial support for electricity that will be available to households who are unable to make full use of the fixed-term tax credit. The aim is to avoid unreasonable situations caused by rising electricity prices which may compromise the ability of people on low incomes to pay their electricity bills and meet other basic needs.

A variable appropriation of EUR 300 million will be reserved for the fixed-term financial support for electricity.

The implementation of the fixed-term financial support for electricity for households will primarily draw on savings generated by the production subsidy for renewable energy (feed-in tariff for wind power) as the price of electricity increases.

The Government aims to introduce the financial support for electricity at the beginning of 2023. In the implementation, the focus will be on feasibility and a simple application process.

Lowering value-added tax on electricity to 10 per cent

Electricity prices will be temporarily cut by lowering the value-added tax (VAT) on electricity to 10 per cent between 1 December 2022 and 30 April 2023. The change would reduce tax revenue by an estimated EUR 200 million.

The Government is seeking an EU-level exemption from the VAT rules on electricity to temporarily set VAT on electricity lower than the rest of the reduced VAT rate.

Increase in housing allowance

The expenditure norm of the heating category for the housing allowance for pensioners will be raised on 1 January 2023 in accordance with present legislation. The increase necessitated by the rising energy prices is estimated at 57 per cent. The expenditure norm of the heating category for the general housing allowance and the expenditure norm of the maintenance category for single-family houses will be raised by a corresponding percentage as of 1 January 2023. The additional costs for 2023 are estimated at approximately EUR 6.3 million.

Further measures to lower the price of electricity and to mitigate unreasonable effects

The Government continues to seek solutions to lower the price of electricity at both the national and EU level and is prepared, if needed, to mitigate the unreasonable effects on households, companies, farmers and corporations. At the same time, the Government will ensure there are sufficient incentives to save energy and to invest in emission-free energy.

Proposal to the Commission on lowering the maximum price of bids on the power exchange

The Government will submit a proposal to the Commission on lowering the maximum price of bids on the power exchange in the EU. Lowering the maximum price must be implemented in a way that does not exclude production capacity or demand side response from the market.

Preparation of support model based on income and region

The Government has decided that before the start of government formation talks in spring 2023, it will prepare a support model that aims to increase the climate fairness of the energy tax system, on the one hand, and to respond to the unreasonable social consequences of spikes in the market prices of electricity and fuels, on the other. The goal of preparation is to create a model in which support can be granted to households on the basis of income and region. The model should also incorporate an element that would enable income support to be paid to households automatically in the event of a sudden spike in market prices.

The Government has already previously decided on significant support to strengthen self-sufficiency and clean energy production. Energy self-sufficiency and the green transition are currently being supported with significant investment subsidies across Finland. This year, more than EUR 650 million has been reserved for different energy aid schemes, and close to EUR 300 million will still be available for that purpose next year.

Activation of peak load capacity

The peak load capacity is being reserved for next winter in accordance with the current plan. The peak load capacity secures the supply of electricity during various disruptions.

Further studies on promoting energy savings and flexibility in energy use

A quick study will be carried out to investigate the ability of large energy users to participate in demand side response. In addition, the option of promoting the demand response of companies and households and the supply response of the energy market and related incentives will be explored. These studies will be used to assess measures that can be used to promote significant savings in energy. Finland will also cooperate with its neighbouring countries (Estonia and Sweden) in exploring means to increase flexibility in energy use. The need to establish a separate research unit for the energy market will also be assessed.

In connection with an energy saving campaign, more and better information about peaks in energy consumption and energy prices will be provided to steer consumer behaviour. Such information will increase the ability of households and businesses to save energy and reduce their energy bills.

Preparation of windfall tax

Regulation on a windfall profit tax on electricity producers will be prepared. The windfall tax must be designed in a way that will safeguard the potential for investment in clean energy. The tax will not affect companies operating according to the 'Mankala principle'.

Target rate of return for publicly-owned energy companies

The Government recommends that municipalities set the target rate of return for the energy companies they own responsibly and in a manner required by the situation.

Extension of payment times for electricity bills

The Government recommends that energy companies take the exceptional circumstances of the energy crisis into account by granting longer payment times in line with good debt collection practices to consumer customers who end up with large electricity bills.

Provision of information on financial support and tax credit for electricity

The Government recommends that, once the measures have entered into force, energy companies inform their customers, in connection with invoicing, of the possibility to make changes to their tax card concerning the tax credit for electricity as well as about the financial support for electricity.

Energy renovations

In connection with the supplementary budget and the amendment to the budget proposal, the Government will ensure sufficient funding for energy subsidies for residential buildings.

Measures to boost purchasing power

Additional child benefit

The Government will include the funding for paying an additional month of child benefit in the third supplementary budget for 2022. The additional child benefit will not be taken into account as income when deciding on social assistance.

Single-parent increment linked to the child benefit

The single-parent increment linked to the child benefit will be raised by EUR 5 per month for 2023.

Child increase in social assistance

The basic social assistance for children under 18 years of age will be raised by 10 per cent for 2023.

Unemployment security

The child increase in unemployment security will be raised by 20 per cent for 2023.

Family provider increment to study grant

The family provider increment to the study grant will be increased by EUR 10 per month for 2023.

No index increase to the annual maximum limit on out-of-pocket prescription costs

No index increase will be made to the annual maximum limit on out-of-pocket prescription costs in 2023.

Increase in exempt amount in debt enforcement

A fixed-term trial related to raising the exempt amount in debt enforcement will be launched for 2023. The objective is to raise the exempt amount in debt enforcement to a level that matches the guarantee pension.

Drop in value-added tax on passenger transport

The value-added tax on passenger transport will be dropped to zero between January and April 2023.

Measures to boost the vitality of eastern Finland

- Railway projects in eastern Finland will be promoted with EUR 31.1 million.
- EUR 10 million will be allocated for increasing the number of student places in the universities located in eastern Finland and strengthening research and development activities.
- Support for youth work will be increased by EUR 1 million.
- Support to promote tourism will be increased by EUR 7.5 million, for example to improve the conditions for nature and hiking tourism.
- The investment projects concerning the Kutila channel and Erämuseo (museum for game and hunting, recreational fisheries and wilderness culture) will be boosted with investment authorities to be granted that will mainly cause expenditure in the coming years.
- The budget authority for business development projects will be increased by EUR 3 million and it will be allocated to SMEs operating in the South Karelia and Kymenlaakso regions.
- The regional financial support for transport will be expanded to the municipalities to which it can be granted and, for this purpose, additional funding of EUR 0.3 million will be allocated to financial support for transport, and
- EUR 5 million will be allocated as additional capital to Työkanava Oy.
- In addition, possibilities to implement temporary, regional financial support for transport to be granted for raw material transport will be examined.

Lowering early childhood education and care fees

Early childhood education and care fees will be permanently reduced by EUR 70 million. Lowering the fees will increase incentives for work by improving the financial benefits of work and will improve the position of low- and middle-income families.

Private childcare allowance

The private childcare allowance will be increased by EUR 100 per month.

Costs of NATO membership

Finland has applied for NATO membership. The cost impact of NATO membership will be assessed and specified in cooperation between the ministries, and these costs will be included, as applicable, in the supplementary budget proposal for 2023.

Increased costs of transport infrastructure projects

The increased costs of ongoing transport infrastructure projects and the potential pressures to increase the budget authority for projects will be assessed as part of the preparation of the third supplementary budget proposal for 2022 and the amendment to the budget proposal for 2023.

Supporting employment for people who have fled the war in Ukraine

The conditions for employment of people who have fled the war in Ukraine will be improved by allowing those applying for temporary protection or other residence permits to take part in local government trials on boosting employment before they have received their right of residence.

Adding one weekly B1 language lesson per year

The Government has decided to increase the instruction of the second compulsory language, the B1 language, by adding one weekly lesson per year to the language programme for primary and lower secondary education. Adding the weekly lesson will require a reform of the B1 language curriculum for the entire primary and lower secondary education syllabus. Reforming the core curriculum means reforming the objectives, key contents and evaluation criteria of the B1 curriculum. Increasing the number of lessons will require amendments to both the Basic Education Decree and the Government Decree on the National Objectives for Education and on the Distribution of Lesson Hours. The aim is for the reform to enter into force as soon as possible and no later than autumn 2024.

The amendments to the Basic Education Decree and the Government Decree on the National Objectives for Education and on the Distribution of Lesson Hours in Basic Education will be prepared and adopted towards the end of 2022, and the Finnish National Agency for Education will be encouraged to initiate the reform of the curriculum as soon as possible. Once the Finnish National Agency for Education has completed the reform of the national core curriculum, education providers can quickly begin preparing their own curricula.

National Archives

The operations of the National Archives will be developed so that the archives will continue to have functions in Vaasa.

Service Centre for Continuous Learning and Employment

Funding for the Service Centre for Continuous Learning and Employment will be increased by EUR 16.25 million, which will be used to provide further training for care assistants and to fund training activities for people who have fled the war in Ukraine.

Funding for courthouse projects

The courthouse premises projects in Pori, Vantaa and Jyväskylä will be financed with additional funding to be included in the General Government Fiscal Plan for 2024–2027.

Developing upper secondary education

The Government will improve the quality and accessibility of vocational education and training by submitting a government proposal already drawn up by the Ministry of Education and Culture on cooperation between vocational education and training and general upper secondary education and on the development of funding for compulsory education. The proposal can be modified based on the comments received during the consultation round. Vocational education and training will continue to be examined as a whole with regard to learners within the scope of compulsory education and from the perspective of continuous learning. The objective is to ease the regulation of licences to organise vocational education and training based on official preparations carried out by the Ministry of Education and Culture.

The proposal is being prepared with the condition that it will not increase regional disparities in education funding.

General upper secondary education and vocational education and training will also be developed as their own forms of education with their own functions.