

# GMS Flash Alert

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## Finland – Court Finds Employer-Paid Tax Preparation Services Are Taxable Benefit

The Supreme Administrative Court (SAC) of Finland has published a decision (KHO 2016/1508) regarding the taxability of employer-paid tax return preparation services to employees.<sup>1</sup>

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### WHY THIS MATTERS

The decision by the SAC could have implications for the tax costs of an international assignment to Finland. In light of the decision, as well, employers and their tax service providers are advised to reassess their treatment of any employer-paid tax return preparation services to their employees.

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### Case Summary

In the court case, the employer had a branch in Finland and several posted employees to Finland. A tax equalization policy had been applied to the posted employees and an external service provider prepared the employees' tax returns.

In the SAC's decision, the tax return service was regarded as a taxable benefit for the employees, even though the employer had a tax equalization policy in place and for practical reasons the employer needed to see to it that the employees' tax returns were completed and filed correctly. The SAC considered that since submitting a tax return is the legal obligation of each taxpayer, having the employer essentially fulfill this obligation on behalf of the taxpayer is considered as equivalent to paying the personal living costs of the taxpayer on the taxpayer's behalf (which is, in general, taxable). The SAC considered that even though it was justifiable for the employer to take care of the tax returns on behalf of the employees, it does not change the overall circumstances.

## Finnish Tax Authorities' Position

The Finnish tax authorities have not given specific guidance on whether an employer-paid tax return service provided to an employee should be treated as a taxable benefit. However, the general rule in Finland is that when an employer is paying an employee's personal living costs on that employee's behalf, this must be considered a taxable benefit.

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### KPMG NOTE

In case employers have not been treating the provision of tax return services to their employees as taxable up to this point, then going forward a recommended 'conservative' approach would be to handle the provision of the tax return service (and the value ascribed) as a taxable benefit. However this mainly concerns inbound employees who are taxable in Finland. In cases where this would not create tax consequences to the employee (i.e., because the employer would cover the tax cost on the benefit), payroll should gross-up the benefit.

In most cases involving Finland-outbound employees, the outbound employee's salary during the assignment is not taxable in Finland based on Finland's internal "six-month-rule" or applicable tax treaty provisions, and, as such, the tax return service for the employee's assignment years should not be taxable either.

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### FOOTNOTE:

1 For an abstract of the case in Finnish, see the [SAC webpage](#):

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## Contact us

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**The information contained in this newsletter was submitted by the KPMG International member firm in Finland.**

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