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GMS Flash Alert

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Finland - Government Proposals on Changes to Tax Administration, Personal Taxation

The Finnish government has presented a governmental proposal on legislative changes concerning tax procedure rules.[1]

Below we highlight some of the more important aspects of changes to the tax procedure rules and briefly mention changes to the taxation rules in respect of gift and inheritance taxes, mortgage interest, and the household deduction.

WHY THIS MATTERS

Global mobility managers supervising the tax compliance needs of their assignees and with responsibility for overseeing the work of tax service providers, as well as the taxpayers (both employers and employees) and the tax service providers themselves, need to be aware of the increasing use of electronic means and formats for fulfilling their tax compliance obligations and communicating with the tax authorities, as this impacts the way they file returns and submit information and data to the Finnish tax authorities.

The slight changes discussed below to the taxation of individuals could impact taxpayers – while the household deduction has gone up slightly, a boon to taxpayers, the limitation on the deductibility of home loan interest, could be a bane (for those taxpayers with home loans).

Moving to Greater Use of Electronic Formats and Access

The Finnish tax authorities are making greater use of digital services. For example, there is a new electronic service, called MyTax (*OmaVero*), which was introduced this year to replace the old Tax Account (*Verotili*) electronic system. Through this new system, employers and individuals can submit documents and information directly to the tax authorities. For instance, the employers' monthly obligation to declare self-assessed taxes and employers' contributions, previously called "periodic tax returns" (*kausiveroilmoitus*), can now be made through MyTax. However, not all returns can be made through the MyTax service.

Before, the employers' annual notifications (*vuosi-ilmoitus*) could be filed in paper form. From 2016 onwards, annual notifications are only possible if the employer has no more than four employees in Finland. Otherwise the employers' annual notification must be filed through an electronic filing system, such as ilmoitin.fi or through Tyvi-service providers. MyTax does not yet accommodate filing annual notifications to the tax authorities.

Correcting Errors, Submitting New Notifications

If an error has been made, or incorrect information has been included in the employer's annual or monthly notification on taxes and various contributions, the methods used to correct such errors have changed. Since 1 January 2017, corrections or adjustments should be made by way of filing a completely new notification, with both the corrected information and all other necessary information.

Appealing Tax Authorities' Decisions

One of the most significant changes in 2017 relates to the rules on how to appeal the tax decisions of the Finnish tax authorities. The statute of limitations for appeals of income tax-related matters was previously up through the fifth year from the start of the year *after* the year when the taxation was finalized.

From year 2017 onwards, the statute of limitations for appeals, in most cases, has been reduced to three years. The order of appeals has not changed, hence appeals are first made to the Board of Appeals (*Verotuksen oikaisulautakunta*). Only after that can appeals be made to the Administrative Court (*Hallinto-oikeus*) and, if permitted, to the Supreme Administrative Court (*Korkein hallinto-oikeus*). Special rules apply in certain situations, for instance, in cases of preliminary rulings.

Taxation Changes

The material taxation rules have not undergone amendments as significant as those to the tax system procedural rules, but there have been some changes.

- The gift and inheritance tax rates are lowered as of 1 January 2017. For instance, the highest progressive tax rate for gifts is now 17 percent (previously 20 percent), and for inheritances, 19 percent (previously 20 percent), for close relatives and family.

- Adjustments have also been made to the household deduction, resulting in a slight increase in the annually deductible amount. For instance, if a qualified household service is purchased from a service provider, now 50 percent of the work expenses can be deducted (previously it was 45 percent); however, the maximum deduction is still EUR 2,400 per year.

- The deduction for interest expenses related to the purchase of a primary home (e.g., interest on a loan) has also been reduced, according to previous plans. In 2017, only 45 percent of interest expenses are deductible.

FOOTNOTE:

1 HE 29/2016 vp – this proposal was over 500 pages long. For the text of the proposal (in Finnish), click here.

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We Invite You to Listen to the KPMG LLP (U.K.) Brexit Webcast Play-Back

To help businesses prepare for what comes next in these unprecedented times, KPMG LLP (U.K.) brought together a team of Brexit experts for an hour-long Web cast on 21 March 2017.

So the clock is now ticking. With the recent announcement that British Prime Minister Theresa May officially notified the European Union on Wednesday 29 March that the U.K. is leaving, businesses have two years to prepare for the U.K.'s exit.

Whether it's workforce planning, navigating regulatory issues, or understanding the economic and operational impacts on production and supply chains, how do you evaluate both the risks and opportunities of operating in a post-Brexit world? When do you really need to act?

Led and facilitated by Karen Briggs, U.K. Head of Brexit, our panel includes special guests Dorothy Livingston from law firm Herbert Smith Freehills, Charles Lichfield from geo-political consultancy Eurasia Group, and KPMG's top Brexit experts covering economics, tax, relocation, people, trade, customs, supply chain, governance, and compliance.

Listen to the recording

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