

Finland Country Profile

EU Tax Centre

April 2019

Key tax factors for efficient cross-border business and investment involving Finland

EU Member State	Yes																																																																											
Double Tax Treaties	With the following countries, territories and jurisdictions:																																																																											
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Most important forms of doing business	<p>Limited liability company (Oy).</p> <p>Limited partnership (Ky).</p>																																																																											
Legal entity capital requirements	Minimum share capital of Oy - EUR 2,500.																																																																											
Residence and tax system	<p>A company is resident in Finland if it is incorporated under Finnish law.</p> <p>Residents are subject to tax on their worldwide income. Non-residents are subject to Finnish tax on their Finnish source income.</p>																																																																											

Compliance requirements for CIT purposes	Fiscal year follows the financial period. Tax return should be filed within four months after the end of a fiscal year, e.g. if financial year ends on December 31, 2018, the corporate income tax return needs to be filed no later than April 30, 2019.
Corporate income tax rate	20 percent.
Withholding tax rates	<p>On dividends paid to non-resident companies 0 / 15 / 20 / 30 / DTT percent.</p> <p>On interest paid to non-resident companies 0 percent.</p> <p>On patent royalties and certain copyright royalties paid to non-resident companies 0 / 20 / 30 / DTT percent.</p> <p>On fees for technical services No</p> <p>On other payments No</p> <p>Branch withholding taxes No</p>
Holding rules	<p>Dividend received from resident/non-resident subsidiaries</p> <p>Dividends received by a Finnish corporate entity are tax-exempt in Finland if the dividend-distributing entity qualifies under the Parent-Subsidiary Directive or is resident in an EEA state and subject to tax on the profits from which the dividend is distributed at a rate of at least 10 percent.</p> <p>However, dividends are fully taxable if the distributing entity is a listed company and the recipient is not a listed company and does not hold at least 10 percent of the shares in the dividend distributing entity.</p> <p>75 percent of dividends derived from investment assets held by a financial, insurance or pension institution are taxable when the dividend distributing company is an entity covered by the Parent-Subsidiary Directive but where the 10 percent minimum holding requirement is not met or the dividend distributing entity is a domestic company or a company from an EEA state which does not fall under the Parent-Subsidiary Directive.</p> <p>Dividends are fully taxable if deductible for the payer or if the dividend relates to a tax avoidance arrangement.</p> <p>Dividends received by Finnish corporate entities from other than EU and EEA states are fully taxable if not exempted under the applicable tax treaty.</p>

	Capital gains obtained from resident/non-resident subsidiary shares are exempt, if participation exemption requirements are met. Otherwise taxable.
Tax losses	Tax losses can be carried forward for 10 tax years. Carry-back is not allowed. Tax loss carry-forwards are forfeited if more than 50 percent of the company's shares are subject to direct or indirect change of ownership.
Tax consolidation rules/Group relief rules	Group consolidation possible via group contributions.
Registration duties	Trade register, applicable tax registers. Small administrative registration fee.
Transfer duties	<p>On the transfer of shares</p> <p>Yes 1.6 percent, if the seller or buyer is resident in Finland for tax purposes and the shares are not publicly traded. 2 percent transfer tax applies on the transfer of shares of a real estate company or a joint-stock property company, on the transfer of shares in group companies holding the group's property, and on transfer of shares in real estate investment companies.</p> <p>The transfer of shares in foreign companies can be subject to Finnish transfer duty provided that the preconditions listed below are fulfilled:</p> <ul style="list-style-type: none"> - the company's business operations consists of the direct or indirect ownership or management of real estate (real estate company); - over 50 percent of the company's total assets directly or indirectly consist of real estate located in Finland; - at least one of the parties participating in the transaction is generally tax liable to Finland (a person, corporation or certain branches that are resident in Finland for tax purposes). <p>On the transfer of land and buildings</p> <p>Transfer tax of 4 percent, based on the purchase price of the property.</p> <p>Stamp duties</p> <p>No</p> <p>Real estate taxes</p> <p>Real estate taxes are levied. Rates vary by municipality.</p>
Controlled Foreign Company rules	Yes. The Finnish Controlled Foreign Company (CFC) rules must be applied, if a Finnish taxpayer either alone or together with associated parties: <ul style="list-style-type: none"> - directly or indirectly owns at least 25 percent of the capital, or

- holds voting rights of at least 25 percent, or
- is entitled to receive at least 25 percent of the profits or capital gains of a CFC or its foreign branch that is subject to a low level of taxation.

The CFC rules do not apply to companies that are genuinely established in EEA Member States and that carry out actual business there. Companies in countries outside the EEA must also meet three requirements:

- the state of residence of the company must not appear on the EU blacklist,
- Finland must have an active agreement on the exchange of information in tax matters with the country in question and
- the foreign company must carry out business activities primarily related to industry and production or certain kinds of services.

Transfer pricing rules

General transfer pricing rules

Yes. Generally, the provisions of the OECD Transfer Pricing Guidelines are followed when determining the arm's length prices. Documentation prepared in accordance with the requirements of BEPS Action 13 is admissible in Finland.

Documentation requirement

Yes

Thin capitalization rules/Interest Limitation rules

No, but earnings stripping rules in place.

Stricter interest deduction limitation rules came into force as of January 1, 2019 due to implementation of the EU Anti-Tax Avoidance Directive (ATAD).

General Anti-Avoidance rules (GAAR)

Yes

Specific Anti-Avoidance rules/Anti-Treaty Shopping Provisions/Anti-Hybrid rules

Yes

Advance Ruling system

Yes

IP / R&D incentives

No

Other incentives

Accelerated depreciation for qualifying new industrial investments acquired and taken into use between 2013 and 2016.

VAT

The standard rate is 24 percent, and the reduced rates are 14 and 10 percent.

Other relevant points No
of attention

Source: Finnish tax law and local tax administration guidelines, updated 2019.

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