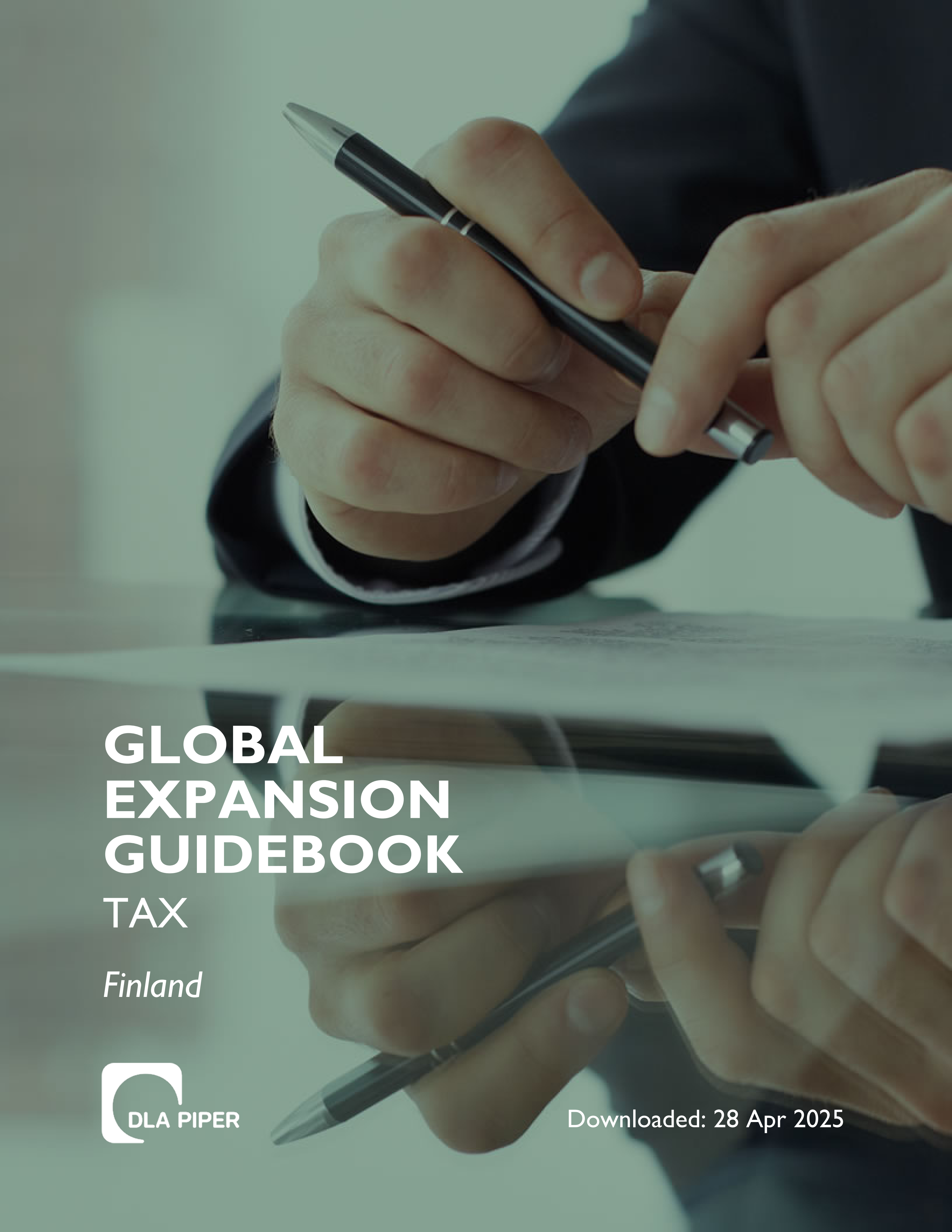

GLOBAL EXPANSION GUIDEBOOK

TAX

Finland

DLA PIPER

INTRODUCTION

Welcome to the 2024 edition of DLA Piper's *Global Expansion Guidebook – Tax.*

GLOBAL EXPANSION GUIDEBOOK SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know.

The *Global Expansion Guidebook* series reviews business-relevant corporate, employment, intellectual property and technology, global equity and tax laws in key jurisdictions around the world.

TAX

Multinational companies continue to expand globally at an ever faster pace. Successful expansion depends, in part, on strategic and effective tax planning and compliance. This guide, brought to you by DLA Piper's Tax group summarizes the key features of tax laws in 41 popular jurisdictions.

This guide addresses common tax questions, by jurisdiction, including:

- Taxation of resident companies and non-resident companies
- Availability of tax holidays, rulings, and favorable tax regimes
- Ability to use losses to offset income
- Anti-deferral (ie CFC) rules
- Withholding taxes
- Employment tax issues

With more than 300 tax lawyers and economists in offices throughout the Americas, Europe and Asia Pacific, DLA Piper's global tax advisory services help multinational companies address the complex challenges of international commerce and business operations as well as manage and resolve tax audits. Our global tax group also assists clients in structuring a wide range of transactions, from private equity deals to corporate acquisitions and disposals. We provide these tax services across our global platform, while at the same time offering clients the benefits of the attorney-client and work-product privileges.

The information in this guide is an accessible, high-level summary of the tax laws in each jurisdiction. This is not a substitute for legal or tax advice. If you have specific questions or require detailed advice, we encourage you to contact one of the attorneys listed in the contributors section of this guide.

We hope that you find this guide valuable and we welcome your feedback.

This publication is provided to you as a courtesy, and it does not establish a client relationship between DLA Piper and you, or any other person or entity that receives it.

This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

DLA Piper and any contributing law firms accept no liability for errors or omissions appearing in this publication and, in addition, DLA Piper accepts no liability at all for the content provided by the other contributing law firms. Please note that tax law is dynamic, and the legal regime in the countries surveyed could change.

FINLAND

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RESIDENCE AND BASIS FOR TAXATION

Domestic

Companies incorporated in accordance with Finnish legislation or whose place of effective management is located in Finland are subject to tax in Finland (unlimited tax liability).

Foreign

Foreign companies are subject to tax in Finland only to the extent specified in Finnish tax legislation (limited tax liability).

TAXABLE INCOME

Domestic

Unlimited tax liability refers to tax on worldwide income. Taxable profit is, roughly speaking, calculated as total income reduced by the costs generated by the business.

Foreign

Limited tax liability triggers taxation in Finland for a foreign company on income attributable to a Finnish permanent establishment, income accrued from Finland (with certain limitations) and income related to Finnish real estate.

TAX RATES

The corporate income tax rate is 20 percent.

TAX COMPLIANCE

Both unlimited and limited tax liable companies are liable to submit an income tax return. No tax return is required for income subject to withholding tax only. The income tax return shall be submitted to Finnish tax authorities within 4 months after the end of the company's financial year.

ALTERNATIVE MINIMUM TAX

Not applicable.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable.

Tax rulings

Companies may apply for a binding advance ruling concerning a specific tax question with the Finnish tax authorities or alternatively with the Finnish Central Tax Board.

Tax incentives

Key foreign expert employees working in Finland may, under certain conditions, apply to be taxed at flat rate of 32 percent on their employment-related income. Such tax treatment is applicable for a maximum of 48 months.

CONSOLIDATION

Companies cannot file corporate income tax returns on a consolidated basis in Finland. However, Finnish companies that belong to the same group (which applies to share ownership of more than 90 percent of the shares) may exchange group contributions to facilitate tax consolidation on a company level. A group contribution is deductible for the paying company and is taxable for the recipient company.

PARTICIPATION EXEMPTION

Participation exemption regarding dividends covers dividends from unlisted companies in Finland, from foreign companies covered by the EU parent subsidiary directive and from foreign companies pursuant to the applicable tax treaty. Dividends received from a listed company by a non-listed company are tax exempt only if holding is at least 10 percent.

Participation exemption additionally covers capital gains from a sale of shares in a company, but under strict criteria as follows:

- Shareholding at least 10 percent in the target company

- A holding period of at least 1 year
- Sold shares are part of fixed assets
- The target company is located in EU or a tax treaty country and
- The main purpose of the target company is not to hold real estate.

The participation exemption is not applicable to capital gain received by private equity companies.

CAPITAL GAIN

Capital gain is the difference between the sales price and acquisition price and is taxed with a 20-percent corporate tax rate.

DISTRIBUTIONS

Distributions paid by a company to a shareholder are primarily regarded as dividends for tax purposes, but treatment under capital gain rules is possible under specified criteria. A transfer of funds from a shareholder to a company is generally tax exempt.

LOSS UTILIZATION

Tax losses can be carried forward up to 10 years. Changes in the ownership of a company with tax losses carried forward results in forfeiture of tax losses, but Finnish tax authorities may, upon application, grant an exception to utilize the losses.

TAX-FREE REORGANIZATIONS

Finnish implementation of the EU merger directive covers tax-exempt mergers, full and partial divisions, transfers of business and share exchanges. A wide-ranging case law exists.

ANTI-DEFERRAL RULES

Under general anti-avoidance rules, arrangements can be taxed based on their substance over the chosen form under strict criteria. The applicability of the rules is defined in case law.

Finnish controlled foreign company (CFC) rules state that a Finnish shareholder with a direct or indirect interest equal to at least 25 percent of the equity or voting rights in a foreign legal entity, which has a tax rate below 3/5 of the Finnish rate of tax, is subject to taxation on its proportionate share of the foreign legal entity's profits. CFC legislation does not apply to entities within the European Economic Area (EEA) to the extent the entity has actual substance in that area and practices financial activity there. In addition, CFC legislation does not apply to entities outside the EEA i) which practice financial activity, ii) if the relevant jurisdiction is not included in the blacklist drafted by European Council, iii) if the relevant jurisdiction has an applicable international information exchange treaty with Finland and iv) if the income of the entity in that jurisdiction is derived from industrial or corresponding production, related service rendering, shipping, related sales and marketing activity or intra-group trade with a group company within the same jurisdiction.

FOREIGN TAX CREDITS

Foreign taxes paid on income subject to Finnish taxation can be credited under the Finnish tax credit system.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Transfer tax on the acquisition of Finnish real estate is 3 percent on the purchase price payable by the buyer. In case a real estate transaction is carried out by acquiring shares in a real estate company, transfer tax is 1.5 percent on equity value added with value of debt transferred to the buyer.

Real estate tax is payable by the owner of the real estate. The general real estate tax rate is between 1.3 percent and 2 percent.

TRANSFER PRICING

The Finnish transfer pricing rules are based on the arm's-length principle and OECD guidelines. Documentation requirements apply to cross-border transactions with affiliated companies.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc.

Under the general rule, dividend and royalty payments to a foreign company are subject to 20-percent withholding tax.

Withholding tax is not levied on a dividend payment to a company within the EU if such company holds more than10 percent of the shares in the paying company and fulfills the requirements in the EU parent subsidiary directive.

Withholding tax is also not levied on royalty payments paid to a company within the EU in accordance with the EU directive on the condition that the 25-percent direct or indirect holding threshold is met.

Finland does not levy withholding tax on interest except on a few rare occasions.

Special withholding rates apply to foreign persons working in Finland – for example, sportsmen and artists.

Finland has a treaty network with over 70 countries. The tax treaties typically lower the applicable statutory rates depending upon the type of income. Withholding tax for foreign companies on Finnish dividends under the respective tax treaty is typically – but not always – 5 percent when the recipient holds at least 25 percent of the shares of the company making the payment.

Service fees

Typically exempted from Finnish withholding tax.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Sale of Finnish shares (of a non-real estate company) is subject to a 1.5-percent transfer tax on equity value of the transaction payable by the buyer. Transfer tax is not applicable on transfers of Finnish shares between non-Finnish parties.

For transfer tax on the sale of real estate, please see “Special rules applicable to real property” above.

EMPLOYMENT TAXES

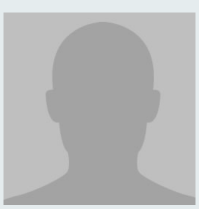
Finnish employers are liable to pay withholding obligations on salary paid to the Finnish employees. The tax base covers cash salary, benefits as valued by the tax administration and share-based employee benefits. The tax rate on salaries is progressive, up to approx. 56 percent.

In addition, Finnish employers are required to withhold the employee’s share of social security contributions from the salary payment. Moreover, Finnish employers are liable to pay their share of social security payments based on their paid total salaries.

OTHER TAX CONSIDERATIONS

Not applicable.

KEY CONTACTS



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