BEPS Actions implementation by country
Finland

Last reviewed by Deloitte: May 2017

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On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Finland.

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Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	The EU VAT directive applies and is already implemented into domestic law.	1 January 2015
Hybrids (Action 2)	Common approach	The amended EU parent-subsidiary directive has been implemented into domestic law. As an EU member state, Finland is subject to the two EU anti-tax avoidance directives (ATAD and ATAD 2) and, therefore, is required to implement the directives into its domestic law. The ATAD and ATAD 2 include anti-hybrid rules that cover hybrid mismatches between EU member states, and between EU member states and non-member states, respectively. Member states are required to adopt the domestic legislation necessary to comply with the directives by 31 December 2019 (with an extension until 31 December 2021 for the reverse hybrid provisions). The timing of any amendments required to comply with the ATAD and the ATAD 2 is not yet known.	31 December 2015 1 January 2020 (1 January 2022 for reverse hybrid provisions)
CFCs (Action 3)	Best practice	As an EU member state, Finland is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes a CFC rule. The timing of any amendments required to comply with ATAD is not yet known.	1 January 2019
Interest deductions (Action 4)	Common approach	As an EU member state, Finland is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation	1 January 2019, unless the transitional rules apply to the existing regime, in which

		provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023. The timing of any amendments required to comply with ATAD is not yet known, nor whether the transition period will apply to the existing provisions.	case 1 January 2024
Harmful tax practices (Action 5)	Minimum standard	Not yet known	Not yet known
Prevent treaty abuse (Action 6)	Minimum standard	Not yet known	Not yet known
Permanent establishment status (Action 7)	Revision of existing standard	Not yet known	Not yet known
Transfer pricing (Actions 8-10)	Revision of existing standard	A discussion on amendments to the transfer pricing provisions on recharacterisation is ongoing. Immediate adoption of other measures is expected.	Ongoing / immediate
Disclosure of aggressive tax planning (Action 12)	Best practice	Not yet known	Not yet known
Transfer pricing documentation (Action 13)	Common approach	The recommendations under Action 13 have been adopted into legislation.	Financial years starting on or after 1 January 2017
CbC reporting (Action 13)	Minimum standard	Recommendations under Action 13 and the EU CbC directive have been adopted into legislation.	Financial years starting on or after 1 January 2016

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Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Finland has not yet committed to mandatory arbitration.	Not yet known
Multilateral Instrument (Action 15)	Applicable across all four categories	Not yet known	Not yet known

Unilateral BEPS Actions

In relation to Action 4, the tax authorities have challenged several structures involving debt push downs and the Supreme Administrative Court has ruled that in certain circumstances where the structure is considered artificial in substance, interest deductions should not be allowed on loan arrangements relating to the allocation of shares to Finnish branches. The tax authorities are seeking to expand this ruling to certain corporate structures, including intermediary holding companies and industrial companies acquiring shares from related companies. This process is currently going through the courts and still in its very early stages. The tax administration has audited several companies and some of them have received re-assessment decisions disallowing interest deductions. These have been appealed against and it is likely that the first lot of cases will be heard in the Appeal Board in May. The next level will be the first court (Administrative Court), as our expectation is that either the tax payer or the Tax Recipients' Legal Services Unit will appeal against decisions by the Appeal Board. It is estimated that it will take some 18 months before the matter is processed in the Administrative Court. The next court level is then the Supreme Administrative Court which requires a leave of appeal. It is difficult to estimate required process time for the SAC which is the highest tax court in Finland.

Other Tax Developments

The government is in the process of implementing an action plan to combat international tax avoidance. There are five focus areas:

1) Securing the tax base and countering harmful tax competition;
2) Tax monitoring and the exchange of information;
3) Publicity of data (transparency);
4) Public procurement (tax havens); and
5) Tax matters with developing countries.

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The ministry responsible for state investments has issued a letter on 1 October 2014 to state-owned companies with a request to improve transparency around taxation by reporting tax payments on a country-by-country basis as from 2014.

The Ministry of Finance will amend domestic legislation to comply with the OECD Treaty Relief and Compliance Enhancement (TRACE), which will ensure that investors’ tax obligations are met in both source and residence countries on cross-border investment income. The timing of any amendments is not yet known.