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THE GOVERNMENT'S POLITICAL POSITION ON WORK TO COMBAT TAX EVASION AND AGGRESSIVE TAX PLANNING AND MEASURES TAKEN BY FINLAND

The Government considers it highly important to maintain and implement measures to combat tax avoidance and aggressive tax planning both in Finland and internationally. The Government is strongly committed, both nationally and internationally, to working against tax evasion and aggressive tax planning and to implementing legislative measures.

The national regulation adopted by Finland currently includes many rules on the taxation of income produced by international enterprise operations, as well as rules against tax avoidance and aggressive tax planning. Examples of these rules include the rule on transfer pricing, the general tax evasion rule, the rule on the limitation of deductible interest expenses, the regulation of controlled foreign companies, the tax evasion rule applied to the reorganisation of businesses, and the special tax evasion rule applied to the taxation of dividends in corporate taxation.

In recent years, important steps have also been taken internationally by implementing initiatives to prevent tax avoidance and aggressive tax planning. International cooperation in these matters is essential. Finland has participated in this cooperation closely both in the European Union and in the OECD, the Organisation for Economic Co-operation and Development. The Base Erosion and Profit Shifting (BEPS) project undertaken by the OECD investigated, among other things, the erosion of the tax base caused by the tax planning of multinational enterprises. The 15 BEPS actions published by the OECD had comprehensive recommendations for national rules and amendments to tax treaties. These include, among other things, minimum standards for rules on the abuse of tax treaties, revised recommendations for rules on the documentation of transfer pricing, and recommendations for the collection and analysis of BEPS data. Finland has implemented or is currently in the process of implementing those measures.

In the recent years, the EU has adopted a number of Directives to combat tax avoidance and aggressive tax planning. Within the EU, the BEPS actions of the OECD have generally been implemented by the Anti-Tax Avoidance Directives (ATAD and ATAD II), adopted in 2016–2017. The Directives include rules for limiting the deductibility of interest, rules on exit taxation, a general anti-abuse rule, rules on controlled foreign companies, and rules on so-called hybrid entities.

Effort has also been made to affect the taxation of international operations by increasing the rights of tax administrations to receive information and intensifying the exchange of information. For instance, the Directive on administrative cooperation has been supplemented with rules on the automatic exchange of preliminary rulings. The Acts that implement the country-specific reporting system of the OECD and the G20 for the authorities and the automatic exchange of information entered into force in Finland at the beginning of 2017. The Tax Administration uses country-specific report data in its analyses and can also request additional information and, whenever necessary, intervene in taxation. Recent proposals for directives are also pending. In

addition, political commitments have been issued for implementing legislative measures. Moreover, Finland is committed to the automatic exchange of financial account information by virtue of the OECD Common Reporting Standard, the relevant EU Directive and the Foreign Account Tax Compliance Act (FATCA). Based on these international systems for exchanging tax information, the Finnish tax authorities receive information on investments made by Finns in almost one hundred countries. This includes nearly all of the tax haven countries.

On the basis of national and international measures, Finland already has in place recent provisions and procedures that improve the possibilities to tax income generated in Finland. Several legislative measures on the prevention of tax avoidance are currently under preparation.