BOOK REVIEW

Finnish International Taxation
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International tax practitioners are often hampered in their research by the lack of access to tax material on jurisdictions they are called upon to deal with. One of the biggest barriers in obtaining information is language. As a result, the publication of this book which covers all the main questions relating to direct taxation of cross-border activities in Finland will be a useful addition to European international tax libraries. The subject matter will be familiar to tax practitioners. Chapters cover international double taxation and double non-taxation, tax residence, unlimited and limited tax liability, forms of doing business, controlled foreign corporations, transfer pricing, debt and equity financing, as well as royalties. Chapters of the book follow broadly the pattern used to classify income in the OECD Model Treaty. Thus, chapters also cover movable and immovable property, employment income, pensions and insurance, and other income. Further chapters deal with international company reorganisations, wealth taxes, inheritance and gift taxes.

The author analyses the rules relating to company reorganisations, where Finnish domestic law parallels the EC Mergers Directive. She notes that cross-border reorganisations are generally only possible involving non-Finnish parties where the EC Mergers Directive applies. The effect of this limitation is mitigated by the limited scope of Finnish taxation of capital gains realised by non-residents.

The Finnish CFC regime, unlike that in the United Kingdom for example, applies to all shareholders who are Finnish residents whether corporate or individual. A CFC is subject to a lower tax burden if the rate in its state of residence is less than 60% of the Finnish tax burden. With a corporate income tax rate of 29%, foreign taxes of at least 17.4% will escape CFC treatment. This would in principle permit operations in a number of tax haven states. The CFC regime is also inapplicable in certain cases where the company is resident in a state with which Finland has a tax treaty. This will be the case where the company is not subject to a special tax benefit in its state of residence and the tax system is comparable to that of Finland. A non-exhaustive blacklist of treaty states whose tax systems are not comparable with that of Finland is maintained. A number of countries have adopted CFC rules and the OECD has recommended their introduction as part of their campaign against harmful tax practices. By comparison with the UK CFC rules which apply where the effective rate of tax is less than 75% of the corporation tax rate, currently 30%, it will be apparent that some CFC rules are more permissive than others while meeting the OECD requirements.

The author provides useful summaries of the rules relating to the full spectrum of Finnish cross-border tax issues. In each case, the inter-relationship between domestic and treaty law is examined, as well as relevant European Community law. The book also includes a lengthy English-Finnish-English tax glossary. The author explains tax procedures and appeals. Finland maintains a sophisticated advance rulings system. Binding rulings may, however, be issued on matters that are considered to be important and that may set a precedent. Rulings are not issued on matters pending in the Central Board or already decided by it. Rulings may generally be appealed against. In addition to assisting foreign readers with an explanation of the Finnish tax system applied to international transactions, it offers a helpful view of the Finnish perspective on both international and European Community tax issues.

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