Tax news
PwC Finland

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Corporate Income Tax

FINLAND

Income tax treaty between Finland and Cyprus applicable as of 1 January 2014

Income tax treaty between Finland and Cyprus is applicable as of 1 January 2014. The treaty was made in 2012. Cyprus has been one of the few EU/EEA member states which has not had an income tax treaty with Finland. The treaty has an effect among others on applying the domestic legislation of controlled foreign corporations. Now that the treaty is applicable, one of the conditions for applying the CFC legislation is not available.

NETHERLANDS

R&D deduction increased for 2014

The Research and Development Regulation amendment was published in Official Gazette on 13 December 2013. Under the amendment, which is applicable for the calendar year 2014, the tax deduction for the research and development expenses is 60% (54% in 2013).

DENMARK

Government bill concerning exit tax rules

The government published a draft bill (L 91) on deferring the exit tax for companies on 4 December 2013. It is suggested in the bill that if a company migrates from Denmark, the company could opt for deferring the payment of exit tax under certain conditions. The purpose of the bill is to amend the Danish exit tax rules compatible with the ECJ judgment Commission v. Denmark (C-261/11) even retroactively.

UNITED STATES

Loss deduction disallowed for lack of economic substance

The US Court of Appeals for the Tenth Circuit has disallowed capital loss deduction from transactions that have no economic substance (Scott A. Blum; Audrey R. Blum v. Commissioner of Internal Revenue, No. 12-9005, 18 December 2013). The case was about a US taxpayer who made a tax shelter transaction called the OPIS (Offshore Portfolio Investment Strategy) transaction which was designed to create artificial losses.

RUSSIA

Ministry of Finance clarifies the application of tax treaties to subdivisions

The Ministry of Finance published Letter No. 03-08-13/35337 issued on 28 August 2013 which clarifies the application of tax treaties concerning income paid by Russian entities to subdivisions of foreign companies located in other jurisdictions than their headquarters. According to the letter, if the subdivision of foreign entity possesses a certificate of tax residence issued by the tax authorities of the jurisdiction of the subdivision, the tax treaty concluded between Russia and the subdivision's country of residence shall apply.

EU

The European Parliament approves with amendments the Commission proposal to broaden the scope of the EU's automatic exchange of information between EU tax administrations

The European Parliament has approved on 11 December 2013 the Commission proposal to extend the automatic exchange of information between EU tax administrations, as part of the intensified fight against tax evasion. Under the proposal, dividends, capital gains, all other forms of financial income and account balances, would be added to the list of categories which are subject to automatic information exchange within the EU. This paves the way for the EU to have the most comprehensive system of automatic information exchange in the world. In contrast to the Commission proposal, according to the Parliament report, the member states should incur penalties for breaching the rules.

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Corporate Law

The new takeover code

The Finnish Securities Markets Association has published a new takeover code, which entered into force on 1 January 2014. The new code will replace the recommendations published by the Panel of Takeovers and Mergers of the Finnish Central Chamber of Commerce with the objective to standardize the procedures relating to takeovers made in Finland and promote the development of good securities markets practice. The recommendations of the Takeover Code concern the bidder, the target company and its advisors as well as other parties of the bidding process, such as the activities of the shareholders of the target company and the bidder. The most significant change relates to the comply or explain principle according to which parties must either comply with the code or explain why they have not complied with the code.

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