Corporate Income Tax

FINLAND

Decision 2013:130 of the Supreme Administrative Court

In the decision the Supreme Administrative Court decided whether the company's source of income could be changed to be equivalent to that of the confirmed losses. It was also on display if the source of income of the confirmed losses could be changed as well.

The Finnish Tax Administration has given the following announcement:

An announcement dated on 26 August 2013: The Finnish Tax Administration has given an announcement regarding a double-tax-relief counter. The double-tax-relief counter enables companies to calculate the amount of withholding tax subject to tax relief.

CROATIA

Amendments to taxation

Several amendments to Croatian General Tax Law have been adopted and most of them entered into force on 26 June 2013. The most important amendments to corporate taxation have been described below.

Croatia has implemented the following three EU directives into national legislation: two Mutual Assistance Directives (one on administrative cooperation in the field of taxation, 2011/16/EU, and the other for the recovery of claims, 2010/24/EU) and the Savings Directive (2003/48/EC). The amendments also include new statute of limitations rules, and provide for fines for tax offences, between HRK 2,000 and HRK 500,000 for legal entities depending on the offence.

UKRAINE

Amendments to reporting rules for IT industry

The Ukrainian parliament has adopted amendments to reporting rules for the country's IT industry. The amendments also apply to companies carrying out investment projects in the so-called priority industries. Companies subject to the aforesaid amendments will be required to both file corporate income tax returns and pay corporate income taxes quarterly. The amendments will become applicable as of 1 September 2013.

RUSSIA

The Russian Ministry of Finance has clarified tax treatments in certain situations

The Russian ministry has issued three letters (Letter No. 03-03-07/30021, Letter No. 03-08-05/26970 and Letter No. 03-08-05/27970) clarifying the tax treatments in certain situations. The three situations are as follows:

- Foreign parent company reduces its ownership in resident subsidiary. According to the Ministry of Finance, such reduction of ownership in subsidiary is not taxable if the subsidiary's assets include Russian immovable property assets under 50 % of the subsidiary's total assets.
- Taxation of interest paid from Russia to a Luxembourg resident. According to the Ministry of Finance, such payments are taxable only in Luxembourg if the Luxembourg resident provides the Russian paying entity a certificate of residence.
- Taxation concerning the issuance of shares in relation to the former ownership ratio carried out by a Russian company to a foreign company by utilizing undistributed profits. In these situations the issuance may be tax exempt to the shareholder if the ownership ratios remain unchanged. The aforesaid tax treatment is subject to further conditions.

EU

Parliament backs the proposal for Financial Transaction Tax (FTT)

The adopted opinion backs the Commission proposal that the financial transaction tax (FTT) should cover a wide range of financial instruments and the text retains the tax rates proposed by the Commission. However, it suggests the European Commission should pay special attention to the rate of taxation applied to pension funds. Regarding the implementation of the FTT, the Commission has acknowledged that the original proposed date of 1 January 2014 is no longer realistic. Sources in Brussels regard 1 January or 1 July 2015 or even 1 January 2016 to be more realistic.

Belgian law regarding Downward PE adjustment as NID basis not compliant with EU-law.

The Court of Justice of the EU considered the NID computation not to be compliant with the freedom of establishment in the case of the treatment of foreign permanent establishments. Certain adjustments are made to the NID in order to avoid abuse and one of these adjustments was the subject of the CJEU case. According to the adjustment, the accounting equity as per the last year-end date is reduced by the net book value of assets allocated to permanent establishments. CJEU concluded that the Belgian law regarding the adjustment as NID basis not compliant with EU-law.

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Corporate Law

Obligation for the municipalities to incorporate their business activities

In accordance with the government bill regarding the amendments to the Local Government Act (32/2013), the Finnish municipalities are obliged to incorporate certain activities which are currently practised in competitive markets. The obligation of incorporation means that such activities should in future be practised in a limited liability company, cooperative society, association or foundation instead of a municipal enterprise or office. The main purpose of the obligation of incorporation is to increase the neutrality of competition between the municipalities and private service providers. The obligation of incorporation concerns directly the municipal power plants and harbours but it also applies to other business activities, e.g. certain social and health care services as well as adult education. However, the government bill includes also some exceptions to the obligation. The amendments come into force on 1 September 2013 and the short transition period for the implementation of the incorporations is until the end of 2014. The municipalities should carefully prepare and plan the process for implementing the incorporations. As a first step, this would require that extensive legal, financial and tax related analysis and surveys are completed.

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