



MERGERS AND ACQUISITIONS

Finland

Taxation of Cross-Border
Mergers and Acquisitions

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TAX

Finland

Introduction

The most common Finnish corporate entity is a limited liability company. There are two forms: the public limited company (Oyj) and the private limited company (Oy). Finnish company laws are largely based on EU directives. The Companies Act was amended in 2006, to provide more flexibility in areas such as dividend distribution.

Pursuant to the Income Tax Act, income earned by a corporation is taxed at the rate of 26 percent as of 1 January 2005 (29 percent previously). In addition to reducing the tax rate, the major tax reform in 2004 introduced participation exemption for the sale of shares and made capital and liquidation losses and write-downs in the value of shares and loans non-deductible for tax purposes.

Other forms of legal entities are general partnerships (avoin yhtiö, Ay) and limited partnerships (kommandiittiyhtiö, Ky). The partnership must file a tax return showing the taxable profit/loss of the partnership, but is not itself subject to tax. The profits of Finnish partnerships are taxed at the partner level. Tax losses are not allocated to the partners, however. They are carried forward at the partnership level to offset the partnership's taxable income. The excess income is then allocated to the partners.

Recent Developments

There have been no major changes in legislation which would concern M&A since the last publication of the tax code in 2007.

Asset Purchase or Share Purchase

An acquisition in Finland usually takes the form of a purchase of the shares of a company, rather than its business and assets, because capital gains on the sale of shares may be exempt. From a tax perspective, the capital gains consequences and possible double taxation on extracting the sales proceeds are likely to make asset acquisitions less attractive for the seller. However, the benefits of assets acquisitions for the purchaser should not be ignored, particularly given that purchased goodwill is tax deductible. Some of the tax considerations relevant to each method are discussed later in the chapter.

Purchase of Assets

A purchase of assets will usually result in an increase in the base cost of those assets, although this increase is likely to be taxable in the hands of the seller. In addition, historical tax liabilities generally remain with the company and are not transferred with the assets.

Purchase Price

For tax purposes, it will be necessary to apportion the total consideration among the assets acquired. It is generally advisable for the purchase agreement to specify the allocation, which will normally be acceptable for tax purposes provided it is commercially justifiable.

Goodwill

The Finnish Business Income Tax Act stipulates that the purchase price must be allocated to the individual assets up to their fair market value. The excess purchase price will be considered goodwill. Consequently, the buyer will receive a step-up in the tax base of the assets and can deduct the goodwill in its taxation. The goodwill must be capitalized and amortized over its economic life up to a maximum of 10 years.

Depreciation

Acquisition costs of patents, copyrights, trademarks, etc. are depreciated by the straight-line method over 10 years, or, if the taxpayer can show that the likely economic lifetime of the asset is shorter, over that period.

Expenses incurred in acquiring fixed assets are deductible through depreciation. The acquisition cost of the taxpayer's entire stock of machinery and equipment is written off annually as a single item using the declining balance method. Under this method, the depreciation base consists of the net-book value of all such assets plus the acquisition value of assets introduced during the tax year, less any sales proceeds, insurance compensation, and the like received for the assets sold, damaged, or lost during the tax year. The maximum annual depreciation is 25 percent of this base. If the taxpayer can show that the current value of these assets is less than the depreciation base reduced by the full 25 percent, the taxpayer is entitled to such

additional depreciation as will be necessary to reduce the depreciation base to the current value.

If the depreciation base for machinery and equipment is negative, the excess is treated as the tax year's income.

As an exception to the general rule, machinery and equipment with an economic life three years or less can be either written off in full in the year of acquisition or depreciated along with other machinery and equipment.

Buildings and other constructions are also depreciated by the declining balance method. Each building must be depreciated as a separate item. Maximum rates of depreciation range from 4 percent to 20 percent, depending on the use of the building. If a taxpayer can show that the current value of the building is less than its book value, the taxpayer is entitled to an additional depreciation. Large repair costs can be either deducted as a cost immediately, or included in the depreciation base of the building.

The depreciation rate for industrial buildings, power stations, workshops, warehouses, stores, and similar buildings is 7 percent. The rate for homes, offices, and other similar buildings is 4 percent.

Tax Attributes

Tax losses are not transferred on an asset acquisition. They remain with the seller. Tax losses can, however, be used against any capital gain realized on the sale of the assets.

Value-Added Tax (VAT)

All goods and services, unless expressly excluded, are subject to VAT. The standard rate of VAT is 22 percent. As an EU Member State, Finland has adopted VAT legislation in line with the Sixth EC VAT Directive.

VAT is not payable on the sale or other supply of goods and services when the sale or supply takes place in connection with the transfer of an entire business enterprise, or part of it, to a transferee carrying on the business and beginning to use the goods and services for a purpose that entitles the transferee to the deduction. Therefore, the transaction through an asset deal is not subject to tax.

Transfer Taxes

A so-called transfer tax of 1.6 percent is due on the fair market value of shares of Finnish companies, and 4 percent on the real estate transferred in the asset deal. Finnish tax authorities usually accept the purchase price

allocation agreed by the seller and the purchaser as an indication of the fair market value.

Purchase of Shares

The purchase of a target company's shares does not result in an increase in the base cost of that company's underlying assets: there is no deduction for the goodwill (that is, the difference between underlying net asset values and consideration).

Tax Indemnities and Warranties

In a share acquisition, the purchaser is taking over the target company together with all related liabilities, including contingent liabilities. The purchaser will, therefore, normally require more extensive indemnities and warranties than in the case of an asset acquisition.

Where significant sums are at issue, it is customary for the purchaser to initiate a due diligence exercise, which would normally incorporate a review of the target's tax affairs.

Tax Losses

A tax loss may be carried forward during the subsequent 10 tax years. When more than 50 percent of the shares of a limited liability company have changed ownership during the year the loss is recorded or thereafter, however, the right to carry forward is forfeited unless the regional tax office grants an exemption. Indirect ownership changes are taken into consideration when there has been a change in the ownership of a shareholder which owns at least 20 percent of the shares in the company in question. There are no special provisions allowing the losses of one company in a group to be deducted from the profits of other companies in the same group, but a group contribution is tax deductible on certain conditions.

In the case of a merger, the acquiring company or its shareholders or both of these together must have held more than 50 percent of the shares of the merging company to retain the right to carry forward tax losses.

Pre-Sale Dividend

In certain circumstances, the seller may prefer to realize part of the value of his/her investment as income by means of a pre-sale dividend. The rationale here is that the dividend may not be subject to Finnish tax, but reduces the proceeds of sale and thus the gain on sale, which may be subject to a higher rate of tax. Also, it reduces the consideration given for the shares in a Finnish company and thus the amount of the transfer tax payable, which benefits the buyer. The position is

not straightforward, however, and each case must be examined on its facts.

Transfer Taxes

A so-called transfer tax is payable at the rate of 1.6 percent on the value of the consideration given for shares in a Finnish company provided that either the seller or the buyer is a Finnish resident individual or company. If both the seller and the buyer are not Finnish residents, no Finnish transfer tax is due.

Tax Clearances

Where an acquisition is effected by the purchase of shares in exchange for the issue to the seller of new shares in the purchaser, the gain may be rolled over into the new shares, thus enabling the seller to defer the Finnish capital gains tax liability. Additional conditions for the tax-neutrality are that cash compensation cannot be more than 10 percent of the nominal value of the new shares issued and that the purchaser acquires more than 50 percent of the voting power of the target. It is possible to obtain clearance in advance from the Finnish tax authority that the exchange of shares transaction will be considered tax-neutral (that is, the tax free roll-over is not denied).

Choice of Acquisition Vehicle

There are several potential acquisition vehicles available to a foreign purchaser and tax factors will often influence the choice. There is no capital duty on the introduction of new capital to a Finnish company or branch (or to a Finnish-registered *Societas Europaea*).

Local Holding Company

There are no special rules for holding companies in Finland. The tax treatment of capital gains on the sale of shares was significantly modified by the Finnish tax reform. As of the date of issuance of the Government's Bill, 19 May 2004, companies may qualify for an exemption from tax on capital gains in respect of gains realized on the disposal of shares where the seller has owned at least 10 percent of the share capital of the target company for at least 12 months prior to the disposal. Additionally, the shares must have been fixed assets of the seller.

The participation exemption does not apply if the seller is a company which carries on private equity/venture capital activities (word-for-word translation is capital investment activities). Nor does it apply if the target company is a real estate company or other company, the activities of which consist of owning and managing real estate. The definition of private equity/venture

capital activities has been left open in the government's bill. Based on the statement of the finance committee of the parliament, private equity/venture capital houses seek, finance, and promote high risk enterprises, which may have difficulties in obtaining financing from other sources. The purpose of the private equity/venture capital investor is to develop the activities of the company and contribute to the company's value. The investor is not a permanent owner, but has an intention to realize its shareholding during a stated time period. Private equity/venture capital investors typically own a minority of the company's share capital and do not normally receive any return on their investment before the disposal of the shares.

Although the above definition of private equity/venture capital activities brings some clarity, a number of issues remain open and the application of the participation exemption to private equity/venture capital investments remains unclear. Further clarification is expected through advance rulings and case law.

If the participation exemption is applicable, capital losses and write-downs in the value of the subsidiary shares are not tax deductible.

Interest costs related to the acquisition of shares are tax deductible, provided thin-capitalization rules do not apply and the interest rate is arm's length. It is possible to deduct the interest cost in the acquisition vehicle against the profits of the target company, provided a group contribution is allowable between the target and the acquisition vehicle (see Group Taxation). A Finnish branch of a foreign company can also grant or receive a group contribution.

Foreign Parent Company

The foreign purchaser may choose to make the acquisition itself, perhaps to shelter its own taxable profits with the financing costs. This will not necessarily cause any tax problems, because Finland does not tax the gains of non-residents disposing of Finnish shares (unless more than 50 percent of the assets of the company are Finnish real estate). Finland levies withholding tax (WHT) of 28 percent on dividends. However, the withholding tax is often reduced in the tax treaties concluded by Finland. There is no WHT on dividends paid to parent companies resident in the European Union. Finland does not levy WHT on interest (subject to some minor exceptions).

Non-Resident Intermediate Holding Company

Finland has a comprehensive tax treaty network with more than 60 countries, including all the industrialized

countries and almost all the important developing countries.

Local Branch

A non-resident company would normally carry on business in Finland through a Finnish corporation (subsidiary) or through a registered branch. The corporate tax rate of 26 percent applies to both subsidiaries and branches.

The calculation of taxable income will be basically the same for a subsidiary as for a branch. Both must base their inter-company transactions on the arm's-length principle and each will be considered to be an independent entity for tax purposes. However, a reasonable allocation of executive and general administrative expenses to the branch is allowed. A branch is not allowed to deduct interest on loans from the head office, but the profits of a branch may be remitted to the head office free of WHT.

The advantages and disadvantages of different vehicles must be considered case, by case.

Joint Ventures

No special tax legislation applies to joint ventures.

Choice of Acquisition Funding

A purchaser using a Finnish acquisition vehicle to carry out an acquisition for cash will need to decide whether to fund the vehicle with debt or equity, or even a hybrid instrument which combines the characteristics of debt and equity. The principles underlying these approaches are discussed later in the chapter.

Debt

The principal advantage of debt is the potential tax-deductibility of interest (see Deductibility of Interest), as the payment of a dividend does not give rise to a tax deduction. Another potential advantage of debt is the deductibility of expenses, such as guarantee fees and bank fees, in computing taxable income from business activities. The costs of a share issue, by contrast, are normally not deductible.

If it is decided to use debt, a further decision must be made as to which company should borrow and how the acquisition should be structured. To minimize the cost of debt there must be sufficient taxable profits against which interest payments can be made. The following comments assume the purchaser wishes to set the interest payments against the Finnish target's taxable profits, but consideration should be given to whether relief would be available at a higher rate in another jurisdiction.

Typically, a Finnish company is used as the acquisition vehicle, funding the purchase with debt either from a related party or directly from a bank. Provided that at least 90 percent of the target's share capital is acquired, it should be possible for interest paid to be offset against Finnish taxable profits arising in the target group from the beginning of fiscal year following the acquisition.

Generally speaking, it is safer to introduce debt financing at the time of the acquisition than afterwards, because the Finnish tax authorities have recently tried to challenge post-acquisition debt push-downs. There is no specific legislation denying post-acquisition debt push-down, however, so it should still be possible. But careful tax planning is required and local advice should be sought.

Deductibility of Interest

Interest on loans is normally deductible when calculating taxable income from business activities and when the loan is taken out for the purpose of acquiring shares. The deduction is made on an accrual basis and the interest rate does not exceed fair market interest.

If a Finnish company has been granted an interest-free loan from its foreign parent company, generally no tax consequences arise in Finland. However, if a Finnish parent company grants a loan to a foreign subsidiary the loan must be at fair market interest.

Currently there are no thin-capitalization or earnings stripping rules in Finland. It is, however, likely that Finland will introduce some kind of thin-capitalization rules in the near future.

Withholding Tax on Debt and Methods to Reduce or Eliminate

There is no WHT on interest in Finland (subject to minor exceptions).

Checklist for Debt Funding

- Currently there are no thin-capitalization or earnings stripping rules, but since some kind of regulation will be introduced in the near future, it is advisable to check up-to-date status of the thin-capitalization rules before making decisions on the debt structure.
- Consider whether the level of profits in Finnish group companies would enable full tax deductibility of the interest.
- Analyze the timing of the group contribution, because deductibility is only possible from the

beginning of the fiscal year following the acquisition.

Equity

A purchaser may use equity to fund its acquisition, possibly by issuing shares to the seller in satisfaction of the consideration or by raising funds through a seller placing. Further, the purchaser may wish to capitalize the target post-acquisition.

There is no capital duty in Finland on contributions to equity, or any stamp duty or Finnish transfer tax on new share issues.

A merger is a tax-neutral way to combine Finnish companies, to which the following rules pursuant to the Business Income Tax Act apply:

- the transferring company is deemed not to be dissolved for the purposes of taxation;
- the expenses of the transferring company are deducted in the recipient company as they would have been deducted in the transferring company; the maximum depreciations (for the year of the merger) of the recipient company are reduced by the depreciation allowed in the taxation of the transferring company for that year;
- a loss resulting from a merger (that is, the difference between the acquisition cost of shares and the value of net assets transferred) is not a deductible expense and a gain is not chargeable income;
- the recipient company and the transferring company are treated as separate taxpayers until the merger is complete;
- the exchange of the shares in the transferring company for shares in the recipient company is not treated as a taxable event for shareholders of the transferring company;
- cash may be used as a consideration, but it must not exceed 10 percent of the nominal value of the new shares issued by the recipient company; the transaction is deemed to be a taxable event for shareholders to the extent that cash compensation has been used; and
- the deductible acquisition cost of the new shares received as a consideration by the shareholders of the transferring company is equal to the acquisition cost of the shares in the transferring company.

The recipient company or its shareholders, or the recipient company and its shareholders together must have held more than 50 percent of the shares of the merging company at the start of the year in which the tax loss accrued to retain the right to carry-forward its losses and use its tax surpluses.

Pursuant to the Transfer Tax Act, a merger is not subject to transfer tax. However, if cash is used, the cash consideration is subject to transfer tax of 1.6 percent (even if the cash consideration does not exceed 10 percent of the nominal value of the new shares issued as consideration by the recipient company).

If the cash consideration does exceed 10 percent of the nominal value of the new shares issued, the merger is not considered tax neutral. In case law the tax effects of a taxable merger are equivalent to liquidation; the merging entity is deemed to be liquidated for tax purposes. For the effects of liquidation, see later in the chapter.

Finland has implemented the provisions of the EU Merger Directive on mergers between companies in different EU Member States. Thus, Finnish tax law regulating mergers applies to mergers between companies resident in two or more EU Member States. Finnish company law was amended, effective as of end of December 2007, to recognize cross-border mergers, so cross-border mergers are also practical from a tax point of view.

The introduction of the European company (*Societas Europaea*, SE) in the European Union will enable cross-border mergers of public limited liability companies. The European company is based on EU Regulation (2157/2001), which became effective on 8 October 2004. Some international Finnish groups have implemented the SE structure, and the tax legislation required to support the SE structure has also been introduced.

Hybrids

According to the guidelines published by the Finnish National Board of Taxes, capital/subordinated loans fulfilling the conditions set in the Finnish Companies Act are considered as debt for Finnish tax purposes. Thus, the interest on such debt and on profit participating loans is tax deductible.

Discounted Securities

The issuer of securities issued at a discount to third parties is able to obtain a tax deduction when the loss is considered to be final. Please note that different rules apply to banks and other financial institutions. However,

where the lender and borrower are companies that are connected (at least 10-percent ownership); write-downs or losses on the disposal of the securities are not tax deductible.

Deferred Settlement

An acquisition often involves an element of deferred consideration, the amount of which can only be determined at a later date on the basis of the business' post-acquisition performance. The right to receive an unknown future amount must be estimated based on the information available at the time of the acquisition and considered as part of compensation. If it turns out later that the estimate was not correct, it must be corrected by notifying the tax authorities of the additional income or filing an appeal for a reduction of taxable income for the acquisition year.

Other Considerations

Concerns of the Seller

The tax position of the seller can be expected to have a significant influence on any transaction. In certain circumstances, the seller may prefer to realize part of the value of his/her investment as income by means of a pre-sale dividend. The rationale here is that the dividend may be subject to no Finnish tax, but reduces the proceeds of sale and thus the gain on sale, which may be subject to a higher rate of tax. Also, it reduces the consideration given for the shares in a Finnish company and thus the amount of the transfer tax payable, which benefits the buyer. The position is not straightforward, however. Each case must be examined on its facts

Finland does not tax gains of non-residents (except in case of disposal of real estate, or of companies 50 percent or more of whose assets are real estate, and in the case of certain disposals by non-resident companies with a permanent establishment in Finland).

Company Law and Accounting

The Finnish Companies Act 2006 is modern and comprehensive law, which provides plenty of scope for reorganizations. For example, from the Finnish company law perspective, cross-border mergers as well as triangular mergers are possible.

It is possible for a Finnish company to follow IFRS in its single company accounts, but very few companies have used this option, because the accounting is the basis for tax returns of a Finnish company, and IFRS and taxation were not reconciled. However, as from 2009 certain changes were made to the Finnish tax legislation, which enable a tax free merger, transfer of assets, or de-

merger even if assets need to be valued at fair market value in accounting in accordance with IFRS.

Another important feature of Finnish company law concerns the ability to pay dividends. Distribution of profit may be made only out of a company's distributable reserves.

Finally, a common issue on transaction structuring is the provisions concerning financial assistance. Broadly, these say that it is illegal for a company to give financial assistance, directly or indirectly, for the purpose of acquiring its own shares.

Group Relief/Consolidation

Under the Business Income Tax Act, corporations are taxed separately and no consolidated tax returns are accepted. However, arrangements similar to group taxation are possible for tax-deductible group contributions for limited (liability) companies under certain conditions.

Group contributions (other than capital contributions, which are not deductible) can be credited between domestic companies from business income (not relating to the banking or insurance industries), if the contribution is not otherwise deductible from business income. To qualify, both companies must be resident in Finland and there must be at least 90-percent ownership, direct or indirect, from the beginning of the tax year. Group contributions can be credited in both directions, from a parent company to a subsidiary and vice versa, as well as horizontally between sister companies. The criteria for indirect ownership can be fulfilled through a foreign company on the basis of the non-discrimination clause in the tax treaty with the country involved. If a Finnish or non-Finnish company owns at least 90 percent of its Finnish subsidiaries, a group contribution can be effected between these subsidiaries, if the other conditions mentioned above are fulfilled.

The granted group contributions may not exceed the taxable income of the contributing company in the tax year. The contributing company must formally make the decision during the tax year in which the contribution is granted, but the actual payment can be made later. The group contribution is tax-deductible only if the corresponding deduction is made in the books of the contributing company and if the receiving company books the contribution as its (taxable) income during the (tax) year in which the deduction is made in the contributing company. At least a 90-percent group relationship must have prevailed during the entire fiscal

year, and the financial year of the companies must end on the same day.

According to recent case law, a Finnish branch of a company resident in the European Union may also receive and grant group contributions.

Transfer Pricing

Arm's-length pricing must be followed in all intra-group transactions, including between Finnish group companies.

Dual Residency

Group contributions granted by a Finnish group company to a dual-resident company are not tax deductible; that is, the losses of a dual-resident company cannot be offset against profits of other Finnish group companies.

Foreign Investments of a Local Target Company

Finland's controlled foreign companies (CFC) legislation is designed to prevent Finnish companies from accumulating profits offshore in low-tax countries. Unless the offshore subsidiary is carrying on certain acceptable activities or meets other specified conditions, its profits will be apportioned to its Finnish parent and subjected to tax. Very broadly speaking, subsidiaries situated in tax treaty countries or in the European Union, are not usually considered as CFC.

Comparison of Asset and Share Purchases

Advantages of Asset Purchases

- Goodwill is tax deductible for the buyer.
- Step-up in the cost base for tax purposes is obtained.
- It is possible to set off directly the capital gain on assets against tax losses in the seller company.
- No previous liabilities of the company are inherited. After the asset deal, the seller company is still legally responsible for the company's liabilities, such as taxes.
- It is possible to acquire only part of a business.
- Profitable operations can be absorbed by loss-making companies in the acquirer's group, thereby effectively gaining the ability to use the losses.

Disadvantages of Asset Purchases

- There may be a need to renegotiate various types of external agreements.
- A higher capital outlay is usually involved (unless debts of the business are also assumed).
- If the seller company does not have any tax losses, the capital gain is taxable at the 26-percent corporate tax rate. Thus, it may be unattractive to the seller, thereby increasing the price.
- Tax-loss carry-forwards and other tax attributes remain in the seller company (the buyer cannot take any advantage of the tax attributes).
- Transfer tax of 1.6 percent is due on the fair market value of the shares of the Finnish subsidiaries or real estate (4 percent) included in the assets. The buyer is liable for the tax.

Advantages of Share Purchases

- There is a lower capital outlay (purchase net assets only).
- It is likely to be more attractive to the seller due to the participation exemption, so the price is likely to be lower.
- In an ownership change of more than 50 percent, the tax losses are forfeited. However, a Finnish company subject to the change of ownership may apply to the tax authority for permission to use these tax attributes.
- There may be a potential benefit resulting from existing external contracts.

Disadvantages of Share Purchases

- There is no tax deduction for the goodwill element in the purchase price.
- The buyer inherits liability for any claims or previous liabilities of the acquired entity.
- If either the buyer or the seller is a Finnish resident, the purchase of Finnish shares is subject to transfer tax of 1.6 percent.

Withholding Tax Rate Chart

The rate information and footnotes contained in this table are from the 2009 IBFD/KPMG Global Corporate Tax Handbook.

Country	Dividends		Interest ¹ (%)	Royalties (%)
	Individuals, Companies (%)	Qualifying Companies ² (%)		
Argentina	15	10	15	3/5/10/15 ³
Armenia	15	5	5	5/10 ⁴
Australia	15	0/5 ⁵	0/10 ⁶	5
Austria	10	0 ⁷	0	5
Azerbaijan	10	5 ⁸	0/10 ⁹	5/10 ⁴
Barbados	15	5 ⁷	5	0/5 ¹⁰
Belarus	15	5	5	5
Belgium	15	5	0/10 ¹¹	0/5 ¹⁰
Bosnia and Herzegovina ¹²	15	5	0	10
Brazil	- ¹³	- ¹³	- ¹³	- ¹³
Bulgaria	10	10	0	0/5 ¹⁰
Canada	15	5 ⁷	0/10 ⁹	0/10 ¹⁴
China (People's Rep.)	10	10	10	7/10 ¹⁵
Croatia ¹²	15	5	0	10
Czech Republic	15	5	0	0/1/5/10 ¹⁶
Denmark	15	0 ⁷	0	0
Egypt	10	10	0	25
Estonia	15	5	10	5/10 ¹⁵
Faroe Islands	15	0 ⁷	0	0
France	0	0	0/10 ⁶	0
Georgia ³²	10	0/5 ¹⁷	0	0
Germany	15	10	0	0/5 ¹⁰
Greece	13	13	10	0/10 ¹⁰
Hungary	15	5	0	0/5 ¹⁰
Iceland	15	0 ⁷	0	0
India	15	15	10	10/15 ¹⁵
Indonesia	15	10	10	10/15 ¹⁰
Ireland	0	0	0	0
Israel	15	5 ⁷	10	10
Italy	15	10 ¹⁸	0/15 ⁹	0/5 ¹⁴
Japan	15	10	10	10
Korea (Rep.)	15	10	10	10
Kyrgyzstan	15	5	10	5
Latvia	15	5	10	5/10 ¹⁵
Lithuania	15	5	10	5/10 ¹⁵
Luxembourg ¹⁹	15	5	0	0/5 ¹⁰
Macedonia	15	0 ⁷	10	0
Malaysia	15	5 ⁷	15	5
Malta	15	5 ⁷	0	0
Mexico	0	0	0/10/15 ²⁰	10
Moldova ³²	15	5	5	3/7 ⁴
Montenegro ¹²	15	5	0	10
Morocco	15	15	10	10
Netherlands	15	0 ²¹	0	0
New Zealand	15	15	10	10
Norway	15	0 ⁷	0	0
Pakistan	20	12/15 ²²	10/15 ⁶	10
Philippines	- ¹³	15	0/15 ⁹	15/25 ¹⁰
Poland	15	5	0	0/10 ¹⁰
Portugal	15	10	15	10
Romania	5	5	5	2.5/5 ²³
Russia	12	5 ²⁴	0	0
Serbia ¹²	15	5	0	10

Country	Dividends		Interest ¹ (%)	Royalties (%)
	Individuals, Companies (%)	Qualifying Companies ² (%)		
Singapore	10	5 ⁷	5	5
Slovak Republic	15	5	0	0/1/5/10 ¹⁶
Slovenia	15	5	5	5
South Africa	15	5 ⁷	0	0
Spain	15	10	10	5
Sri Lanka	15	15	0/10 ⁹	0/10 ¹⁰
Sweden	15	0 ⁷	0	0
Switzerland	10	0 ²⁵	0	0
Tanzania	20	20	15	20
Thailand	- ¹³	15/20 ²⁶	10/25 ⁶	15
Turkey	20	15	15	10
Ukraine	15	5 ²⁵	5/10 ²⁷	0/5/10 ²⁸
United Arab Emirates	0	0	0	0
United Kingdom	0	0	0	0
United States	15	0/5 ²⁹	0	0
Uzbekistan	15	5 ⁷	5	0/5/10 ²⁸
Vietnam	15	5/10 ³⁰	10	10
Zambia	15	5	15	0/5/15 ³¹

Notes

- Many treaties provide for an exemption for certain types of interest such as interest paid to the state, local authorities, the central bank, export credit institutions, or in relation to sales on credit. Such exemptions are not considered in this column.
- Unless stated otherwise, companies with a holding of at least 25 percent of the capital in the Finnish company qualify for the lower rates in this column.
- The 3-percent rate applies to royalties paid to news agencies for news items; the 5-percent rate applies to copyright royalties if the beneficial owner is the author or his/her heir; the 10-percent rate applies to industrial royalties; the 15-percent rate applies to copyright royalties in general.
- The higher rate applies to royalties paid for copyrights of literary, artistic, or scientific work, including films, etc.
- The zero rate applies if the Australian company has held at least 80-percent of the Finnish company's voting power for at least 12 months and meets certain other conditions. The 5-percent rate applies if the Australian company holds at least 10 percent of the Finnish company's voting power.
- The lower rate applies, inter alia, to interest paid to a financial institution (as defined).
- The rate applies if the recipient company holds at least 10 percent of the Finnish company's capital or voting power, as the case may be.
- The rate applies if the Azerbaijani company holds directly at least 25 percent of the Finnish company's capital and the participation in that company exceeds EUR 200,000.
- The lower rate applies, inter alia, to interest paid by public bodies.
- The lower rate applies to royalties paid for copyrights of literary, artistic, or scientific work, including films, etc.
- The lower rate applies, inter alia, to interest on current accounts and on advance payments between banks.
- The treaty concluded between Finland and the former Yugoslavia.
- The domestic rate applies; there is no reduction under the treaty. In the case of Brazil, lower treaty rates applied before 1 January 2008; the 10-year application of those rates has expired (Final Protocol, para. 2).
- The lower rate applies to copyright royalties (excluding films), computer software, patents, and know-how (excluding rental and franchise agreements).
- The lower rate applies to equipment rentals.
- Copyright royalties are exempt; the 1-percent rate applies to royalties paid for finance leases of equipment; the 5-percent rate applies to royalties paid for the use of computer software and operational leases of equipment; the 10-percent rate applies to industrial royalties in general.
- The zero rate applies if the participation is at least 50 percent with a minimum investment of more than EUR 2 million; the 5-percent rate applies if the participation is at least 10 percent with a minimum investment of more than EUR 100,000.
- The rate applies if the Italian company holds directly more than 50 percent of the capital in the Finnish company.
- The treaty does not apply to income paid to exempt Luxembourg holding companies.
- The zero rate applies, inter alia, to interest paid by public bodies. The 10-percent rate applies to interest in the case of banks, on bonds or securities that are regularly and substantially traded on a recognized securities market, and on interest in relation to sales on credit.
- The rate applies if the Netherlands company holds directly at least 5 percent of the capital in the Finnish company.
- The 12-percent rate applies if the Pakistani company holds directly at least 25 percent of the capital in the Finnish company; the 15-percent rate applies to dividends paid to companies in other cases.
- The lower rate applies to royalties paid for the use of computer software and for equipment leasing.
- The rate applies if the Russian company holds directly at least 30 percent of the capital in the Finnish company and the value of the holding is at least USD 100,000.
- The rate applies if the recipient company holds directly at least 20 percent of the capital in the Finnish company.
- The rate is 15 percent if the paying company is an industrial undertaking.
- The lower rate applies to interest paid in relation to sales on credit.
- Patent royalties and royalties paid for the use of computer software are exempt; the 5-percent rate applies to royalties paid for the use of secret formulae and know-how; the 10-percent rate applies to copyright royalties and trademarks.
- The 5-percent rate applies if the U.S. company owns directly at least 10 percent of the voting power in the Finnish company. The zero rate applies if the U.S. company owns at least 80 percent of the voting power in the Finnish company for at least 12 months and qualifies under certain provisions of the limitation on benefits article of the treaty.
- The 5-percent rate applies if the Vietnamese company holds directly at least 70 percent of the capital in the Finnish company; the 10-percent rate applies if it holds less than 70 percent but at least 25 percent of the capital.
- The rate is zero on royalties paid for copyrights of literary, artistic or scientific work; 5 percent for films and tapes; and 15 percent for industrial royalties.

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