



ATLAS  
BY BNP PARIBAS

## CASH MANAGEMENT

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Finland is among Europe's wealthiest economies. In purchasing power parity, GDP per head was more than 10% above the European average in 2019. Moreover, competitiveness has improved over the past five years, with unit labour costs decreasing between 2015 and 2018 and since then rising at the same pace as those in the Eurozone as a whole. This improvement in competitiveness has been largely due to the implementation of structural reforms by the Finnish government since 2016. These have included the scrapping of regulation that hinder competition and the agreement of a "Competitiveness Pact" between employers and unions to hold wage growth down.

Finland is one of the countries that came out the best from the Covid-19 pandemic, with one of the lowest infection rates in Europe. It has also managed to reach a relatively high vaccination rate (50% at time of writing). After a 2.7 fall in GDP in 2020, the economy has well recovered during the spring of 2021, and now stands close to its pre-pandemic level.

Like in many developed economies confronted to crisis, the surge in government spending associated with fall in receipts badly hurt public finances in Finland. Still, at 71% of GDP in 2021 (Commission estimates), the public debt to GDP ratio is one the lowest in the OECD and the country risk profile still one of the best.

## Summary

## BNP Paribas presence

BNP Paribas has a representative office in Helsinki, enabling both foreign companies with a presence in Finland and Finnish companies seeking to expand internationally to access a wide range of services including cash management and international trade finance:

- We support our clients in Finland through non-resident accounts that can be located in any SEPA country
- Capabilities include tax, social security and salary payments
- Full integration with global BNP Paribas solutions
- Partner bank capabilities if cash collections are required
- Card Acquiring via Partner

## Currency

## Currency

- Euro (EUR)

## Exchange rates

	2016	2017	2018	2019	2020
Exchange rate : EUR per USD	0.9040	0.8873	0.847	0.893	0.88

Source: IMF, International Financial Statistics, July 2021.

## Central Bank

- The Finnish central bank is Suomen Pankki ([www.suomenpankki.fi](http://www.suomenpankki.fi)).
- The Suomen Pankki is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank (ECB – [www.ecb.europa.eu](http://www.ecb.europa.eu)).

### Bank supervision

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as 'significant' under the terms of the SSM (115 significant banking groups have been recognized to date). 'Less significant' banks will continue to be supervised by the national supervisory authority, i.e. Finnish Financial Supervisory Authority (*Finanssivalvonta* – [www.finanssivalvonta.fi](http://www.finanssivalvonta.fi)).

## Bank accounts

## Resident / non-resident status

- A company is generally considered resident in Finland if its place of effective management is located there.

## Bank accounts for resident entities

	Within FINLAND	Outside FINLAND
Local Currency	<ul style="list-style-type: none"><li>• Permitted without restriction, fully convertible</li></ul>	<ul style="list-style-type: none"><li>• Permitted without restriction, fully convertible</li></ul>
Foreign Currency	<ul style="list-style-type: none"><li>• Permitted without restriction, fully convertible</li></ul>	<ul style="list-style-type: none"><li>• Permitted without restriction, fully convertible</li></ul>

## Bank accounts for non-resident entities

	Within FINLAND	Outside FINLAND
Local Currency	<ul style="list-style-type: none"><li>• Permitted without restriction, fully convertible</li></ul>	<ul style="list-style-type: none"><li>• Permitted without restriction, fully convertible</li></ul>
Foreign Currency	<ul style="list-style-type: none"><li>• Permitted without restriction, fully convertible</li></ul>	<ul style="list-style-type: none"><li>• Not applicable</li></ul>

## Lifting fees

- Fixed item-based fees are applied on payments between residents and non-residents.

## BNP Paribas Cash Management Capabilities

## Collections

Cash collections	✓
Cheque collections	✓



Direct debit collections	✓
Domestic incoming transfers	✓
Virtual IBAN	●
Virtual accounts	●
International incoming transfers	✓
Card acquiring	✓

## Payments

Cash withdrawals	✓
Cheque payments	✓
Direct debit payments	✓
Domestic outgoing transfers	✓
Commercial cards	●
Virtual cards	✓
International outgoing transfers	✓
SWIFT gpi	●
Real-time international payments through BNP Paribas' network	●
Card issuing	✓

## Channels

Local e-Banking	
Global e-Banking - Connexis	
SWIFT/ host to host	

## Payments & collections

### Market overview

Electronic credit transfers are the most commonly used payment instrument, by value. Companies use them to make supplier, payroll and tax payments. Card payments represent approximately two-thirds of all cashless payments. Contactless payments are the most popular type of card payment; in 2020, contactless payments accounted for 55% of the total volume of card payments.

Electronic banking services are available from all banks. Transaction and balance reporting and transaction initiation services are available on a domestic and cross-border basis. Finance Finland (FFI) It has also developed a Nordic XML-based standard, MIG (Message Implementation Guideline), based on C2B payment initiation, for e-banking, in conjunction with its Danish, Norwegian and Swedish counterparts.

Finvoice is an electronic invoicing standard among banks which facilitates intercompany invoicing. The service produces an XML-based invoice, which is sent to the payer in electronic format via the internet.

Online and mobile banking services are provided by all of Finland's banks. It is estimated that over 90% of Finnish residents use online banking services.

### Payment Systems

<a href="#">TARGET2-Suomen Pankki</a>	Type	<ul style="list-style-type: none"> <li>• Real-time gross settlement.</li> <li>• Finnish component of the pan-European <a href="#">TARGET2</a> system.</li> </ul>
	Participant	<ul style="list-style-type: none"> <li>• 24.</li> </ul>

	Transaction types processed	<ul style="list-style-type: none"> <li>• High-value and urgent EUR-denominated domestic and cross-border credit transfers.</li> <li>• Net obligations from the POPS clearing house.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 08:00–19:00 EET, Monday to Friday.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• Payments cleared and settled in real time.</li> <li>• Interbank payment cut-off time = 19:00 EET.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• <a href="#">TARGET2</a> is closed weekends and 1 January, Good Friday, Easter Monday, 1 May, 25, 26 December.</li> </ul>
POPS	Type	<ul style="list-style-type: none"> <li>• <a href="#">Bilateral netting</a> system.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 9 direct, 2 indirect.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• Domestic customer-initiated express payments, high-value cheques and bank drafts.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 08:00–17:00 EET, Monday to Friday.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• The value of a transfer decides the settlement method to be used. If the transfer value is over the agreed interbank bilateral limit then the payment is settled directly by <a href="#">TARGET2</a>. Transfers below the limit are bilaterally netted.</li> <li>• Final payment cut-off time = 16:30 EET.</li> <li>• End of day settlement of bilateral net positions take place in <a href="#">TARGET2</a> =17:00 EET.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• POPS is closed at weekends and on all Finnish bank holidays.</li> <li>• Finland's bank holidays are:</li> <li>• 2nd half 2021: 6, 24–26 December.</li> <li>• 2022: 1, 6 January, 15, 18 April, 1, 26 May, 24 June, 6, 24–26 December.</li> </ul>
STEP2	Type	<ul style="list-style-type: none"> <li>• Multilateral net settlement system.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 8 SCT participants, 8 SDD Core participants and 1 B2B SDD participant.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• Low-value and non-urgent domestic and cross-border SEPA payments (credit transfers (SCTs) and direct debits (SDDs)).</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• Throughout the day, Monday to Friday.</li> </ul>



	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• Payments are processed in batches, with participant balances settled in TARGET2-Suomen Pankki.</li> <li>• Cut-off time for overnight settlement of SCTs by 08:30 EET = 03:00 EET.</li> <li>• Cut-off time for same-day settlement of SCTs by 10:45 EET = 10:00 EET.</li> <li>• Cut-off time for same-day settlement of SCTs by 13:15 EET = 12:30 EET.</li> <li>• Cut-off time for same-day settlement of SCTs by 15:45 EET = 15:00 EET.</li> <li>• Cut-off time for same-day settlement of SCTs by 17:20 EET = 17:00 EET.</li> <li>• In addition to the five daytime cycle above, there are two optional STEP2 SCT overnight cycles:</li> <li>• Cut-off time for same-day settlement of SCTs by 22:40 EET = 22:00 EET.</li> <li>• Cut-off time for same-day settlement of SCTs by 03:00 EET = 02:00 EET.</li> <li>• Cut-off time for same-day settlement of consumer (CORE) SDDs = 12:00 EET</li> <li>• Cut-off time for same-day settlement of B2B SDDs = 13:00 EET.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• STEP2 is closed weekends and 1 January, Good Friday, Easter Monday, 1 May, 25, 26 December.</li> </ul>

## Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- SEPA credit transfers are settled via STEP2.
- All Finnish banks participate in the SEPA credit transfer scheme.
- High-value and urgent domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-Suomen Pankki.
- High-value, domestic and urgent 'express transfers' can also be processed via POPS.
- High-value and urgent cross-border credit transfers can also be settled with end-of-day value via the Euro Banking Association's EURO1 system. Four banks in Finland participate directly in EURO1.
- High-value cross-border credit transfers in domestic and other currencies can be processed via SWIFT, correspondent banking and bank branch networks.
- The European Payment Council's SCT Inst scheme enables the transfer of funds to another account in less than ten seconds. The maximum threshold value is EUR 100,000, although there is no upper limit for transfers within Finland. There are five Finnish participants.
- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments. There are six participants from Finland.
- EBA Clearing has launched a pan-European request to pay (R2P) infrastructure solution with the support of 27 payment service providers from 11 countries. The new 24/7 service is compatible with

the SCT and SCT Inst schemes and allows payees to take the initiative to request a specific payment from the payer.

- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies. There are no Finnish participants to date.

## Direct debits

- Direct debits are used for regular payments, such as utility bills.
- There are a number of alternative domestic direct debit schemes in Finland, including direct invoicing, e-invoicing and SEPA direct debits.
- Direct invoicing allows the payer to verify payment information before the payment is made.
- E-invoicing, offered by banks, enables clients to send electronic invoices directly to their corporate and consumer customers.
- SEPA direct debits are settled on a same-day basis via STEP2. There are eight participants in the Core SDD scheme and one in the B2B SDD scheme.

## Cheques

- The cheque is rarely used in Finland. In 2020, just EUR 21 million in cheque payments was processed, down from EUR 56 million in 2019 and EUR 283 million in 2018.
- Cheques are primarily used for high-value business payments.
- Cheques are processed by POPS and settled via TARGET2-Suomen Pankki.
- Cheque payments above a bilaterally agreed settlement threshold are settled directly via TARGET2-Suomen Pankki.

## Card payments

- Card payments, particularly debit card payments, are increasingly popular, especially for retail transactions. There were 1,746 million debit card transactions in 2020, compared to 161 million credit card transactions.
- Payments with Finnish payment cards decreased slightly in 2020, to 1.9 billion, compared to 2019. The total value of card payments increased by 3.5%, to EUR 56.0 billion, from EUR 54.1 billion over the same period.
- There were 9.9 million payment cards in circulation at the end of 2019.

- Contactless card technology is available in Finland. Contactless payments accounted for 55% of the total volume of card payments in 2020.
- Most payments are processed by Nets.
- All cards are SEPA-compliant with EMV chips.

## ATM/POS

- There were 1,751 ATMs in Finland at the end of 2019.
- All ATMs and POS terminals are EMV-compliant.

## Electronic wallet

- There are a number of electronic wallet schemes in Finland. E-purse cards are issued by some public transport operators as well as phone and retail companies.
- International pre-paid cards are available.
- Mobile payment schemes such as MobilePay and Siirto are available.
- A total of 168 million remote payments were made in 2020, 36% more than in 2019. Total value grew 23% to EUR 6.8 billion.

## Short term investments

## Market overview

### **Interest payable on credit balances**

- Interest-bearing current accounts are permitted for residents and non-residents.

### **Demand deposits**

- Demand deposits are available for residents and non-residents.

### **Time deposits**

- Time deposits are a popular instrument form with small companies in Finland.

- Most time deposits are issued with maturities below one month.

### **Certificates of deposit**

- Domestic banks issue certificates of deposit with a range of tenors.
- The minimum investment is EUR 150,000.

### **Treasury (government) bills**

- The State Treasury issues Treasury bills denominated in EUR and USD with terms ranging from one day to one year.

### **Commercial paper**

- Commercial paper is issued by companies with a range of maturities.

### **Money market funds**

- Money market funds are available.

### **Repurchase agreements**

- Repurchase agreements are commonly available in Finland.

### **Banker's acceptances**

- Banker's acceptances are not used in Finland.

## BNP Paribas Trade Finance Capabilities

### Trade payments

Documentary credits	✓
Documentary collections	✓

## Guarantees

Bank guarantees	✓
Standby letters of credit	✓

## Supply chain management

Receivables	✓
Payables	✓
Inventory	✓

## Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	●
Connexis Guarantee	●
SWIFTnet Supply Chain	●

- BNP Paribas provides a comprehensive range of trade finance and supply chain management solutions to the key exporting companies in the Nordics, enabling them to mitigate their payment risk, secure commercial contracts and enhance their working capital needs. Through the bank's trade centre for the Nordics, BNP Paribas provides a single entry point for its customers to manage all their trade finance needs including advice on local guarantee wording.

## International trade

### General trade rules

- As a member of the EU, Finland follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

### Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Indonesia, Mercosur (the Southern Common Market), Uruguay, and the USA. The EU and the UK are currently negotiating their future trading relationship following the UK's withdrawal from the EU.

### Imports / exports

Imports	Crude petroleum	Cars and vehicle parts	Refined petroleum	Broadcasting equipment	Packaged medicines
Primary Import sources	Germany (16.0%)	Sweden (14.0%)	Russia (13.0%)	China (6.0%)	Netherlands (6.0%)
Exports	Refined petroleum	Cars	Stainless steel	Paper and pulp	Lumber
Export markets	Germany (14.0 %)	Sweden (10.0%)	USA (8.0%)	<u>Netherlands</u> (6.0%)	China (6.0%)

### Import / export volumes

SSources: IMF, International Financial Statistics and World DataBank, August 2020.



		2016	2017	2018	2019	2020
Exports	- goods USD m	58,863	67,198	74,302	72,656	68,375
	- services USD m	26,870	28,880	31,937	34,472	28,971
Imports	- goods USD m	58,459	65,510	73,982	70,097	64,436
	- services USD m	29,730	30,444	35,196	36,472	31,709
Current account as % GDP		– 0.8	– 0.9	– 1.8	– 0.5	+ 0.5

## Trade finance - Imports

## Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to import goods into Finland from outside the EU:
  - customs declaration
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

## Import licences

- Import licences are required for items with quantitative restrictions from outside the EU and for items from within the EU that are deemed to be of national interest or of a strategic nature.

## Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.

## Financing requirements

- None

## Risk mitigation

- None

## Prohibited imports

- Finland prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

## Trade finance - Exports

## Documentation

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from Finland outside the EU:
  - customs declaration
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

## Export licences

- Licences are required when exporting goods subject to international controls and certain items subject to strategic controls.

## Export taxes and tariffs

- None

## Financing requirements

- None

## Risk mitigation

- Finnvera provides state-supported export credit insurance.
- Export credit insurance is also available from private insurance companies.
- Export financing is available privately from commercial banks.

## Prohibited exports

- Finland prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

## Regulatory requirements

## Reporting regulations

- Statistics Finland collects information for balance of payments statistics via quarterly surveys.
- Approximately 1,000 to 1,200 companies are required to complete and file annual surveys on foreign assets and liabilities. The data are collected via an online service from the largest enterprises and entities operating in Finland that have significant foreign or domestic financial assets and liabilities.
- Companies are required to return the quarterly surveys within 17 days of the end of the reporting quarter.

## Exchange controls

- Finland does not apply [exchange controls](#).

## Taxation

### Resident / non-resident

- Under domestic rules, a company is considered resident in Finland if it is registered in Finland and incorporated under Finnish law.
- Tax treaty residence does not affect the status of a person as subject to unlimited or limited tax liability in Finland. A tax treaty may, however, limit the taxation in Finland substantially if Finland is not the taxpayer's state of residence for tax treaty purposes.
- Most of Finland's tax treaties refer to the place of effective management as the determining rule for companies in dual residence situations.

### Tax filing

- The Finnish corporate tax year is the financial year of the company or the financial years that have ended during one calendar year. If two or more financial years end during the calendar year, the years are combined for tax purposes.
- Tax returns are due within four months of the company's financial year-end.
- Companies are required to make advance corporate tax payments (collected in monthly instalments). Generally, the tax authorities calculate the total amount of the advance payments for the tax year based on the taxable profit of the latest tax assessment. The taxpayer is entitled to request the advance taxes to be raised or lowered if projected taxable income is realistically expected to be different from what had been projected in the previous calculation.
- If a company is in a loss-making position, or has substantial and confirmed tax losses from previous years, no advance taxes are imposed.
- Consolidated returns are not permitted; each company is required to file a separate tax return. However, profits may be transferred between eligible Finnish companies through a group contribution regime. The companies must engage in business activities, there must be at least a 90% direct or indirect holding between the entities and the ownership must have lasted for the full tax year. As of 1 January 2021, new Finnish legislation allows the 'final losses' of a subsidiary located in an EU/EEA member state to be deducted by a Finnish parent entity, as required by EU law.

## Financial instruments

- In general, the Finnish tax laws regarding financial instruments apply a realisation principle. However, special legislation exists in certain industries (insurance, pension, and credit institutions) as well as regarding unrealised gains and losses arising mainly from financial instruments held for trading purposes. These gains are treated as taxable income if the corresponding income is booked to the profit and loss account. Similarly, unrealised losses associated with such financial instruments are treated as tax-deductible expenses if the corresponding expenses have been booked to the profit and loss account.
- Further, as a general rule, the transfer of treasury shares of a company is not subject to capital gains taxation and, accordingly, capital losses of such a transfer are not tax deductible. However, the acquisition cost of treasury shares in connection with employee compensation plans is deductible under certain conditions.
- Please also refer to Foreign exchange gains and losses.

## Interest and financing costs

- Interest and financing costs are subject to the general [transfer pricing](#) and thin capitalisation rules.
- There is also a general anti-avoidance rule applying the substance over form principle.
- Interest costs relating to loans which represent investments comparable to equity may be regarded as dividends on the basis of the general anti-avoidance rule.

## Foreign exchange

- In general, foreign exchange is subject to a parallel tax regime (i.e. taxed as a separate item). However, the foreign exchange gain/loss will be treated as part of the underlying transaction if an asset or a liability is measured at fair value for tax purposes.
- In broad terms, unrealised foreign exchange gains/losses and index gains/losses from receivables and debts connected to business activities (i.e. not to other income or farming) are treated as taxable income and a deductible cost if the corresponding gain or loss is recognised in the profit and loss account. Under certain conditions, and provided there is a connection to the taxpayer's business activities, the above also applies to unrealised gains and losses of derivatives (e.g. due to a change in their fair value) used to hedge against foreign exchange rate fluctuations, provided the gain or loss is recognised in the profit and loss account. Unrealised gains/losses on derivatives used to hedge against index gains/losses are – according to the wording of the law – not taxable/deductible.
- Special rules in relation to foreign exchange and index gains/losses apply to credit institutions, pension institutions, insurance institutions and certain financial instruments held for trading purposes.
- For Finnish accounting purposes, foreign currencies are converted to euros. Taxable income is determined in euros.

## Advance tax ruling availability

- A taxpayer may request a ruling from the tax authorities on the tax consequences of a specific transaction. Such rulings are binding on the authorities, but not the taxpayer.

## Capital gains tax

- In principle, capital gains received by a Finnish company are taxable as ordinary business income, at a rate of 20%. However, gains on qualifying holdings are exempt if certain conditions are satisfied.
- Gains derived from the sale of shares are not taxable for a Finnish corporate taxpayer when the shares sold belong to fixed assets that are deemed to be part of the seller's business income-generating assets (rather than passive income) if:
  - The seller company owns at least 10% of the share capital of the entity and the dividend-distributing shares contribute to this equity stake;
  - The shares have been held for at least one year and the alienation does not take place more than one year after the seller company's ownership in the entity falls below the 10% threshold;
  - The disposed shares are not shares in a real estate company or limited liability company whose business activities consist principally of governing or owning real estate; and
  - The disposed shares are of a Finnish company or a foreign company listed in the EU Parent-Subsidiary Directive or a company resident in a country that has concluded a tax treaty with Finland, provided the treaty provisions on dividends are applicable to distributions by the company.

## Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	None	None	None	N/A
Non-resident entities	None	20%	20%	N/A

- Interest paid to non-resident companies is generally not subject to a withholding tax.
- Dividends paid to a non-resident company are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under the EU Parent-Subsidiary Directive. If dividends are paid to an EEA resident shareholder, domestic non-discrimination provisions may lower the withholding tax rate to a level corresponding to similar domestic distributions.
- Royalty payments made to a non-resident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under the EU Interest and Royalties Directive.

## Tax treaties / tax information exchange agreements (TIEAs)



- Finland has concluded around 70 tax treaties.
- The OECD MLI entered into force for Finland on 1 June 2019.
- Finland, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement (the MCAA). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE). With country-by-country reporting, tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA started in 2017–18 on 2016 information.

## Thin capitalisation

- There is a general limit on the deductibility of interest expense.
- Net interest expenses are deductible up to EUR 500,000. However, the threshold of EUR 500,000 is not a safe harbour. When EUR 500,000 is exceeded, net interest expenses are deductible only up to 25% of the EBITD (the taxable income of the company, plus interest expenses, tax depreciation, and net group contributions). In addition, net interest expenses paid to third parties are fully deductible up to EUR 3 million, even if the 25%-of-EBITD limit is lower.
- The implementation of the EU ATAD has extended the interest expense limitation rules to apply to loans from third parties. The rules do not apply if the company can demonstrate that its equity ratio (equity to total assets) is equal to or higher than the equivalent ratio of the group.

## Transfer pricing

- Finland generally follows the OECD transfer pricing Guidelines. Affiliated companies are required to comply with the arm's length principle.
- The tax authorities may adjust the profits of a Finnish company if the taxpayer has entered into a transaction under conditions that differ from those that would have been agreed upon between unrelated parties. Any profits that would have accrued to the company, but for the non-arm's length terms, may be included in the company's profits.
- Provisions requiring transfer pricing documentation are in place, and in general, the documentation obligation applies to Finnish companies that have transactions with foreign group companies. The documentation requirements also apply to transactions between a permanent establishment in Finland and its foreign head office.

## Stamp duty

- There is no stamp duty in Finland.

## Cash pooling

- Finland does not have specific tax rules for cash pooling arrangements.

## Financial transactions / Banking services tax

- Transfer tax is imposed on transfers of real estate and securities. The transfer tax on real estate is 4% of the transfer price, and 1.6% on securities. Transfers of shares in real estate-rich companies or holding companies are subject to a transfer tax of 2%.

*All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 ([www.deloitte.com](http://www.deloitte.com)).*?



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