

## European and international tax law, lecture exam 5.2.2019 13:00-16:00

Please check the guidelines at the end of the last page!

1) Use the given international and European tax law concepts to provide your professional tax advice in a given situation (max. 6 points)

A) Concepts: Allocation of taxing rights, golden rule of tax treaties

Situation: You are tax advisor and your Canadian client has requested your confirmation that Finland will impose a 10% withholding tax on interest paid to a company resident in Canada. Your client's view is based on the Article 11.2 of the Finland-Canada tax treaty. How do you reply to your client?

B) Concepts: Controlled foreign company (CFC), anti-tax avoidance directive (ATAD), EU Court of Justice (CJEU), genuine economic activity, wholly artificial arrangement

Situation: You are tax advisor and your Finnish client is considering setting up a wholly-owned (100% ownership) subsidiary in Ireland. Your client has heard that there are some changes in the Finnish CFC rules which are necessary due to the implementation of an EU tax directive as from 2019. Your client is wondering whether there is a risk that the Finnish CFC rules could in future be applied to their Irish subsidiary considering that the corporate income tax rate in Ireland is only 12,5 % whereas Finland applies 20 % corporate income tax rate. In addition, your client has understood that the CFC rules may not be applied in case the CFC carries on genuine (substantive) economic activities and would like to get your confirmation on this and explain reasons for this. How do you reply to your client?

2) A Finnish company (legal form: limited liability company, in Finnish: osakeyhtiö) specialized in producing and selling milk products is planning to expand its business to Sweden and seeks your advice on international and European tax law matters. The company is planning to open a sales office in Sweden which would employ several people and be responsible for marketing and selling milk products in Sweden. The company would like to receive your advice on the following questions (max 6 points):

a) What are the main tax differences between setting up a Swedish subsidiary (legal form: limited liability company, in Swedish aktiebolag) ("Alternative 1") or a branch which would constitute a permanent establishment (PE) ("Alternative 2")? You should comment on the allocation of taxing rights to business profits including the elimination of double taxation. In Alternative 1, you should also comment on the taxation of dividends paid by the Swedish subsidiary to the Finnish company?

b) Are there any anti-tax avoidance rules that should be paid attention to either in Alternative 1 or Alternative 2.

c) Are there any other international and European tax law issues related to either Alternative 1 or Alternative 2 that you would like to point out?

When answering the questions you may use either the Nordic Tax Convention (in Finnish: Pohjoismaiden välinen verosopimus) or the OECD Model Tax Convention. In case there are any European tax law that should be taken into account you may refer to the appropriate EU tax directives or you may refer to the domestic tax rules of Finland and/or Sweden which implement the rules of the appropriate directive. If the above description does not include information that you consider necessary to provide your advice, you may make assumptions or just state in your answer that an important piece of information is lacking.

3) European value added taxation (VAT) case (max. 3 points)

Company established in Germany is about to establish a branch office in Finland and contacts you to seek advice on some VAT matters.

The Finnish branch office will sell consulting services to business customers situated in Finland and in Sweden. The head office in Germany is also a service provider in the consulting sector. The company does not have a branch office in Sweden.

Please describe the VAT treatment of supplies of consulting services to business customers in Finland and to Sweden. The company would also like to know who is responsible for paying the VAT to the local tax administration.

4) In your view, what is the most important/useful/astonishing matter of international or European tax law you learned during the course? Explain why. (max. 5 points)

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- Recommended maximum length of answers: 1 page/answer
- Submit your answers at MyCourses – Assignments – Lecture exam answers in one pdf-, ppt- or word-file latest by 16:00
- Each student should submit individually own answers, even if you prepare your answers together with another student or students
- In case of technical problems, please send your answers directly to [tomi.viitala@aalto.fi](mailto:tomi.viitala@aalto.fi) by 16:00
- You may answer in English or Finnish

Good luck & thank you for attending the course!