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The Tier 1 Finnish Tax Firm in 2018 & 2017 | The Finnish Transfer Pricing Firm of the Year in 2017, 2015 & 2011 | The European Tax Technology Firm of the Year in 2017

Tax Challenges for Multinational Enterprises: Setting the scene

Aalto BIZ / 32E30001 Tax Challenges for Multinational Enterprises | Tuesday, April 16, 2019 | Petteri Rapo

Guest Speaker

Petteri Rapo, Partner, Transfer Pricing Services | Alder & Sound



- ▶ Master of Science (Business Law, Finance) | Aalto University, School of Business (former HSE).
- ▶ Joined A&S in 2011, previous work experience from accounting and financial administration.
- ▶ Professional experience from working with multinational corporations from a range of industries, including construction, consumer goods, chemicals, food products, engineering, mining and software.
- ▶ Specialized in demanding transfer pricing engagements, intra-group financing, intangible assets and tax considerations related to operating in BRICS and other developing regions.

Alder & Sound – Your trusted partner in international business

Founded in 2010, A&S is today one of the leading independent Finnish professional service providers

We are committed to serving as a trusted partner through integrated provision of legal, tax, transfer pricing, financial advisory and data & analytics services.

We highlight pragmatic approach and provide our clients with flexible, comprehensive and cost-effective solutions by utilizing our innovative tools and methodologies.

We believe in true 'one-stop-shop' experience. From start to finish, we provide turnkey solutions that maximize the benefit and value creation while minimizing the administrative burden.



Independent Finnish service provider with a global cooperation network.



Legal, tax, transfer pricing, financial advisory and data & analytics services.



Multidisciplinary professionals with extensive practical experience.



Clientele consisting of large multinational enterprises & smaller domestic companies.



- ▶ The Tier 1 Finnish Tax Firm in 2018 & 2017
- ▶ The Finnish Transfer Pricing Firm of the Year in 2017, 2015 & 2011
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▶ **Client retention rate since 2010: 96.7%**

Agenda | April 16, 2019

Tax Challenges for Multinational Enterprises: Setting the scene

1. International tax law: Division of taxing power between sovereign states in case of cross-border business activities
2. Shifting focus:
 - a) Corporate tax planning & management
 - b) Taxation authority and tax administration
 - c) International regulatory development

International tax law

Division of taxing power between sovereign states in case of cross-border business activities is carried out based on international tax rules



International tax rules apply, when:

- a) The **source country** of certain income item and the **country of residence** for the receiver of such income are not the same
- b) The **location** of certain item of property is different from the **residence** country of its owner

≠ supranational law

- national legislation
- tax treaties
- EU tax law

Shifting focus | Corporate tax planning

Modern tax planning aims at optimizing the group-level tax cost while taking into account the economic reality, value creation and relevant regulation

- ▶ **The starting point for modern tax planning is simple:** optimize the group-level tax cost while taking into account the economic reality, value creation and relevant regulation
- ▶ **Example means for optimizing group-level (effective) tax rate:**
 - Avoiding & eliminating international double taxation
 - Utilizing tax deferrals for cashflow benefits
 - Matching of business profits & carryforward losses & WHT credits
- ▶ The deemed benefits (short-term vs. long-term / cash tax vs. total tax rate) from corporate tax planning should be balanced with implied impacts on the business operations, anticipated costs and (un)expected regulatory changes.

Shifting focus | Corporate tax planning (cont'd)

The lines between (acceptable) tax planning, tax avoidance and tax evasion have been blurring during the past decade

TAX PLANNING

Actions taken within the regulatory framework and in connection with actual business reasons to optimize the tax burden related to certain economic activities

TAX AVOIDANCE (aggressive tax planning)

Tax planning actions which, while within the regulatory framework, aim at minimizing the tax burden in such ways that are considered unfair and inappropriate

TAX EVASION

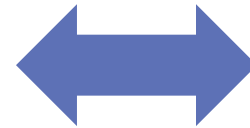
The illegal non- or underpayment of tax.

Shifting focus | Corporate tax management

Effective tax management involves various tasks and stakeholders

➤ The key tasks for corporate tax management function:

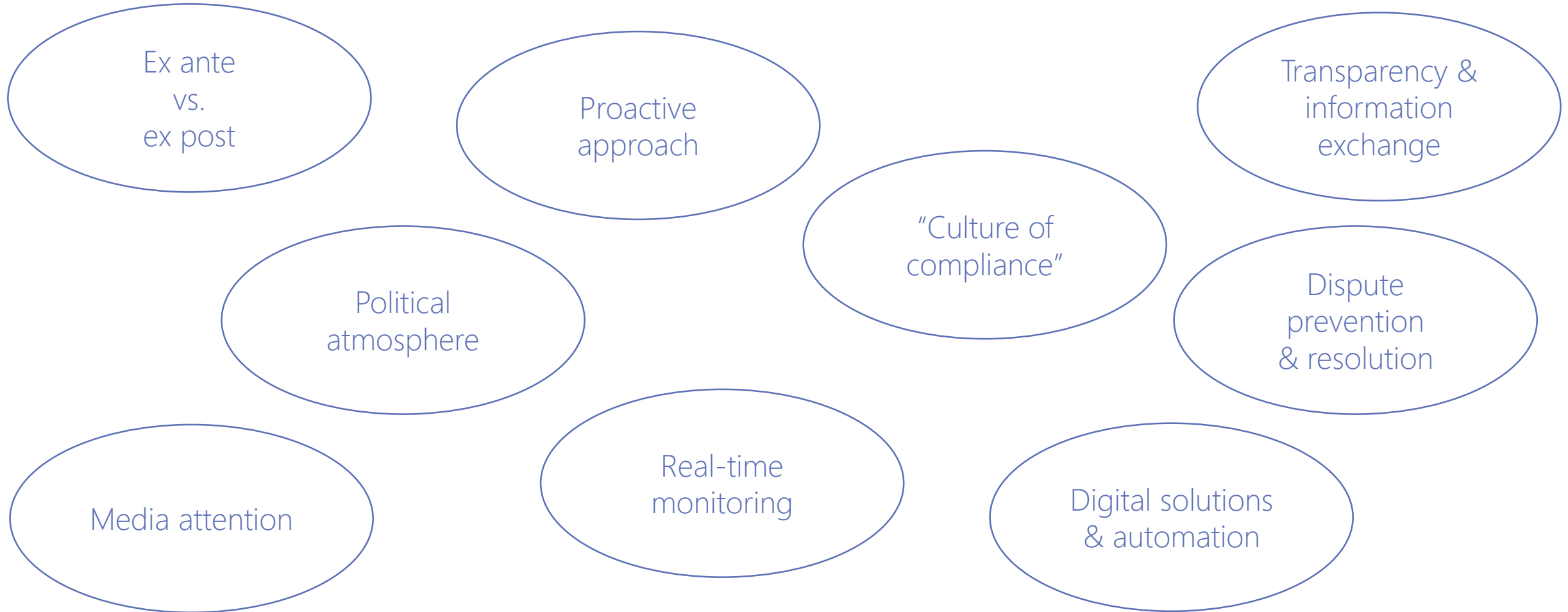
- Tax planning
- Tax compliance
- Tax risk management
- Tax reporting



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Shifting focus | Taxation authority and tax administration

The current state of government budget, public opinion and the culture within the tax administration all affect the operating environment for MNEs



Shifting focus | International regulatory development

The regulatory framework for international taxation is in state of constant change

- ▶ OECD BEPS (*Base Erosion and Profit Shifting*) Action Plan
- ▶ EU Anti Tax Avoidance Package (ATADs)
- ▶ Taxation of digital economy
- ▶ (C)CCTB & destination-based taxation
- ▶ ...

(UNIFORM) NATIONAL IMPLEMENTATION?



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