



Taxing Multinational Enterprises Administrative Processes & Dispute Prevention

Aalto University: Tax Challenges for Multinational Enterprises

25 April 2019

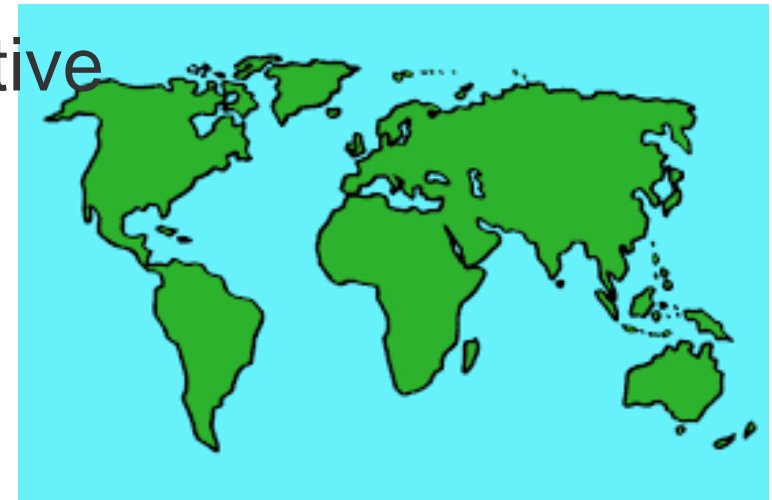
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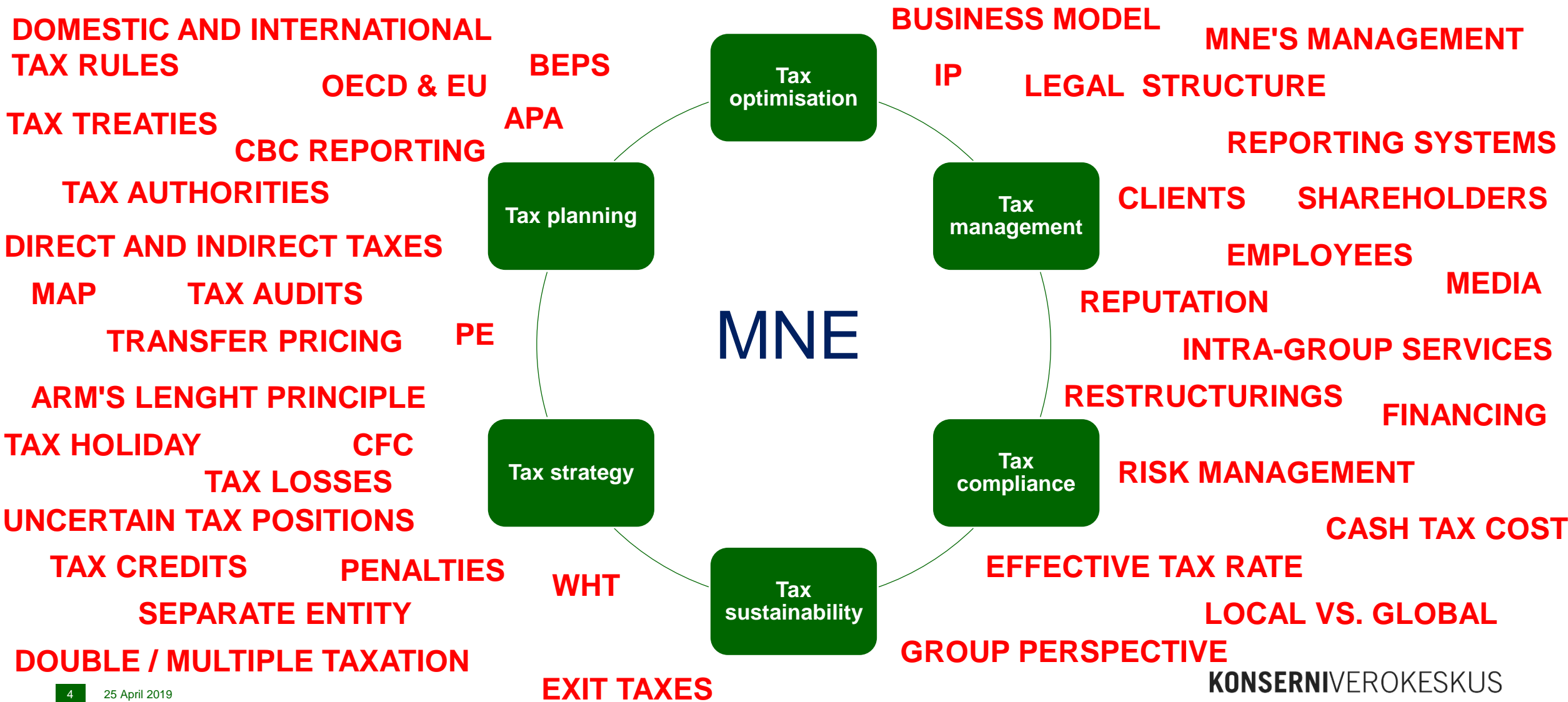
MNE's perspective and challenges

- 360° perspective
- Domestic vs. global view
- Forward-looking vs. retrospection
- Group perspective vs. separate entity approach
- Legal group structure vs. business perspective
- MNE ↔ two or more tax jurisdictions
- Different interpretations of tax rules



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International playground and players



Global development

- Double taxation → double nontaxation
- OECD (BEPS) & EU
- Arguing → cooperation
- Tax certainty



Toolkit

- Cooperative compliance
- Pre-emptive discussion
- Advance rulings
- Cross-Border Dialogue
- APA
- Alternative Dispute resolution



PRE-EMPTIVE DISCUSSION

GOALS

- To guide the MNE to comply with the tax legislation, right from the start
- To increase the predictability and certainty of MNE's taxation
- To avoid heavy and time consuming appeal processes
- To enhance transparency of VERO's actions
- To decrease administrative burden for both parties

MNE = Multinational enterprise

VERO = Finnish Tax Administration

PREPARATIONS

- MNE**
- Presents their plan and arises questions and matters related to taxation
 - Presents its own perspective on possible tax risks and interpretations of the tax legislation
 - May present materials and documents to support the process

- VERO**
- Should have reasonable time to familiarize itself with the material provided

MEETING(S)

- MNE**
- The key aspect of the meeting is to clarify the questions and matters related to taxation as well as single out possible tax risks
- VERO**
- Several meetings may be held
 - Meeting(s) could be held either at Large Taxpayers' Office or MNE's premises

AFTER

- MNE**
- Additional questions and matters can be discussed and handled, e.g. via secured e-mail or phone

- MNE**
- May change its original plan according to the guidance provided by VERO

- VERO**
- Will assure that MNE shall be up to date during the process
 - Prepares a written memorandum after process has ended
 - May recommend the MNE to apply for an binding Advance Ruling if tax question presented is interpretative and lacks legal praxis or parties disagree on the interpretation of the tax law

MEMORANDUM

- May also include a written guidance
- MNE may not agree with the guidance provided by VERO
- In case of cross-border transactions, VERO may be obligated to file the memorandum to the applicable registers of EU and OECD

CROSS-BORDER DIALOGUE

→ SCOPE

- Different types of specified international tax issues
- For example corporate tax issues related to:
 - Permanent establishment
 - Cross-border losses
 - Withholding taxes
 - Transfer pricing

→ LEGAL BASIS

- Exchange of information by the competent authorities as set out in the provision of applicable tax treaties or
- Mutual agreement procedure (MAP)

COUNTRY 1: TAX ADMINISTRATION

EXCHANGE OF INFORMATION (EOI)

COUNTRY 2: TAX ADMINISTRATION

- Initiative: Taxpayer or Tax Administration
- The competent authority for EOI function should take part in the process
- Taxpayer submits all relevant information

ACTIVE PARTICIPATION AND CO-OPERATION

TAXPAYER(S)

INFORMATION
GUIDANCE

INFORMATION
GUIDANCE

→ OUTCOME

- The outcome of the CBD is not an agreement between tax administrations
- Separate guidance in writing in each country according to the domestic legislation

→ BENEFITS

- Preventing disputes and eliminating potential double taxation
- Bringing certainty to the taxpayer
- All the parties could save significant time and resources compared to intensive tax audit enforcement, litigation or mutual agreement procedures

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ASIAKKAAMME TOIMIVAT OIKEIN JA KAIKKI VEROASIAT RATKAISTAAN ENNAKOLLISESTI, ASIAANTUNTEMUKSELLA

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