

Government Expresses Support Towards EU Corporate Directives BEFIT, TP and HOT with Significant Reservations

31 October 2023

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The government has expressed its support towards the following 3 EU Directives:

- a [Directive](#) on Business in Europe: Framework for Income Taxation (BEFIT) (for details, see [European Commission Launches BEFIT Proposal \(13 September 2023\)](#));
- a [Council Directive on transfer pricing](#) (draft Directive) (for details, see [European Commission Proposes Directive for Harmonizing Transfer Pricing Rules Across European Union \(13 September 2023\)](#)); and
- a [Directive](#) establishing a Head Office Tax System for SMEs (the HOT proposal) (for details, see [European Commission Launches Head Office Tax System for SMEs Proposal \(13 September 2023\)](#)).

The government supports the goals of:

- reducing the administrative costs, especially for SMEs;
- improving the competitive power of enterprises; and
- applying the arm's length principle in a harmonized way.

The government, however, expressed serious doubts about:

- whether the administrative burden will in practice reduce, for both enterprises and the tax administration. This aspect should receive particular attention during the upcoming legislative process;
- the transfer of taxing powers, which the Government insists should remain at the national level. The Government points out that especially the BEFIT and HOT Proposals entail significant harmonization regarding corporate taxation and create uncertainties regarding the tax revenue Finland would generate from the corporate income tax; and
- the challenging implementation deadlines, given the concurrent developments in the international corporate taxation environment.

For the press release, as published on 26 October 2023, see [here](#) (in Finnish). The Ministry of Finance opened a public consultation on the topic on 15 September 2023 (for details, see [Ministry Opens Public Consultation on EU Corporate Directives BEFIT, TP and HOT \(18 September 2023\)](#)).

Finland; European Union - Government Expresses Support Towards EU Corporate Directives BEFIT, TP and HOT with Significant Reservations (31 Oct. 2023), News IBFD.

Exported / Printed on 9 Mar. 2024 by hkermadi@deloitte.lu.