

MK-Law

Jan Långstedt
Partner, ll.m.
Email: jan.langstedt@mklaw.fi
Tel. +358400538022

Helsinki
5.10.2011

AMENDMENTS TO TAX ACTS FOR FISCAL YEAR 2012

The government today introduced a bill to the parliament on tax rates for fiscal year 2012, as well as certain amendments to the income tax act and certain other tax acts.

According to the bill, the corporate profit tax rate would be decreased from the current 26 percent to 25 percent. The tax rate on capital income would be raised from 28 percent to 30 percent. Taxation of capital income would be made partly progressive, since for the part capital income exceeds 50,000 € it would be taxed at the rate of 32 percent. The maximum amount of tax exempted dividends from privately held limited liability companies would be decreased to 60,000 Euro from the current 90,000 Euro.

Corporate Profit Tax

According to the government bill, the corporate profit tax rate would be decreased from the current 26 percent to 25 percent, in order to facilitate and improve businesses' growth and investment opportunities, as well as to enhance the international competitiveness of the Finnish tax system. The emphasis of taxation would thus be transferred from corporations to shareholders (See also the sections on dividend and capital income tax below).

Dividend tax

The government proposes to decrease the maximum amount of tax exempted dividends that a shareholder of a privately held limited liability company is entitled to from the current 90,000 Euro to 60,000 Euro.

Capital income tax

According to the government bill, the capital income tax rate would be raised from the current 30 percent to 28 percent. Moreover, if the amount of capital income received by a taxpayer exceeds 50,000 Euro, a 32 percent tax rate would be applied to the part of the capital income that exceeds the aforementioned threshold value.

Income tax

MK-Law

The tax burden for individuals would, on average, remain on the same level as in fiscal year 2011, taking into account 3,3 % inflation and the proposed adjustments to income threshold values by roughly three percent.

Tax benefits for foreign highly-qualified employees would be prolonged until the end of fiscal year 2015, allowing these employees to apply the 35 percent source tax rate to taxation of their salary.

Deduction of interest

To harmonize taxation between individuals owning their house or apartment and individuals renting the same, the deductible amount of interest on mortgages would be decreased to 75 percent of accrued interest.

The amendments concerning deduction of interest would come into effect gradually. Thus, in 2012, 85 percent of interest would be deductible. For 2013 the deductible amount of interest is further decreased to 80 percent. From fiscal year 2014 onwards 75 percent of accrued interest is deductible.

The amendments concerning deduction of interest would concern all taxpayers from the beginning of fiscal year 2012.

Best Regards

Jan Långstedt
Partner, ll.m