Finnish Minister calls for investigation into revenue lost to tax havens

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Finance Minister Jutta Urpilainen on 20 January 2014 called for a formal investigation into how much revenue Finland loses to tax havens after a major newspaper reported that more than 2,000 Finnish companies and individuals use such jurisdictions in their tax planning.

In comments to the Finnish media, Urpilainen expressed surprise that so many Finns were reported to have connections to tax havens, noting that the Finnish government has yet to examine tax haven use by its taxpayers. She also said the government has not yet produced an estimate of how much potential tax revenue flows out of the country, both legally and illegally, into jurisdictions such as Switzerland and Luxembourg.

"Using tax havens is legal, at least to some extent," she told the Finnish newspaper Helsingin Sanomat. "But we should have a discussion on whether it is morally right, especially when the whole society is struggling with a difficult economic downturn and at the same time private people and companies are avoiding paying taxes in Finland."

Urpilainen was not immediately available to respond to *Tax Analysts'* request for comment.

The finance minister's comments followed a 19 January article in *Helsingin Sanomat*, which revealed Finnish taxpayers' use of tax havens. The newspaper compiled a database of information pulled from Luxembourg and Swiss trade registers and found that an estimated 2,200 Finns had some kind of connection to more than 1,000 companies established in Luxembourg and Switzerland between 1996 and 2013. According to the paper, a Finn has a connection to a company if he or she is an acting director, manager, owner or board member.

The paper noted that establishing a company or holding assets in known tax havens is not illegal as long as corporations and individuals comply with Finland's tax laws and declare their income. It also outlined several reasons why a Finnish taxpayer might legally use Switzerland or Luxembourg in his or her tax planning, such as taking advantage of tax incentives for managing pension fund investments and structuring mergers and acquisitions to minimise tax on profits generated on those types of transactions. Switzerland and Luxembourg are also particularly attractive because of their low tax rates, pro-investment legislation, and strict bank confidentiality rules, according to the article.

However, the paper pointed out obvious illegal reasons as well, such as money laundering and outright tax evasion.

(This is an edited version of the full Tax Analysts' article, with commentary from other firms of tax advisers omitted.)