

Finnwatch ry  
Malminrinne 1 B  
00180 Helsinki  
[www.finnwatch.org](http://www.finnwatch.org)

*Established in 2009, Finnwatch is a non-governmental organization that investigates the global impacts of business enterprises. Finnwatch seeks to promote ecologically, socially and economically responsible business conduct by influencing companies, economic regulation and public discourse. Supporting the work of Finnwatch are a number of Finnish development and environmental organizations and trade unions.*

*Our stakeholder contribution focuses on the International Covenant on Economic, Social and Cultural Rights, especially Article 2, State party's steps to mobilize maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the Covenant.*

### **UPR review 2022, Finland**

1. In Finland, about 95% of general government revenue is tax revenue. In addition to indirect and direct taxes, tax revenue includes social security contributions. Taxation and the use of tax funds has a major impact on how the state can fulfill its obligation to protect human rights. Tax policy is fundamentally linked to human rights, because both the way the tax funds are used and the way it is collected have far-reaching human rights implications. The link between the use of tax funds and human rights is clear and widely recognized: tax funds maintain services that are essential for the realization of human rights, such as health care, education and social security. In addition, redistribution of income within the tax system makes it possible to reduce income inequalities.

2. Human rights-based, fair tax collection is based on progressive taxation, a wide tax base and effective action against tax avoidance and tax evasion. The progressiveness of taxation ensures a fair distribution of financial burden and reduces income inequalities. Wide tax bases and active anti-avoidance measures, in turn, ensure that everyone participates in the payment of taxes according to their ability to pay.

3. Finnwatch has monitored Finnish tax policies during the reporting period from 2017 to 2021. Over the past five years, Finland has implemented several amendments to corporate tax laws, many of which are based on the national implementation of the EU Tax Avoidance Directive (ATAD I and ATAD II). In connection with the changes, Finland could have taken further steps towards tighter tax bases and the eradication of tax evasion. However, many legal reforms were carried out in line with the minimum requirements of the Directive, with the result that there are still a number of loopholes in Finnish corporate tax legislation that allow tax avoidance. Some of the changes in the law in recent years, such as the extension of the sectoral exemptions in the CFC rules, only increase the opportunities for companies to avoid taxes. Also the interest deduction limitations included in the corporate tax law were left at a level that still allows for very aggressive tax planning that erodes the national tax base.

4. Significant shortcomings can also be found on the side of the personal income tax law in which Finland has a uniquely narrow tax base when it comes to taxation of dividends from unlisted companies. Finnwatch has compiled a literature review into the matter. Review, based on academic research and expert reports, clearly shows that the taxation of dividends from unlisted companies is ineffective, harmful to the economy and encourages income shifting, i.e. the conversion of progressively taxed earned income into dividend income which is subject to significantly lower tax. Despite several recommendations from experts<sup>1</sup>, Finland has not taken steps to amend the law. Reason for this has been fierce lobbying from the corporate interest groups.

5. At the overall level, regulatory loopholes in Finland that allow tax evasion are estimated to reduce public sector tax revenues by several hundred million euros per year. In a study conducted in 2016, Finnwatch estimated the annual cost of international corporate tax avoidance to reach EUR 430–1,400 million. Since then several other studies have been published including an estimate from the VATT Institute for Economic Research (estimate: hundreds of millions of tax loss from corporate profit shifting<sup>2</sup>) and Missing profits -project (estimate: Finland loses 15% of its corporate tax revenue because of tax havens<sup>3</sup>).

6. On a more general level studies have shown that the Finnish tax system is regressive in the highest income categories.<sup>4</sup> This is mostly caused by the above-mentioned taxation of unlisted companies as well as lower tax on all other capital income (as compared to salary income taxation).

7. At the same time as Finland has been reluctant to close the well-known loopholes in tax legislation, the government has invoked a lack of funds on a number of key human rights issues. Here are some examples:

– Although the level of basic social security in Finland has been found to be insufficient, basic social security has not been raised to an adequate level. According to Amnesty International, inadequate provision of social security benefits in Finland meant some people went without sufficient food, medicine or health care because of a lack of financial resources.<sup>5</sup>

– Finland is committed to the Istanbul Agreement, but as raised also during the last UPR, adequate resources for the action plan to reduce violence against women have not been

---

<sup>1</sup> For example, in its report published in 2017, the expert working group on corporate taxation of the Ministry of Finance recommended changes to this dividend tax system. The changes would have significantly reduced the incentive to engage in income shifting, and raised hundreds of millions of euros in tax revenue.

<sup>2</sup> VATT, <https://vatt.fi/-/yritysten-voitonsiirrosta-iso-lovi-verottajan-kukkaroon>

<sup>3</sup> Missing profits, <https://missingprofits.world/>

<sup>4</sup> Riihelä, M, Tuomala, M., 2020, Onko kokonaisverotus Suomessa progressiivista?, Talous & Yhteiskunta 3/2020, saatavilla osoitteessa:

<https://labore.fi/t&y/onko-kokonaisverotus-suomessa-progressiivista/>

<sup>5</sup> Amnesty International, Annual report 2021

provided. The response to gender-based violence remained systematically under-resourced.<sup>6</sup>

8. In summary, Finland has not used all the means at its disposal to ensure that taxation is fair and progressive, and that it has taken steps to the maximum of its available resources to ensure the realization of economic, social and cultural rights. It would be possible to significantly increase tax revenues by closing the loopholes that allow tax evasion, in line with the recommendations of experts.

In Helsinki, Finland 31.3.2022

Saara Hietanen  
Tax expert  
Finnwatch ry  
saara.hietanen@finnwatch.org

---

<sup>6</sup> Ibid.