



BORENIUS & KEMPPINEN



CARRY FORWARD OF CAPITAL LOSSES EXTENDED FROM THREE TO FIVE YEARS

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According to current regulations in the Income Tax Act, capital losses derived from the sale of assets are deductible from capital gains in the year when the loss is incurred and during three following fiscal years. These provisions are applicable to capital losses incurred by individuals and by corporate entities, if the capital loss is incurred in other than the company's business or agricultural activities (e.g. in certain rental activities).

The Finnish Government has made a decision in November 2009 to extend the deductibility of capital losses as defined by Section 50 of the Income Tax Act. According to the Government's decision, the capital losses will be deductible from capital gains in the year when the loss is incurred and five following fiscal years.

The purpose of the amendment is to improve the fiscal framework in which investment activities are carried out in Finland. Specifically, the purpose is to improve foreign venture capital investors' possibilities to deduct capital losses.

The Government's proposal has not been given to the Parliament yet. The purpose is that the new regulations are applicable to capital losses incurred on 1 January 2010 or thereafter.

Separately from the above, losses incurred in companies' business activities may be carried forward during ten following fiscal years. This amendment does not concern the general carry forward of business losses.



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