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The Taxation of Intangible Property in Finland

1. Taxation of the development of intangibles

1.1 Deduction of costs incurred for the development of intangibles
1.1.1 General overview

Under Finnish tax law the concept of taxable income is a broad one. While arriving at net income subject to tax all realized items of income are, in principle, taxable and all realized expenses incurred to derive new or sustain existing income are deductible, unless otherwise specifically stated. Accordingly, there is no requirement that costs be 'ordinary' or 'necessary' for deductibility to apply. By contrast, all costs incurred by the taxpayer with the firm view of directly or indirectly generating income are, in principle, deductible. Subject to tax avoidance considerations, this applies regardless of whether corresponding income is actually received or whether the costs incurred are at all capable of deriving income. The taxpayer, however, has the onus of proof that the costs to be deducted exist and that they are linked to a business or other income generating activity. With regard to businesses subject to book-keeping requirements, all costs included in the accounts are assumed to be related to the business unless otherwise proven.

Provided that a cost item is found to be in existence and related to income generating activities, thus rendering it deductible, it may forthwith be entered as an expense in its entirety, unless specifically required to be entered as an asset and deducted by depreciations over time. Likewise, the recognition of income takes place immediately upon realization of the specific item, unless it is by law allowed to be deferred to be taken into account at a later point of time. As it comes with the nature of a business that costs are often expended long before revenue is generated, the tax system is to some extent inclined to enhance growth by early deductibility of expenses. To a lesser degree the same likewise applies to depreciations on tangibles since fairly generous annual depreciations are allowed for tax purposes.

Applying the above rules, Finnish tax laws allow costs for R&D to be deducted as an annual expense even though such research may ultimately result in property in the form of a patentable invention. The same applies to the development work aimed at generally increasing the know-how of the company despite not being patentable. Costs for market communication is also deductible as an annual expense even if it be aimed at increasing the value of a trade mark of the enterprise.

In this respect Business Income Tax Act (subsequently 'BITA') s. 25 explicitly sets forth that the taxpayer may deduct, as an annual expense, costs relative to research incidental to development of the business, or alternatively enter such costs as an asset subject to annual depreciations. Costs relative to buildings and fixed constructions intended for the permanent use in research operations shall, however, be subject to annual depreciations. With respect to buildings and constructions used solely for the purposes of research operations aimed at the development of the business, as meant by BITA s. 34, the favorable rate of 20 % per annum calculated on the remainder of the acquisition cost applies. In order to prevent the taxpayer from showing a loss for tax purposes only, BITA s. 54 states that any amount treated under BITA s. 25 as an expense shall correspond to that deducted or previously deducted for accounting purposes.

1.1.2 In-house or outsourcing of intangible development

The rules regarding deductibility of R&D costs do not differentiate between the relevant work being conducted by own staff or external consultants as services. With respect to payments to related parties, the arm's length standard need to be taken into account since customary transfer pricing requirements will obviously apply. Needless to say, items of income and expenses need to be allocated between group entities correctly.

1.1.3 Donations

In the absence of special provisions allowing deduction for tax purposes, donations granted are not deductible while arriving at taxable net income of the taxpayer. Donations granted by business enterprises may, however, be regarded as tax deductible if they are construed to accrue or sustain income of the taxpayer at least indirectly. Accordingly, donations e.g. by a paper pulp company to a research foundation active in the same field may be a business expense of the donator. By contrast, individuals seldom carry on activities rendering their donations deductible. Charitable foundations require usually not deductions for tax purposes as they are not liable to income tax in the first place.

In addition to this there are special provisions allowing deductions for qualifying donations. According to Income Tax Act (subsequently 'ITA') s. 57 a corporation (but not a partnership or individual) may deduct a donation for the furtherance of science rendered in monies of not less than €850 and not more than €250,000 given to a state within the EEA or a qualifying university or polytechnic (or a fund adjoining such institution) eligible for public funding. With respect to donations given to a qualifying association or foundation (or a fund adjoining such entity) as accredited by the tax authorities the amount of a donation may not exceed €50,000 per tax year. A qualifying recipient shall annually report to the tax authorities the amount of donations received itemized by donator and specify the purposes such donations have been used for.

Traditionally, donations by individuals for charitable purposes have not been deductible for income tax purposes at all. Currently, there is, however, temporary legislation in force allowing deduction against net earned income of donations by an individual of not less than €850 and not more than €250,000 given to a state within the EEA or a qualifying university or polytechnic (or a fund adjoining such institution) eligible for public funding. These provisions relating to the intended extension of private funding of universities were originally enacted for the years 2009-2010, but applicability is now extended up to 30 June 2011 to enhance fund raising.

1.1.4 Tax losses

With respect to tax losses Finland applies the carry forward system only. Accordingly, losses incurred in a tax year may be set off against profits arising in the subsequent 10 tax years. The right to utilize losses is limited by category of the three sources of income being business, agricultural and other income. Furthermore, losses sustained are forfeited if, in a non-quoted company, more than 50 % of the shares have been transferred to a new owner other than by way of inheritance or will, i.e. unless the tax authorities grant a permit to use the losses in spite of the ownership change. One may note that this rule is more strict than a pure change of control test as it applies to intra group transfers as well albeit special permit to use the losses is usually granted then. Special rules apply to use of losses post statutory mergers and demergers, but without the tax authorities being able to grant exceptions to the relevant provisions. The rules do not distinguish between the losses of resident companies and the losses of permanent establishments located in Finland.

Within the realm of resident group companies, losses of one particular entity may be absorbed by a group contribution given by another member of the group (as paid in monies or entered in the accounts of the parties). Such group contribution is taxable business income of the recipient and deductible from business income of the payer subject to, inter alia, a direct or indirect ownership requirement of 90 %. Group contributions may likewise be granted to and received from a permanent establishment in Finland belonging to a foreign group company resident in an EEA state. By contrast tax losses cannot be surrendered to be used by another entity (save for a minor exception where a Finnish company is continuing the operations of a permanent establishment in Finland of a company resident in another EU member state).

In general losses of international operations, including those attributable to a foreign permanent establishment, are deductible in the taxation of the resident company, but if Finland has rescinded the right to tax such income, then losses incidental hereto are deemed non-deductible. Generally speaking, losses attributable to non-resident group companies' foreign operations are not deductible in Finland by tax consolidation or otherwise. In particular, there is a provision stating that group support in various forms as well as losses attributable to loan receivables from entities in which the group has substantial participations which could be alienated tax free, will be non-deductible.

1.1.5 The intangible

Under Finnish tax laws applicable rules do not differentiate between the development of various categories of intangibles. Nor are there any different rules as to different stages of development e.g. product development and basic research.

1.1.6 Industry

Under Finnish laws applicable rules to not differentiate between industries e.g. biotech, cleantech, pharma, medico, IT and so forth.

1.1.7 The location of the development activity

While resident companies are taxable for their worldwide income and Finland applies a wide concept of taxable income, applicable rules do not, by default, differentiate between development of intangibles taking place domestically and abroad. As a modification of the foregoing, if Finland has, pursuant to the provisions of an applicable tax treaty, rescinded the right to tax the relevant income then costs, expenses and interest relative to said income are rendered non-deductible. Such a situation is inclined to arise in a situation where the applicable tax treaty applies the exemption principle onto income attributable to a foreign permanent establishment.

1.1.8 The taxpayer

Under Finnish tax laws the applicable rules do not differentiate by the magnitude of the operations of the taxpayer. Costs relative to the development of intangibles do not vary between those incurred by resident companies and those relative to a permanent establishment of a foreign entity in Finland.

1.1.9 The owners of the taxpayer

Under Finnish tax law the treatment of costs incurred in the development of intangibles does not vary depending on whether a resident subsidiary is held by a domestic or a foreign parent, nor is there any variance between foreign parents resident within EEA or a tax treaty state or a non-treaty country.

1.2 Deduction of royalty payments

1.2.1 General overview

While Finland adheres to a broad concept in the determination of income, royalties received are generally fully taxable and royalty payments are correspondingly fully deductible applying the normal rules on determination of income. According to BITA s. 22 costs incurred with the view of deriving and sustaining income are deductible in the tax year the obligation to pay has arisen, unless otherwise stated and according to BITA s. 23 costs determined by the lapse of time are allocated to the relevant time period and deduced in the respective tax year.

The treatment of lump sum payments is modified by BITA s. 24 stating that costs incurring or sustaining taxable income during three or more tax years shall be deducted as annual depreciations using the straight-line method during the economic lifetime of the item, or if such time exceeds 10 years, in this time.

1.2.2 The intangible

The rules do not differentiate between royalty payments relating to manufacturing, marketing and other intangibles. Nor do the rules differentiate between royalty payments relating to intangibles in different stages of development, such as in-process tangibles and finished intangibles.

1.2.3 The industry

The rules do not differentiate between various industries.

1.2.4 The licensor

The residence of the licensor does not, as such, impact on the deductibility of royalty payments. Nor do the rules differentiate between royalties paid to a related as opposed to an unrelated licensor. Needless to say, the transfer pricing rules need to be observed while setting an appropriate level for the royalty. There is no subject to tax requirement on the part of the licensor as a prerequisite for the deduction of the royalty in the taxation of the licensee.

The residence of the licensor will impact on the applicable withholding tax rate on the royalties. Royalties are pursuant to ITA s. 10 point 8 Finnish source income if the taxpayer liable to such payment is resident in Finland or the property or right is exploited for business purposes in Finland. Royalties are according to the Source Tax Act s. 3 and 7 subject to a statutory 28 % withholding tax rate unless diminished by an applicable tax treaty. Finland has implemented the Interest and Royalties Directive (2003/49/EU) and does not levy withholding tax under the conditions set forth in this directive. Finland does not apply taxation by withholding with respect to royalties paid to a permanent establishment in Finland of a non-resident company, but then taxation by assessment of the permanent establishment will take place.

1.2.5 The licensee

Royalty payments incurred by a resident company and such incurred by a permanent establishment belonging to a non-resident company, receive the same tax treatment for Finnish tax purposes. Royalties received are usually business source income fully taxable while arriving at net income subject to corporation tax while royalty payments are fully deductible for the same purposes.

1.2.6 The owner of the licensee

Royalty payments incurred receive the same tax treatment regardless of whether the licensee is a subsidiary held by a domestic or a foreign parent company. Again transactions between related parties are subject to transfer pricing scrutiny.

1.3 Depreciation of the purchase price of intangibles

1.3.1 General overview

As stated before, Finland adheres to a broad concept of income and hence the purchase price for the acquisition of intangibles is fully deductible while arriving at taxable net income. If the lifetime of the intangible is short, i.e. less than 3 years, then the acquisition cost is according to BITA s. 22 deductible in the tax year the obligation to pay has arisen.

If, however, an intangible, which cannot be separately alienated, is expected to accrue income during 3 or more years, then depreciations must be resorted to. Here BITA s. 24 states that costs incurring or sustaining taxable income during three or more tax years shall be deducted as annual depreciations using the straight-line method during the economic lifetime of the item, or if such time exceeds 10 years in this time.

By contrast, it is specifically stated in BITA s. 37 that the acquisition cost of a patent or other intellectual property right, which is or is not limited in time as to duration, but which can be separately transferred, shall be deducted as annual depreciations using the straight-line method during 10 years, or if the taxpayer make likely that the economic lifetime of the item is shorter, during such shorter period of time.

1.3.2 – 1.3.6 The intangible, the industry, the transferor, the transferee, the owner of the transferee

The depreciation of the purchase price of intangibles corresponds what is set forth in 1.2.2-1.2.6 above.

2. Taxation of the exploitation of intangibles

2.1 Domestic exploitation

2.1.1 General overview

The statutory rate of corporation tax is 26 % and it is applicable to both resident companies and permanent establishments of non-resident companies in Finland. While arriving at net income subject to tax at the statutory rate, the operations of the taxpayer are divided into three sources of income being ‘business’, ‘agricultural’ and ‘other’, but naturally most enterprises only have business income to account for. The division into sources of income becomes significant if a particular source is at a loss, since such a loss may not be set off against profits of another source, but only carried forward to be offset against profits possibly later arising in the same source of income.

Under Finnish tax laws there are not any particular or separate rates applicable to profits from the sale of goods or services incorporating intangibles by contrast to royalties from domestic or foreign sources. Profits derived from the sale of intangibles belonging to the business are treated as business source income and any loss from the sale of such intangibles are deductible from business source income when realized.

Relief for juridical double taxation on foreign-source income e.g. royalties is, unless modified by an applicable treaty, administered using the credit method. Credit is granted in Finland for foreign tax paid on the same income for the same period of time. By default, credit is granted only for taxes paid to a foreign state, i.e. unless credit is extended to other taxes by treaty provisions. The credit granted is limited to normal credit denoting that the credit may not exceed the tax payable in Finland on the income received from the foreign state. The maximum amount of credit from Finnish tax is not calculated item by item, but by foreign country and by the three sources of income (and in the case of an individual also by earned income and income from capital separately). The credit for foreign tax granted from the Finnish tax is limited to a proportional part calculated by the ratio between the relevant foreign income from the relevant state and the relevant source of income total for Finnish tax purposes. Upon calculation of the applicable ratio income denotes gross income less expenses and interest attributable to such income. For the purposes of the calculations only such income subject to foreign tax which is taxable in Finland as well is regarded as derived from the relevant state. Correspondingly, only income taxable in Finland is taken into account while determining the amount of Finnish income total of the relevant source. Should a foreign tax not be credited in a particular year due to the limitations set forth above, then an unused credit is sustained. Such unused credit may (in the order they have been sustained) be utilized during five subsequent years upon request of the taxpayer towards Finnish tax in the same source of income.

Normally, the participation exemption relative to the sale tax exempt by corporations of substantial shareholdings in other companies is not affected by the fact that intellectual property rights are vested in the target company in the form of intangibles or goodwill. There are, however, limitation to the applicability of the participation exemption in addition to the general 10 % ownership stake and the 1 year holding period requirements. The participation exemption is only available to corporations conducting a business and further provided that the holding is a fixed asset allocable to the business. These provisions rule out passive holding companies entirely and most cases where holding entities are used for active angel financing purposes, and in addition to this there is a special provision stating that any company engaged in the venture capital industry is not eligible for the participation exemption. This imposes a threat to the parceling of intangibles for tax free alienation generally and denotes, inter alia, that innovators are inclined to resort to international structures for practical tax planning purposes.

Naturally the parceling of intangibles also remains vulnerable to general tax avoidance considerations. Under Finnish tax laws there are not any provisions expressly aimed at targeting parceling of intangibles, but by contrast there is a specific limitation relative to parceling of real estate. Accordingly, shares in companies whose main purpose is to own real estate cannot be alienated tax free which constitutes an incentive to scatter properties around the group. The opposite applies to other tangibles and intangibles as well, and for practical purposes it is not unusual that e.g. different magazines in a media group are parceled in different subsidiaries for easy divestment tax free.

The tax laws of Finland do not allow for the tax free transfer of a single intangible between resident group companies and/or between non-resident companies with a domestic permanent establishment. In this respect normal transfer pricing rules demanding arm’s length pricing apply to purely domestic transfers as well. If, however, the intangible is embedded in a transaction comprising the transfer of a part of a business sufficiently stand-alone to meet the requirements of a transfer of assets deal as meant by the merger directive implemented in BITA s. 52d then the intangible can be transferred on a tax neutral basis.

2.1.2 Tax incentives

As can be concluded from the foregoing, Finland has not resorted to enacting any particular tax incentives to attract the exploitation of intangibles in Finland. Sales revenues and royalties are fully taxable and expenses as well as losses from the sale of intangibles are fully deductible while arriving at net income subject to tax.

2.1.3 Distortions

Applicable Finnish tax rules do not differentiate between income from domestic or foreign sources, or between income deriving from related and unrelated persons or between different types of intangibles or the owner of the taxpayer.

2.2 International exploitation

2.2.1 Permanent establishment

In Finland juridical double taxation in the case of a permanent establishment is normally relieved applying the credit method. The foreign tax is considered to be paid upon payment of the final tax or a pre-payment corresponding hereto having been actually settled. If Finland has refrained from taxing foreign income by virtue of tax treaty provisions, then such income is not included in taxable income and any costs and expenses relating to such income are deemed non-deductible. In such cases Finland applies exemption with progression in the taxation of individuals as to positive net income whereas any net loss will be non-deductible.

2.2.2 Subsidiary

With respect to dividends double taxation is relieved on the basis of the exemption method to the extent applicable. Dividends from substantial holdings meeting the requirements of the parent-subsidiary directive are obviously tax free, and the same applies by virtue of domestic provisions beyond this. Dividends received from a (non-quoted) taxable company resident in another EU member state by a Finnish company are generally tax free as are dividends between domestic entities. Relief from double taxation with respect to dividends from companies resident in (other) tax treaty states rely on the provisions of each treaty.

By contrast, dividends received from holdings in entities resident in non-treaty states are fully taxable income, and in the case of individuals they are treated as earned income taxed at progressive rates. With respect to capital gains from the alienation of shares, the participation exemption rules (described above in 2.1.1) require in order to apply that the holding is in a taxable entity of another EU member state or a company in a tax treaty state. Consequently, holdings in non-treaty jurisdictions, including but not limited to low-tax jurisdictions, cannot be divested tax free.

3 Anti-avoidance rules

3.1 Exit taxation

The tax laws of Finland do not contain any explicit exit tax provisions targeted at intangibles extracted abroad. But according to BITA s. 51e, the fair market value of any property de facto alienated abroad from a permanent establishment in Finland is to be entered as taxable income of the permanent establishment. Fair market value denotes the price likely to be received if the property were sold to any independent purchaser in due course of business.

Correspondingly, a transfer from a domestic group company to a related company abroad is targeted by the transfer pricing provisions in the Tax Procedure Act (subsequently 'TPA') s. 31 regardless of whether the transfer is from subsidiary to parent, or vice versa. If transfer is towards a shareholder then the transfer can be construed as a disguised dividend under TPA s. 29 and may also hence attract withholding tax insofar as not reduced or eliminated by applicable treaty provisions (or the provisions of the parent-subsidiary directive).

3.2 Transfer pricing

The Finnish transfer pricing legislation set forth in TPA s. 31 does not particularly address the transfer pricing of intangibles, but requires the arm's length standard to apply to all dealings between related parties. The question of proper valuation of intangibles, however, may easily be pin-pointed by the more stringent transfer pricing documentation requirements applicable on cross-border transactions exceeding 500k€ in any particular year. These reporting requirements must according to TPA s. 14a be met unless, broadly speaking, the Finnish counterparty is a member of a group with less than 250 employees provided further that the aggregated turnover is less than 50 m€ or the balance sheet total is less than 43 m€. Most Finnish subsidiaries of international groups will not meet these exceptions and they will have to prepare fully-fledged documentation of transfer-pricing principles applied. When a description is to be made regarding the business, the relatedness of the parties, the transaction taken place, suitable comparables, the transfer pricing method chosen and its application, then charges paid for intangibles of substantial importance will inevitably have to be covered.

The OECD Model tax convention commentary is undoubtedly an important de facto source of the law in transfer pricing matters and the same applies, but to a lesser extent to the OECD Guidelines relative to transfer pricing. The traditional standpoint of Finnish tax law is that a transaction which is arm's length on the date it was concluded cannot be disregarded or the pricing adjusted based upon facts originating from a later point of time.

The foremost problem of the taxpayer is often just to find any transfer price agreeable to the relevant tax authorities in order to simply eliminate subsequent complications with respect to taxes. From the point of view of the tax authorities the problem may be to identify for tax purposes relevant early stage innovations made jointly by many contributors from various jurisdictions enabling the group to allocate the innovation practically anywhere within the group.

A common problem is that often the value of a single innovation, patent application and even a granted patent is highly uncertain. A single patent may become extremely valuable, but most patents are virtually worthless, represent essentially a cost burden only and are eventually abandoned. Usually the value inherent in an entire patent portfolio is not directly attributable to a single or a few core patents, but the value is created by the cluster of patents built up in a specific area. Then it will become highly arbitrary e.g. in a licensing arrangement to set the fair market level of royalties payable as this is also dependent upon the intended scope of use by the licensee as well as the extent and duration of the rights granted.

There are not any published cases by the Supreme Administrative Court where transfers of intangibles to be held by a foreign related entity had been entirely disregarded for tax purposes as purely artificial. It is not likely that the general clause against tax avoidance could be extended so far, because it is not unusual for an international group to want to concentrate its management of intellectual property rights to some other place than Finland. But if the manager of intangibles is not sufficiently stand alone, i.e. is in reality managed from elsewhere, then the question may arise whether the entity indeed has a permanent establishment in Finland, i.e. if the operations are in reality conducted here.

3.3 CFC-legislation

The Finnish CFC-rules are of general application and do not particularly address the exploitation of intangibles. The rules apply to foreign entities (including permanent establishments of foreign entities) controlled by Finnish residents taxed de facto at a level of less than 3/5 of the corresponding Finnish circumstances, thus denoting a corporation tax rate of less than 15,6 %, and there are other limitations as well. In particular, it is required that the interest of a Finnish resident shall be at least 25 % for income to be attributed to such a person thus excluding customary fund investments in offshore vehicles altogether. The Finnish CFC-rules do not target shipping or other income deriving mainly from industrial production and related marketing activities conducted in the state of the CFC as a general activity test.

Traditional offshore companies are, however, usually not feasible planning tools to be used in conjunction with intangibles, because even if such structure be construed to escape CFC-legislation any subsequent repatriation of profits would be fully taxable in Finland. On top of this one may note that reduced withholding tax rates are not likely to apply in third source countries on payments to a non-treaty jurisdiction. There is also a clear incentive to adhere to entities within the EEA in order to minimize the applicability of CFC-legislation in the manner established by the 2006 Cadbury Schweppes landmark case subsequently also taken into account in the CFC-legislation. Consequently, international groups are likely to resort to IPR management companies within the EU in states with a broad tax treaty network to eliminate foreign withholding taxes, a favorable treatment of income from intangibles to reduce tax exposure, and including access to the provisions of the parent-subsidiary directive for tax efficient repatriation of profits to the owner.

3.4 Withholding taxes

As stated above there is an incentive for groups with international capabilities to locate intangibles in a jurisdiction with a favorable tax treaty network with respect to withholding tax rates for royalty payments from various source countries. In regard of Finland the statutory withholding tax rate for royalties is 28 %, but this is substantially reduced by tax treaty provisions as well as eliminated altogether when the requirements of the Interest and Royalties Directive (2003/49/EU) properly implemented in Finnish tax laws are met.

3.5 Other anti-avoidance rules

Finnish tax laws do not comprise any anti-avoidance rules specifically aimed at protecting the tax base from the migration of intangibles.

4. EU, EEA and tax treaties

The Finnish tax rules appear not to infringe on the fundamental freedom rights or the rules on banned state aid of the TFEU and/or the EEA agreement. Nor do the tax provisions seem to fetter upon the non-discrimination provisions of the tax treaties concluded by Finland.

5. Conclusions

The traditional point of view of the Finnish legislator has been to maintain a fairly broad tax base and not to erode tax revenue by exceptionally favorable tax treatment of certain types of income or expenses making the system vulnerable to tax planning. For long the corporate tax rate of currently 26 % (as changed several times in the range 25-29 % since 1993) was considered overall competitive. Recently it was proposed to be lowered to 22 % in order to act as an adjustment to the changes in the international tax competition environment, but bearing in mind the result of the parliament elections it is not likely that the corporate tax rate be lowered at least so much. On the level of political speech the need to encourage innovations is always recognized, but when it comes to implementation the proposals to allow R&D expenses to be deducted by more than 100 % have so far been rejected. The same applies to certain proposals relating to tax breaks for what is described as angel investors. Accordingly, Finland has hithereto concentrated on direct grants and debt financing to start-ups and even extremely established enterprises who can display R&D activities.

The Finnish strategy is an expression of a rather conservative approach aimed at preserve what you have, but not to fish in deep waters. I also think it is fair to say that preferential treatment of income from intangibles opens broad avenues and boulevards for tax planning by those who possess intangibles in a fairly mature stage of development. When it comes to enhanced or excessive deductions for expenses relating to R&D one may also ask if anybody ever turned substantially more innovative by reason of say a deduction of 130 % instead of 100 % of his R&D expenses? Such measures are primarily inclined to benefit established enterprises with income to put towards such deductions, whereas it does not benefit those who build up something out of nothing. Consequently, I find the intention of better targeted measures as adequate in essence while the implementation remains the problem.

The future of the Finnish tax rules relating to the development and exploitation of intangibles remains to be seen. When it comes to large and even middle-sized companies there is a overwhelming risk that R&D activities are to an ever increasing extent transferred to new markets where the growth is. Such is the case especially when the foreign strongly developing economies' current learning phase is over and our domestic competitive edge is lost. In this context it is difficult to see how the outcome could turn on a single set of tax rules or alike matters since there is a myriad of other and by far stronger factors involved. Insofar as start-ups are concerned it is highly recommendable to carefully watch out for what essentially are grant driven projects, and in my opinion the best test in this respect is to require the founders to take personal financial risk, and not only contribute so-called sweat capital, as a fundamental pre-requisite for any grants from public resources aimed at paving the road to success. In addition to a competitive general corporate tax rate the encouragement to entrepreneurship is best served by reasonable taxes on particularly dividends and long term capital gains, but in this respect I regrettably find that the political winds are blowing in the opposite direction.

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