Executive summary

Effective 1 January 2018, Finland will implement new rules for the payment of value added tax (VAT) on the importation of goods imported into the country from outside the European Union (EU). Under the new rules, Finnish VAT-registered businesses will no longer pay VAT at importation; instead, the import VAT due on imported goods will be self-assessed and recovered by VAT-registered businesses using their periodic VAT returns. This procedure is known as “postponed accounting.”

Postponed accounting will improve cash flow for Finnish importers that recover VAT in full, as they will no longer actually pay the VAT due on their imports and then recover it. Effectively, the new rules will put goods imported from outside the EU on the same footing as goods acquired from other EU Member States, as self-assessment procedures already apply to intra-EU acquisitions.

The changes will not affect how VAT will apply to goods imported by private persons or by businesses that are not registered for VAT in Finland.
Detailed discussion

In Finland, VAT is generally levied by the Finnish Tax Administration and it is reported by VAT-registered persons on periodic VAT returns. This treatment applies to domestic supplies and to intra-EU movements of goods. However, to date, VAT payable on goods imported from outside the EU has been administered by the Finnish Customs authority and it has been collected at the time of importation and the input VAT has been deducted subsequently in the periodic VAT returns.

As a part of larger reform of the administration of taxation in Finland, the responsibility for import VAT will be partially transferred from the Finnish Customs to the Finnish Tax Administration. As a result of the reorganization, new provisions will apply to all importations that clear Finnish customs on or after 1 January 2018.

With effect from that date, VAT on imports for Finnish VAT-registered businesses will be levied and reported using the same procedures that apply to other supplies; for imports this means they will be subject to the general procedural provisions that apply to self-assessed taxes. Under the self-assessment rules, the amount of import VAT will be calculated, reported and paid independently by the importer of record. In addition, new reporting requirements will apply with respect to the related VAT bookkeeping and reporting requirements for imports, under the general VAT accounting rules for self-assessment.

The legislative changes do not affect how VAT applies to importations made by private persons or by businesses that are not registered for VAT in Finland. VAT on importation will in these cases be still levied by the Finnish Customs at the time of customs clearance. The legislative changes will also have no impact on the customs procedures used by taxable persons. Finnish Customs will also continue to oversee importation procedures and be responsible for crime prevention.

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Indirect Tax

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