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IMPACT OF TAXATION LAWS ON SMALL BUSINESSES AND ENTREPRENEURS

Comparison between USA and Finland

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ABSTRACT

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Increasingly complex are the regulations applicable to legal issues in the business world, law is a part of every aspect of human existence and in everything we do, rules and regulations exist in the business world and regulatory environment.

The study of law and legal issues by business people needs to be a little more than a passing acquaintance with the law and legal issues.

Administrative heads also need sound knowledge of the law in order to make better choices and be aware of legal consequences of every decision, most importantly knowledge of legal liabilities, limitations, rights and obligations set by law are important and play a significant (often ignored role) in the effective administration of any business.

In addition, laws and regulation in its effectiveness in business administration play an additional role in grounding of business fundamentals such as economics, accounting, marketing and management to appreciate how legal issues affect and regulate decision making.

Worthy of note and importance is taxation law; federal or government set laws for businesses and internal laws; those set by the business owners themselves abiding with government law and how both these different laws sometimes conflict and therefore affect small businesses.

This thesis is an attempt to analyze and possibly evaluate the concept of taxation law and its effects (positive or and negative) on the survival of small businesses. For purpose of brevity and precision, focus will be limited largely on an examination of the united states of America tax system and passively the Finnish taxation systems and how these systems affect small businesses and entrepreneurs in effective management and business administration.

Key word: Administration, conflict management, corporate rules, fraud prevention, government legislation, policy, risk management, taxation.

CONCEPT DEFINITIONS

Taxation

A tax is a mandatory financial charge, or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization to fund various public expenditures.

Entrepreneurs

A person who organizes and operates a business or businesses taking on greater than normal financial risk.

Regulatory authority

An official organization that is responsible for checking whether a business is working legally and according to rules of law.

Policy

A course or principle of action adopted or proposed by a government, and individual or business. A statement of intent implemented as a protocol or procedure.

Income

Income is the consumption and savings opportunity gained by an entity with a specific timeframe, generally expressed in monetary terms.

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1 INTRODUCTION

Law as a regulatory tool in business administration play an important role in grounding of business fundamentals such as economics, accounting, marketing and management to appreciate how legal issues affect and regulate decision making, in addition legal aspects of business contribute to critical thinking, communication and leadership skills.

The study of law and legal issues by business people needs to be a little more than a passing acquaintance with the law and legal issues, administrative heads also need sound knowledge of the law in order to make better choices and be aware of legal consequences of every decision, most importantly knowledge of legal liabilities, limitations, rights and obligations set by law are important and play a significant (often ignored role) in the effective administration of any business.

For purpose of this thesis, emphasis shall be laid on Taxation law, amongst several other types of law, this thesis seeks, in attempting, an analysis of the impact of taxation laws and regulations on small businesses, self-employed individuals and entrepreneurs. For purpose of brevity, accuracy and precision the will be a comparison between U.S tax system and the Finnish tax system.

A tax is a mandatory financial charge, or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization to fund various public expenditures. A failure to pay, or evasion of or resistance to taxation, is punishable by law. Taxes consist of direct or indirect taxes and may be paid in money or as its labor equivalent. Most countries have a tax system in place to pay for public/common/agreed national needs and government functions: some levy a flat percentage rate of taxation on personal annual income, some on a scale based on annual income amounts, and some countries impose almost no taxation at all, or a very low tax rate for a certain area of taxation. Some countries charge a tax both on corporate income and dividends; this is often referred to as double taxation as the individual shareholder(s) receiving this payment from the company will also be levied some tax on that personal income. The legal definition and the economical definition of taxes differ in that economists do not regard many transfers to governments as taxes. For example, some transfers to the public sector are comparable to prices. Examples include tuition at public universities and fees for utilities provided by local governments. Governments also obtain resources by "creating" money and coins (for example, by printing bills and by minting coins), through voluntary gifts (for example, contributions to public universities and museums), by imposing penalties (such as traffic

fines), by borrowing, and by confiscating wealth. From the view of economists, a tax is a non-penal, yet compulsory transfer of resources from the private to the public sector levied on a basis of predetermined criteria and with-out reference to specific benefit received. (McLure2015)

In modern taxation systems, governments levy taxes in money; but in-kind and corvée taxation are characteristic of traditional or pre-capitalist states and their functional equivalents. The method of taxation and the government expenditure of taxes raised is often highly debated in politics and economics. Tax collection is performed by a government agency such as the Canada Revenue Agency, the Internal Revenue Service (IRS) in the United States, the KELA social insurance institution (SII) in Finland, Her Majesty's Revenue and Customs (HMRC) in the United Kingdom or Federal Tax Service in Russia. When taxes are not fully paid, the state may impose civil penalties (such as fines or forfeiture) or criminal penalties (such as incarceration) on the non-paying entity or individual. (Lasser 2018, 23).

Owning a small business is a big responsibility, while all small business owners seek to improve, bottom line, few realize how useful and valuable it is to have a sound understanding and knowledge of current and new tax laws in the progress of their businesses. Small businesses are vital to the U.S economy. They employ nearly half of the country's private sector workforce and contribute more than half of the nation's gross national product. Small businesses created 64% of all new jobs over the past 15 years.

For the 2017 tax year (the most recent year for statistics), there were more than 24.7 million sole proprietorships in the United States. About one out of every 6 from 1040 filters had a sole proprietorship that year. Another 7.8 million filers reported income from partnership and S corporations. Hence the numbers of small businesses are growing. (Tax Foundation 2018).

Small businesses fall under the scope of the International Revenue Service's (IRS), small businesses and Self-Employed Division (SB/SE) this division services approximately 57 million tax filers, including 9 million small businesses (partnerships and corporations with assets of $10 million or less), more than 41 million of whom are full-time or partially self-employed, about 7 million filers of employment, excise, and certain other returns. The SE/SE division accounts for about 40% of the total federal tax revenues collected. The goal of the IRS division is customer assistance to help small businesses comply with tax laws. (Weltman 2018, 110-112).

Toward this end, small business Administrators (SBA) has teamed up with the IRS to provide small business owners with help on tax issues. The SBA provides tax information for start-ups at U.S small business administration (2018). Retrieved from https://www.sba.gov/search/?q=taxesthere is also an IRS tax center devoted exclusively to small business and self-employed persons at www.irs.gov/Businesses/Small-Businesses-&-self-employed. Here specific information can be found relating to small industry- Agriculture, restaurants, retailers, and a host of others.

Small business owners just like every other business, work in a bid to grow their business, and hope to make profit. What can be kept out of the profit gained depends on the income tax paid. Income tax applies to net income rather than gross income. Tax is not levied on the income brought by way of sales, fees, commissions, or other payments but rather, what is left after all such payments are made, deductions for these expenses operate to fix the amount of income that will be subject to tax. So, deductions in effect help determine payable amounts of tax and the profit retained. Tax credit, the number of which has been expanded in recent years, can offset your tax to reduce the amount you ultimately pay.

Sometimes being small can be advantageous, tax laws contain some special rules exclusively for small businesses, but it is important to determine what a small business is, in the United States the average size of a small business in the united states is one with fewer than 20 employees, with an annual revenue of less than $2 million. The SBA usually defines small business by the number of employee’s size, standards range from 500 employees to 1500 employees depending on the industry or the SBA program.

The SBA also uses revenue for certain business size standards (e.g. average annual gross receipts for non-manufacturing industries). Size matters because only “small businesses” can qualify for SBA granted loans and for special consideration with federal contracting. However, for tax purposes variations of the business seizes trend from rule to rule, sometimes it is a matter of revenue, or the number of employees or total assets. In the United States tax law and regulation varies on basis of federal laws and state laws, although some laws apply to the entire federation, others differ from state to state so it is important for the business bodies to have legal knowledge of these differences. (Lasser2018, 88).

2 HISTORY AND EVOLUTION OF TAX SYSTEMS IN THE UNITED STATES

This chapter focuses on the key concepts of the history and evolution of tax system in the United State. The concepts of background and history are closely related. This part of the work will also look at the levels and types of taxation and what they mean.

2.1 Backgroundand history

Before 1776, the American colonies were subject to taxation by the United Kingdom and imposed local taxes. Property taxes were imposed in the Colonies as early as 1634. In 1673, the English Parliament imposed a tax on exports from the American Colonies, and with it created the first tax administration in what would become the United States. Other tariffs and taxes were imposed by the parliament. Most of the colonies and many localities adopted property taxes.

Under Article VIII of the Articles of Confederation, the United States government did not have the power to tax. All such power lies with the states. The United States Constitution, adopted in 1787, authorized the federal government to lay and collect taxes, but required that some types of tax revenues be given to the states in proportion to population. Tariffs were the principal federal tax through the 1800s.

By 1796, state and local governments in fourteen of the 15 states taxed land. Delaware taxed the income from property. The War of 1812 required a federal sales tax on specific luxury items due to its costs. However, internal taxes were dropped in 1817 in favor of import tariffs that went to the federal government. By the American Civil War, the principle of taxation of property at a uniform rate had developed, and many of the states relied on property taxes as a major source of revenue. However, the increasing importance of intangible property, such as corporate stock, caused the states to shift to other forms of taxation in the 1900s. (Fishman 2011, 215-217).

Income taxes in the form of "faculty" taxes were imposed by the colonies. These combined income and property tax characteristics, and the income element persisted after 1776 in a few states. Several states adopted income taxes in 1837. Wisconsin adopted a corporate and individual income tax in 1911 and was the first to administer the tax with a state tax administration. (McLure2015).

The first federal income tax was adopted as part of the Revenue Act of 1861. The tax lapsed after the American Civil War. Afterwards, the enacted income taxes were held to be unconstitutional by the Supreme Court in the case of Pollock v. Farmers' Loan & Trust Co. because they did not apportion taxes on property by state population. In 1913, the Sixteenth Amendment to the United States Constitution was ratified, permitting the federal government to levy an income tax on both property and labor as U.S. federal government tax receipts as a percentage of GDP from 1945 to 2016. (Stim 2010, 34).

The federal income tax enacted in 1913 included corporate and individual income taxes. It defined income using language from prior laws, incorporated in the Sixteenth Amendment, as "all income from whatever source derived". The tax allowed deductions for business expenses, but few non-business deductions. In 1918 the income tax law was expanded to include a foreign tax credit and more comprehensive definitions of income and deduction items. Various aspects of the present system of definitions were expanded through 1926, when U.S. law was organized as the United States Code. Income, estate, gift, and excise tax provisions, plus provisions relating to tax returns and enforcement, were codified as Title 26, also known as the Internal Revenue Code. This was reorganized and somewhat expanded in 1954 and remains in the same general form. (Weltman 2018, 159)

Federal taxes were expanded greatly during World War I. In 1921, Treasury Secretary Andrew Mellon engineered a series of significant income tax cuts under three presidents. Mellon argued that tax cuts would spur growth. Taxes were raised again in the latter part of the Great Depression, and during World War II. Income tax rates were reduced significantly during the Johnson, Nixon, and Reagan presidencies. Significant tax cuts for corporations and all individuals were enacted during the second Bush presidency.

In 1986, Congress adopted, with little modification, a major expansion of the income tax portion of the IRS Code proposed in 1985 by the U.S. Treasury Department under President Reagan. The thousand-page Tax Reform Act of 1986 significantly lowered tax rates, adopted sweeping expansions of international rules, eliminated the lower individual tax rate for capital gains, added significant inventory accounting rules, and made substantial other expansions of the law. (Stim 2010, 69-71).

Federal income tax rates have been modified frequently. Tax rates were changed in 34 of the 97 years between 1913 and 2010. The rate structure has been graduated since the 1913 act. Total tax revenue (not adjusted for inflation) for the U.S. federal government from 1980 to 2009 com-pared to the

amount of revenue coming from individual income taxes. The first individual income tax return Form 1040 under the 1913 law was four pages long. In 1915, some Congressmen complained about the complexity of the form. In 1921, Congress considered but did not enact replacement of the income tax with a national sales tax. (Lasser 2018, 89-90)

By the 1920s, many states had adopted income taxes on individuals and corporations. Many of the state taxes were simply based on the federal definitions. The states generally taxed residents on all their income, including income earned in other states, as well as income of nonresidents earned in the state. This led to an extensive line of Supreme Court cases limiting the ability of states to tax income of nonresidents.

The states had also come to rely heavily on retail sales taxes. However, as of the beginning of World War II, only two cities (New York and New Orleans) had local sales taxes.

The Federal Estate Tax was introduced in 1916, and gift tax in 1924. Unlike many inheritance taxes, the Gift and Estate taxes were imposed on the transferor rather than the recipient. Many states adopted either inheritance taxes or estate and gift taxes, often computed as the amount allowed as a deduction for federal purposes. These taxes remained under 1% of government revenues through the 1990s. (Bernard 2014, 295)

All governments within the United States provide tax exemption for some income, property, or persons. These exemptions have their roots both in tax theory, federal and state legislative history, and the United States Constitution. (Fishman 2011, 55).

2.2 Levels and types of taxation

The United States of America has separate federal, state and local government with taxes imposed at each of these levels. Taxes are levied on income, payroll, property, sales, capital gains, dividends, imports, estates and gifts, as well as various fees. In 2010, taxes collected by federal, state, and municipal governments amounted to 24.8% of GDP. In the OECD, only Chile and Mexico are taxed less as a share of their GDP.

However, taxes fall much more heavily on labor income than on capital income. Divergent taxes and subsidies for different forms of income and spending can also constitute a form of indirect taxation of some activities over others. For example, individual spending on higher education can be said to be "taxed" at a high rate, compared to other forms of personal expenditure which are formally recognized as investments. (Bernard 2014, 297)

Taxes are imposed on net income of individuals and corporations by the federal, most state, and some local governments. Citizens and residents are taxed on worldwide income and allowed a credit for foreign taxes. Income subject to tax is determined under tax accounting rules, not financial accounting principles, and includes almost all income from whatever source. Most business expenses reduce taxable income, though limits apply to a few expenses. Individuals are permitted to reduce taxable income by personal allowances and certain non-business expenses, including home mortgage interest, state and local taxes, charitable contributions, and medical and certain other expenses incurred above certain percentages of income. State rules for determining taxable income often differ from federal rules. Federal marginal tax rates vary from 10% to 39.6% of taxable income. State and local tax rates vary widely by jurisdiction, from 0% to 13.30% of income, and many are graduated. State taxes are generally treated as a deductible expense for federal tax computation. In 2013, the top marginal income tax rate for a high-income California resident would be 52.9%. (Bernard 2014, 296).

The United States is one of two countries in the world that taxes its non-resident citizens on worldwide income, in the same manner and rates as residents; the other is Eritrea. The U.S. Supreme Court upheld the constitutionality of imposition of such a tax in the case of Cook v. Tait. (I.R.S. Publication 54 2013).

2.2.1 Payroll taxes

Also called employment taxes, are a conglomerate of several different taxes:

- The employer share of Federal Insurance Contribution Act (FICA) tax covering social security and Medicare taxes
- Federal unemployment taxes (FUTA) tax
- State unemployment tax

Payroll taxes are imposed by the federal and all state governments. These include Social Security and Medicare taxes imposed on both employers and employees, at a combined rate of 15.3% (13.3% for

2011 and 2012). Social Security tax applies only to the first $106,800 of wages in 2009 through 2011. However, benefits are only accrued on the first $106,800 of wages. Employers must withhold income taxes on wages. An unemployment tax and certain other levies apply to employers. Payroll taxes have dramatically increased as a share of federal revenue since the 1950s, while corporate income taxes have fallen as a share of revenue. (Corporate profits have not fallen as a share of GDP).

Employment taxes are fully deductible by an employer. This is so even if an employer claims the payroll tax credit for the employer share of the social security tax. The employer portion of the social security tax is adjusted annually for inflation. The employer portion of the Medicare tax is 1.45%, applied to all wages paid to the employer. The employer portion of the social security tax is 6.2% this tax is applied to current wage base of up to $127,200 in 2017, which is adjusted annually for inflation. This is applied to all wages paid to the employee; there is no wage base limit, if you, as an employer, pay both the employer and employee portion of the tax, you may claim a deduction for your full payments. Your payment of the employee s share of FICA is additional compensation to the employee but does not trigger additional FICA for you or the employee. (Weltman 2018, 210)

2.2.2 Property taxes

These taxes are imposed by most local governments and many of which are special purpose properties based on the fair market value of property. School and other properties are often separately governed, and impose separate taxes. Property tax is generally imposed only on realty, though some jurisdictions tax some forms of business property. Property tax rules and rates vary widely with annual median rates ranging from 0.2% to 1.9% of a property's value depending on the state. Personal property tax, an ad valorem tax which is a tax on the value of personal property. (Weltman 2018, 298)

2.2.3 Sales taxes

These are imposed by most states and some localities on the price at retail sale of many goods and some services. Sales tax rates vary widely among jurisdictions, from 0% to 16%, and may vary within a jurisdiction based on the specific goods or services taxed. Sales tax is collected by the seller at the time of sale or remitted as value added tax by buyers of taxable items who did not pay sales tax.

The United States imposes tariffs or customs duties on the import of many types of goods from many jurisdictions. These tariffs or duties must be paid before the goods can be legally imported. Rates of duty vary from 0% to more than 20%, based on the goods and country of origin. When sales tax is imposed on the seller or the retailer, the seller or retailer can separately state the tax or pass it on to the consumer, then the consumer rather than the producer or retailer, gets to deduct the tax.

Estate and gift taxes are imposed by the federal and some state governments on the transfer of property inheritance, by will, or by lifetime donation. Like federal income taxes, federal estate and gift taxes are imposed on worldwide property of citizens and residents and allow a credit for foreign taxes. (Kmoroff 2011, 99).

2.2.4 Unemployment taxes

The Federal Unemployment Tax Act (FUTA), as well as with state unemployment systems, they are the ones that provide for payments of any unemployment compensation to workers who have lost their jobs. FUTA, is define as the initial legislation body that allows the federal government to tax all the businesses with employees for the sole purpose of collecting revenue which will then be use to allocate to the state unemployment agencies and also use to pay unemployed workers who are eligible to claim unemployment benefits. Starting from July of 2011 the tax rate imposed by the FUTA stands 6% for every first sum of $7000 paid to an employee on a yearly basis. Hence this simply means that for example a company had a total of 10 employees for which each of them earned a wage of minimum $7000 in a year, this means the annual FUTA tax for that company will be 0.6 x $70.000= $ 4,200. Note here that it is only the employers and not employees are responsible for the payment of the FUTA tax, we should however note here that different state may tax additional unemployment tax from employers as well. (Federal Unemployment Tax Act – FUTA 2017).

2.2.5 Estate and gift taxes

Estate and gift taxes in the United States are imposed by the federal and some state governments. The estate tax is an excise tax levied on the right to pass property at death. It is imposed on the estate, not the beneficiary. Some states impose an inheritance tax on recipients of bequests. Gift taxes are levied on the giver (donor) of property where the property is transferred for less than adequate consideration.

An additional generation-skipping transfer (GST) tax is imposed by the federal and some state governments on transfers to grandchildren (or their descendants). Estate tax returns as a percentage of adult deaths, 1982–2008.

The federal gift tax is applicable to the donor, not the recipient, and is computed based on cumulative taxable gifts, and is reduced by prior gift taxes paid. The federal estate tax is computed on the sum of taxable estate and taxable gifts and is reduced by prior gift taxes paid. These taxes are computed as the taxable amount times a graduated tax rate (up to 35% in 2011). The estate and gift taxes are also reduced by a "unified credit" equivalent to exclusion ($5 million in 2011). Rates and exclusions have varied, and the benefits of lower rates and the credit have been phased out during some years. (Kmoroff 2011, 106).

Taxable gifts are certain gifts of U.S. property by nonresident aliens, most gifts of any property by citizens or residents, more than an annual exclusion ($13,000 for gifts made in 2011) per donor per done Taxable estates are certain U.S. property of non-resident alien decedents, and most property of citizens or residents. For aliens, residence for estate tax purposes is primarily based on domicile, but U.S. citizens are taxed regardless of their country of residence. U.S. real estate and most tangible property in the U.S. are subject to estate and gift tax whether the decedent or donor is resident or nonresident, citizen or alien.

The taxable amount of a gift is the fair market value of the property more than consideration received at the date of gift. The taxable amount of an estate is the gross fair market value of all rights considered property at the date of death (or an alternative valuation date) ("gross estate"), less liabilities of the decedent, costs of administration (including funeral expenses) and certain other deductions. State estate taxes are deductible, with limitations, in computing the federal taxable estate. Bequests to charities reduce the taxable estate.

Gift tax applies to all irrevocable transfers of interests in tangible or intangible property. Estate tax applies to all property owned in whole or in part by a citizen or resident at the time of his or her death, to the extent of the interest in the property. Generally, all types of property are subject to estate tax. Whether a decedent has sufficient interest in property for the property to be subject to gift or estate tax is determined under applicable state property laws. Certain interests in property that lapse at death (such as life insurance) are included in the taxable estate. (IRS 2017).

2.2.6 Licenses and occupational taxes

Many jurisdictions within the United States impose taxes or fees on the privilege of carrying on a business or maintaining a particular professional certification. These licensing or occupational taxes may be a fixed dollar amount per year for the licensee, an amount based on the number of practitioners in the firm, a percentage of revenue, or any of several other bases. Persons providing professional or personal services are often subject to such fees. Common examples include accountants, attorneys, barbers, casinos, dentists, doctors, auto mechanics, plumbers, and stock brokers. In addition to the tax, other requirements may be imposed for licensure. (Kmoroff 2011, 111-112).

All 50 states impose vehicle license fee. Generally, the fees are based on type and size of vehicle and are imposed annually or biannually. All states and the District of Columbia also impose a fee for a driver's license, which generally must be renewed with payment of fee every few years.

2.2.7 Franchise taxes

Corporate franchise taxes (which are another term that may be used for state corporate income taxes and has nothing to do with whether the corporation is a franchise) are a deductible business expense. This varies from state to state, while others impose franchise taxes on small corporations, others don’t. (Weltman 2018, 247)

2.2.8 Fuel taxes

Taxes on gas, diesel fuel, and other motto fuels used in your business are deductible. As a practical matter, they are included in the cost of fuel and not separately stated. Thus, they are deducted as a fuel cost rather than as a tax. (Bernard 2014, 237)

However, in certain instances eligibility exits for a credit for the federal excise tax on certain fuels. The credit applies to fuel used in machinery and off highway vehicles such as tractors, and kerosene used for heating, lighting, and cooking on a farm.

2.2.9 Foreign taxes

Income taxes paid to a foreign country or U.S possession may be claimed as a deduction or a tax credit, to claim foreign income taxes as a tax credit, file form 1116, foreign tax credit unless as an individual foreign tax $300 or less, $600 or less on a joint return. Corporations claim the foreign tax credit on form 1118; the same rules apply for foreign real property taxes paid with respect to real property owned in a foreign country or U.S possession. (Bernard 2014, 39).

3 LAW AS A REGULATORY TOOL IN BUSINESS ADMINISTRATION

This chapter gives a clear illustration of how law is been used as a regulatory tool in business administration. Hence we shall be looking at how business administration law works hand to hand, the fundamentals of taxation law and the purposes of these laws.

3.1 Business administration and the law

It is important to address the question of what business administration is and how it can be considered part of the law, as afore mentioned law is part of every aspect of human existence, in everything we do there are rules, procedures, regulations and enforcement mechanisms. Law varies from society to society, religion to religion, states, republic, ’to each his own”. Be it the rules a classroom teacher sets limited to the four walls of the class, the procedure a medical doctor most follow in practice or the rules a government imposes on its citizens, rules are laws. Examples of laws include; business law, contract law, medical law, administrative law, banking law, engineering law, aircraft law, and Custom law. The list is in exhaustive. (Stim 2010, 148).

Business administration is management of a business. It includes all aspects of overseeing and supervising business operations and related field which include Accounting, Finance and Marketing. The administration of a business includes the performance or management of business operations and decision making, as well as the efficient organization of people and other resources, to direct activities toward common goals and objectives. In general, administration refers to the broader management function, including the associated finance, personnel and MIS services.

Some analysts view management as a subset of administration, specifically associated with the technical and operational aspects of an organization, and distinct from executive or strategic functions. Alternatively, administration can refer to the bureaucratic or operational performance of routine office tasks, usually internally oriented and reactive rather than proactive. Administrators, broadly speaking, engage in a common set of functions to meet the organization's goals. Henri Fayol described these "functions" of the administrator as "the five elements of administration". Sometimes creating output, which includes all of the processes that generate the product that the business sells, is added as a sixth element. (Elias and Stim 2017, 29)

A business administrator oversees a business and its operations. The job aims to ensure that the business meets its goals and is properly organized and managed. The tasks a person in this position has are both wide and varied, and often include ensuring that the right staff-members are hired and properly trained, making plans for the business' success, and monitoring daily operations. When organizational changes are necessary, a person in this position usually leads the way as well. In some cases, the person who starts or owns the business serves as its administrator, but this is not always the case, as sometimes a company hires an individual for the job.

A person with the title of "business administrator" essentially functions as the manager of the company and of its other managers. Such a person oversees those in managerial positions to ensure that they follow company policies and work toward the company's goals in the most efficient manner. For example, business administrators may work with the managers of the human-resources, production, finance, ac-counting, and marketing departments to ensure that they function properly and are working in line with the company's goals and objectives. Additionally, they might interact with people outside the company, such as business partners and vendors. (Elias and Stim 2017, 33-37).

3.2 Fundamentals of taxation law

Taxation is differentiated from other forms of payment, such as market exchanges, in that taxation does not require consent and is not directly tied to any services rendered. The government compels taxation through an implicit or explicit threat of force. Taxation is legally different from extortion or a protection racket because the imposing institution is a government, not private actors.

Tax systems have varied considerably across jurisdictions and time. In most modern systems, taxation occurs on both physical assets, such as property, and specific events, such as a sales transaction. The formulation of tax policies is one of the most critical and contentious issues in modern politics.Originally, the U.S. government were funded on very little direct taxation. Instead, federal agencies assessed user fees for ports and other government property. In times of need, the government would decide to sell government assets and bonds or issue an assessment to the states for services rendered. In fact, Thomas Jefferson abolished direct taxation in 1802 after winning the presidency; only excise taxes remained, which Congress repealed in 1817. Between 1817 and 1861, the federal government collected no internal revenue. (Fishman 2011, 105).

An income tax of 3% was levied on high-income earners during the Civil War. It was not until the Sixteenth Amendment was ratified in 1913 that the federal government assessed taxes on income as a regular revenue item. As of 2016, U.S. taxation applies to items or activities ranging from income to cigarettes to inheritances and even winning a Nobel Prize. In 2012, the U.S. Supreme Court ruled that failure to purchase specific goods or services, such as health insurance, was considered a tax and not a fine.

3.3 Purposes and justification for taxation

The most basic function of taxation is to fund government expenditures. Varying justifications and explanations for taxes have been offered throughout history. Early taxes were used to support ruling classes, raise armies and build defenses. Often, the authority to tax stemmed from divine or supranational right.

Later justifications have been offered across utilitarian, economic or moral considerations. Proponents of progressive levels of taxation on high income earners argue that taxes encourage a more equitable society. Higher taxes on specific products and services, such as tobacco or gasoline, have been justified as a deterrent on consumption. Advocates of public goods theory argue taxes may be necessary in instances in which the private provision of public goods is considered sub optimal, such as with lighthouses or national defense. (Fishman 2011, 121).

4 TAXATION REGULATORY BODY IN THE UNITED STATE

The United States of America has separate federal, state, and local government(s) with taxes imposed at each of these levels. Taxes are levied on income, payroll, property, sales, capital gains, dividends, imports, estates and gifts, as well as various fees. As a business owner, it's important to understand your federal, state, and local tax requirements. This will help you file your taxes accurately and make payments on time. The business structure you choose when starting a business will determine what taxes you must pay and how you pay them.

4.1 The Internal Revenue Service (IRS)

The Internal Revenue Service (IRS) is a U.S based government agency whose responsibility is to collect taxes and enforced taxation laws. it was created in 1862 by the then U.S president in there person of Abraham Lincoln, this agency is being run under the treasury department of the United States, and its main goals are the collection of income taxes from individual and employment taxes. It's also the duty of the IRS handle corporate, gift, excise and estate taxes for the state. (Investopedia 2018).

The Headquarter of IRS is based in Washington D.C; IRS takes care of taxation of all Americans. In the fiscal year of 2016, it was reported that the IRS processed more than 244 million of income tax returns which included both the individual and corporate tax returns. During this same fiscal year it was also reported that the IRS collected an estimated sum of $3.3 trillion in revenue and issued $ 426 billion in tax refunds. (IRS 2017).

The IRS has an online system which is referred to as the E-filling system where individuals and the corporations used it to file income returns electronically; this is all made possible by the computer technology, software programs and secure internet connections. In the 2016 tax-filing season, it was reported that 92% of all the tax returns was filed via the e-file system, coming from more than 131 million out of more than 152 million returns. It has been noted that the number of returns via the e-file has grown steadily since this program was introduced by the IRS. To prove that the number of tax returns has grown let's take for example in 2001 when technology was not all that as compared to today only 40 million out of an estimated 131 million returns used the e-file. As of April 2017, we learned that more than 81.6 million taxpayers received their returns via direct deposit rather than the usual traditional pay check, and the average direct deposited amount was $2,932. (Investopedia 2018).

The responsibility of the IRS is not only limited to the collection of taxes and enforced taxation laws but also audits select portion of the income tax returns as well every year. In the 2015 tax year , the IRS audited approximately 1.2 million income tax returns (0.6%) of all the returns filed in that year. this number was further breaks down to 0.7% of individual income tax returns and 1.1% for corporate tax returns which excluded the S corporations. An estimated 71% of the IRS audits are done via email services, while 29% occurred in the field. (Investopedia 2018).

4.1.1 History of the IRS

The origin of IRS go back to the time of the American civil war where the then president Lincoln and the congress, in 1862 created the position of commissioner of the Internal Revenue and they enacted an income tax system in order to use to for war expenses. This was system was repealed 10 years later. In 1894, the income tax was brought back to existence by the congress but however the Supreme Court at the time ruled it unconstitutional the following year. (IRS 2018)

The 16th Amendment was ratified in 1913 by Wyoming, which provides the three-quarter majority of states necessary to amend the constitution. This Amendment, gave the congress the absolute authority to enact an income tax. Still in 1913, the first Form 1040 was given birth to after the congress levied a 1% tax on net personal incomes which was above $3000 with 6% surtax on incomes of more than $500.000. In 1918, during the 1st world war, the rate of income tax rose to 77% in order for the U.S to help finance their war efforts. It was however dropped back after the war years to 24% in 1929, and rose back again during the great depression. (IRS 2018).

It was only until the 50s where a new name the Internal Revenue Service (IRS) introduced to replace the Bureau of Internal Revenue (formerly called). This change of name came due to the fact that the agency was reorganized to replace a patronage system with career, professional employees. Only the IRS commissioner and chief counsel are selected by the president and confirmed by the senate. (IRS 2018).

The IRS organization today has been restructured by the IRS Restructuring and Reform Act of 1998, which has promoted the most comprehensive reorganization and modernization of the IRS in nearly

half a century. The IRS has reorganized itself to look almost like the private sector model of organizing around it customers with similar needs. (IRS 2018).

4.1.2 Commissioner

David J. Kautter is the Acting Commissioner of the IRS. As Acting Commissioner, he presides over the nation's tax system, which collects approximately $3.4 trillion in tax revenue each year. This revenue funds most government operations and public services. Mr. Kautter manages an agency of about 80,000 employees and a budget of approximately $11 billion. (IRS 2018)

In his role leading the IRS, Mr. Kautter is working to ensure that the agency fulfills its dual mission of serving and providing assistance to taxpayers and enforcing the nation's tax laws. Mr. Kautter also serves as Assistant Secretary of the Treasury for Tax Policy. He directs the U.S. Treasury Department's Office of Tax Policy in developing, recommending, and implementing Federal tax policy on behalf of the Department. There have been 47 previous commissioners of Internal Revenue and 26 acting commissioners since the agency was created in 1862. (IRS 2018)

No IRS commissioner has served more than five years and one month since Guy Helvering, who served 10 years until 1943.The most recent commissioner to serve the longest term was Doug Shulman, who was appointed by President George W. Bush and served for five years.(IRS 2017)

4.1.3 Tax collection statistics

The table below (TABLE 1) shows the Summary of Collections before Refunds by the Type of Return, for the Fiscal Year 2010.

TABLE 1. Summary of Collections before Refunds by Type of Return, Fiscal Year 2010 (IRS 2017).

Type of Return	Number of Returns	Gross Collections to the nearest million US$
Individual Income Tax	141,166,805	1,163,688

Employment Taxes	29,493,234	824,188
Corporate Income Tax	2,355,803	277,937
Excise Taxes	836,793	47,190
Gift Tax	286,522	2,820
Estate Tax	28,780	16,931
Total	174,405,682	2,332,754

For fiscal year 2009, the U.S. Congress appropriated spending of approximately $12.624 billion of "discretionary budget authority" to operate the Department of the Treasury, of which $11.522 billion was allocated to the IRS. The projected estimate of the budget for the IRS for fiscal year 2011 was $12.633 billion. By contrast, during Fiscal Year (FY) 2006, the IRS collected more than $2.2 trillion in tax (net of refunds), about 44 percent of which was attributable to the individual income tax. This is partially due to the nature of the individual income tax category, containing taxes collected from working class, small business, self-employed, and capital gains. The top 5% of income earners pay 38.284% of the federal tax collected. (IRS 2015)

The IRS periodically estimates the tax gap, which gives a broad view of the nation's compliance with federal tax laws. The new study covers tax years 2008-2010. The report finds that there has been no significant change in the amount of the tax gap or the rate of compliance since the last report was issued for tax year 2006. The average annual tax gap for 2008-2010 is estimated to be $458 billion, compared to $450 billion for tax year 2006. (IRS 2017)

In 2011, 234 million tax returns were filed allowing the IRS to collect $2.4 trillion out of which $384 billion were attributed to mistake or FRAUD.(USA today 2012, 1B/2B).

5 TAX SYSTEM IN FINLAND

Taxation in Finland is carried out by the State of Finland, mainly through the Finnish Tax Administration, an agency of the Ministry of Finance. Finnish Customs and the Finnish Transport Safety Agency, Trafi, also collect taxes. Taxes collected are distributed to the Government, municipalities, church, and the Social Insurance Institution, KELA

KELA is funded from compulsory payments to some of the administered schemes (24 % in year 2015) and by taxation. Founded in December 16, 1937, headquarters in Helsinki, Coverage under the schemes given to all permanent residents of Finland. Kansaneläkelaitos/Folkpensionsanstalten literally means "People's Pension Institute", reflecting its original function as the national provider of retirement benefits.

Finland has a progressive taxation system with relatively high rates of personal income tax. These are used along with employer contributions to fund Finland's extensive and high quality public health and social security systems. (Expart 2018)

Foreign nationals who live and work in Finland for less than six months are classed as tax non-residents and are only required to pay taxes on Finnish sources of income and capital. Income tax is deducted at source at a flat rate of 35%, and there is no need for them to sign a formal tax declaration. However, EU/EEA nationals can request progressive taxation instead of taxation at source if their Finnish income accounts for 75% or more of their annual gross earned income. (Expart 2018).

Anyone living and working in Finland for six months or more is taxed on the same basis as Finnish citizens, is required to submit a Finnish income tax return, and must pay state and municipal taxes on their world-wide income and capital. The Finnish tax year corresponds to a calendar year. In 2006 the personal income tax rates ranged from 9% to 32.5%, while municipal tax rates ranged from 16% to 21% of income. For employees, tax is deducted at source by their employers, along with pension payments at 4.6% and unemployment insurance payments at 0.25%. Employers also make contributions to the pensions and unemployment insurance funds. Additionally, income from capital is taxed at 28%. Other types of taxes payable in Finland include property tax (0.5% - 3% of taxable value), property transfer tax (4% of purchase price), inheritance tax, and church tax for members of the Evangelical Lutheran Church of Finland or the Orthodox Church. Finland has double taxation agreements with

many other countries including most EU and EEA member states, which mean that tax paid in one country can be offset against any tax payable in the other.(VERO 2017)

5.1 Taxation of various forms of business

Tax treatment of businesses in Finland changes relying upon the type of company, and direct tax collection specifically may influence the decision of company formation. In 2018 the Finnish corporate/enterprise/company flat rate tax is 20%. (Finnish Tax Administration 2018)

Some entity forms including the limited company and the cooperative society are independently liable to pay income tax as taxpayers. Their receipts of income are taxed as income attributable to the entity itself. The corporate income tax rate is 20%. If a limited liability company distributes dividend to its shareholders, the shareholder-beneficiaries will be taxed as provided by specific rules. (Limited Liability Companies Act 6/2006, 21§).

If the corporate entity is an association or a foundation promoting for the public good, any receipts of business income or income derived from real property will be taxable. If an association or foundation is not deemed as an entity promoting for the public good, it is liable to pay 20% tax on all income.

Profits are fully taxable as income of the owner-shareholder in the case of a self-employed professional individual, a self-employed business entrepreneur or a general or limited partnership. The taxable income attributable to the operation of the trade or business is divided between a capital-income portion and an earned-income portion. Capital income in 2018 is assessed at 30% for income under €30,000, and 34% for income over €30,000. Earned income is assessed using the progressive scale. The income of an agricultural enterprise is similarly divided into a capital-income portion and an earned-income portion. (Finnish Tax Administration 2018).

5.2 Setting up a business in Finland

Finland is an easy place to do business, for foreign companies and entrepreneurs alike. Plenty of assistance is available, and over 6,500 Finnish businesses have been established by people who have moved from abroad. You will need to arrange funding, make a business plan, select your company form, ob-

tain any required trade-specific permits, register your business, arrange the necessary insurance, and organize your accounting.

Business can be conducted as a general partnership, a limited partnership, a limited liability company, a cooperative, or an entrepreneur. An entrepreneur, also known as self-employed or private trader, acts in their own name - they are not a 'company' foreign companies most commonly conduct business through a limited liability company (osakeyhtiö, "Oy") or a Finnish branch office. Certain types of business need a permit or license from, or inspection by the authorities. All new enterprises, including foreign companies starting up business in Finland, must submit a start-up notification to the trade register. The notification can also be used for registration in the employer register, prepayment register and/or VAT register. (Expat 2017)

5.2.1 Principal forms of business entities

A company may choose one of five forms of business organization in Finland, which are a limited liability company, limited partnership, cooperative or branch, and a general partnership. A limited liability company can be established by an individual or group of persons or by organizations. An EEA (European Economic Area) resident also may act as a private entrepreneur. The limited company is the most common form of business organization for a foreign investor in Finland.(Deloitte international tax source 2018)

The SocietasEuropea (SE) company form also is available. The SE is designed to enable companies to operate across the EU with a single legal structure, to facilitate mergers and create flexibility for companies wishing to move their head office from one EU member state to another. An SE maybe established by converting a publicly listed limited liability company or by merging at least two public limited liability companies. Provided certain conditions are satisfies, public and private limited liability companies can promote the formation of an SE holding or form a subsidiary SE by subscribing for its shares. An SE may provide the basis for a relatively simple and cost-efficient way to carry out business across more than one EU country. (Enterprise Finland 2015).

Business also may establish a European Economic interest Grouping (EEIG) (according to the Finnish Trade register, there was only one registered EEIG in Finland at the end of 2014) which is the most recent statistics.(Deloitte international tax source 2018)

5.2.2 Formalities for setting up a company

The Finnish Companies Act sets out the procedure for establishing a limited liability company. In all, a Finnish limited liability company is formed by signing a memorandum of association. The articles of association, which include the company name, the line of business and the place of the registered office of the company, are prepared in connection with the memorandum of association.

Limited liability companies, as well as most other legal entities, are legally established by an entry in the NBPR Trade Register (National Board of Patents and registration). Limited Liability Company has to be registered within three months of the signing of the memorandum of association. When all requirements has been provided to the Trade Register, the average handling time at the NBPR is approximately one to two weeks. Registration notification is filled in Finnish or Swedish. (Limited Liability Companies Act 6/2006, 21§)

5.3 Regulation of Business in Finland

Finland has a civil law system. EU law is directly applicable and takes precedence over national legislation. There are no general restrictions on foreign investment, although authorization is required in certain regulated sectors such as banking, investment services, and fund management and payment services. Hence for the purpose of regulation of business in Finland we shall be looking at some of the key business regulatory tools used in Finland such as: Registration and permits, and mergers and acquisitions.

5.3.1 Registration and permit

All businesses operating in Finland, as well as Finnish companies and branches of foreign companies, are required to be registered with the Finnish Trade Register maintained by the NBPR. These registrations require the filling of a registration notification, including for example basic information about the company, with the Trade Register. The registration automatically provides a certain degree of protection for the business's trade name. (Deloitte international tax source 2018)

Forms of trade in Finland are divided into these two categories of 'free' and 'regulated' trade. A Permit is required in areas involving for example specific environmental, safety, or health Hazards, or finan-

cial risks. The regulatory authority varies depending on the sector. However, most business operations can be carried out without specific licenses, assuming that the company is registered with the Trade Register in accordance with the applicable regulations.

A permit from the NBPR also is needed to establish a branch or a foundation that is from outside EEA. (Deloitte international tax source 2018)

5.3.2 Mergers and acquisitions

Mergers and acquisitions are regulated in Finland from both a tax and a company law perspective. According to the Finnish Limited Liability companies Act(companies act), the general rule is that a merge ring company may merge into an acquiring company, with the effects that its assets and liabilities are transferred to the acquiring company and the shareholders of the merging company received shares in the acquiring company as merger consideration. The merger consideration also may consist of cash, other assets and future undertakings. There are some differences between the provisions in the tax legislation and the company law in relation to mergers and other reorganizations. ((Limited Liability Companies Act 6/2006, 21§).

A Finnish company may participate in a cross-border merger to be implemented in accordance with the Finnish companies Act and applicable EU-level regulations. The Finnish company may be the merging or the acquiring company.

In general, mergers are covered by the Finnish Competition Act where the combined worldwide turnover of the parties involved exceeds EUR 350 million and the turnover in Finland of at least two of the parties exceed EUR 20million. The rules apply for example where firstly, a firm acquires control of another company (or of its business operations), and secondly, a merger creates a joint venture that performs all the functions of an independent economic unit. However, the completion-related regulations are very specific in nature, and they should be considered on a case-by-case basis, taking into account all the relevant factors. Notifications of acquisitions that meet the relevant guidelines must be submitted to the FCA (Federation of Finnish Enterprises), except where the merger is no significant that it falls within the jurisdiction of the European Commission. (Deloitte international tax source 2018)

The notification process has two stages. The first step which has duration of about a month or longer, leads to approval of proposed acquisitions that clearly do not have restrictive effects. The primary way to prevent the restriction effects of an acquisition is to impose conditions for example obligation to divest. The FCA may initiate a second step which involves a more thorough investigation, which may take up to five months or more. If a satisfactory conclusion cannot be obtained by imposing conditions, an acquisition maybe prohibited by the Market court at the recommendation of the FCA. (Deloitte international tax source 2018).

Mergers with a community dimension fall within the competence of the European Commission and the Commission must be notified under (Council Regulation (EC) NO. 139/2004.) The EU has jurisdiction over mergers in two situations:

1) Where the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 5 billion and the aggregate EU- wide turnover of at least two of the undertakings is more than EUR 250 million. Unless each of the undertakings concerned achieves more than two-thirds of its aggregate-wide turnover in a single member state. (Finland taxation and investment 2017).

2) Where the aggregate global turnover of the enterprises concerned exceeds EUR 2.5 billion, aggregate global turnover in each of at least three EU member states is more than EUR 100 million, aggregate turnover of at least two enterprises in each of these three member states is more than EUR 25 million, and aggregate EU-wide turnover of at least two of the enterprises is more than EUR 100 million (unless each of the enterprises achieves more than two thirds of its aggregate EU-wide turnover in a single EU member state). (Finland taxation and investment 2017)

The European commission has the authority to refer such deals back to the Finish authorities for consideration if the only real impact will be in Finland. (Finland taxation and investment 2017)

5.4 Business taxation

The principal taxes applicable to companies in Finland are corporate income tax. Withholding tax, value added tax (VAT) and social security contributions. There are no excess profit taxes or alternative minimum taxes. (Finland taxation and investment 2016)

Finland's dividend taxation follows a classical system, under which corporate income is taxed in the hands of the company and as dividends (mostly with either full or partial relief), in the hands of the shareholders at appropriate rates. Profit remittances from a Finnish branch to a foreign head office are not subject to withholding tax.

Finland has transfer pricing and controlled foreign (CFC) rules, as well as a regime that allows taxable income and tax losses of affiliated companies to be offset. The country also has an extensive network of tax treaties that aim to eliminate double taxation.

Finland has implemented the EU parent-subsidiary, interest and royalties and merger directives, as well as the EU savings directive, the latter of which requires the exchange of information between tax administrations when interest payments are made in one EU member state to an individual resident in another member state. (Finland taxation and investment 2016)

The main sources of tax legislation in Finland are the Business Income Tax Act, Income Tax Act, and Act on Taxation of Nonresidents' Income, Value Added Tax Act, and Act on Assessment Procedure. The Finish Tax Administration is the competent tax authority. (TABLE 2)

TABLE 2. Finland quick tax facts for companies. (Finland taxation and investment 2016)

Corporate income rate tax	20%
Branch tax rate	20%
Capital gains tax rate	0%
Basis	Worldwide
Participation exemption	Yes
Loss relief	
- Carry forward	10years
- carry back	No
double taxation relief	Yes
Tax consolidation	Limited
Transfer pricing rules	YES
Thin capitalization	No, but there is a general limit on interest deductibility
Controlled foreign company rules	Yes
Tax year	Financial year
Advance payment of tax	Monthly
Return due date	Four months after closes of financial year
Withholding	
- Dividends	0%/20%
- Interest	0%

- Royalties	0%/20%
- Branch remittance tax	No
- Capital tax	No
- Social security contributions	Various
- Real estate tax	Varies
- Transfer tax	1.6%/2%/4%
- Insurance premium tax	24%
-VAT	0%/10%/14%/24%

5.4.1 Taxable income and rates

A Finnish resident company is taxable on its worldwide income, including capital gains. A nonresident company is taxed only on income in sourced Finland. If a nonresident organization has a permanent establishment (PE) or branch in Finland, it is liable for income tax on all income attributed to the branch. A Finnish branch of a foreign company is, in principle, treated as a Finnish company for corporate income tax purposes, but profits of a branch maybe remitted to the head office abroad without any tax being withheld. In contrast, dividends paid by a subsidiary to a foreign parent are, in principle, subject to a 20% withholding tax (which may be reduced under a tax treaty or if the EU parent-subsidiary directive applies). In principle, a nonresident company without PE in Finland will be subject to a final withholding tax on its Finnish-source income. (Partnership and Limited Partnership Act).

The corporate income tax rate is 20%. No additional local income taxes apply to companies. The corporate income tax rate of 20% also applies to capital gains and rental income. Companies treated as partnerships for Finnish tax purposes are regarded as transparent when assessing income. However, losses remain within the partnership and carried forward under general rules. A Finnish partnership's entire domestic and foreign-source income is divided amongst the partners and taxed as their income. Partnership income is divided into investment income, taxed at a rate of 30% up to (EUR 30.000), and at a rate of 34% to the extent the investment income of a partner exceeds (EUR 30.000) and earned income (taxed at progress rate) in the hands of individual (residents or a nonresident) partners. The amount of investment income maybe calculated as to a 20% annual return on the net assets of the business activity. Capital gains on real estate and securities included in the partnership income are always taxed as investment income. The remainder is taxed as earned income. For corporate partners, partnership income is regular business income and is taxed at a flat rate of 20 %.(Finland taxation and investment 2016/ Deloitte international tax source 2018)

5.4.2 VAT in small businesses in Finland

In Finland, a person or company is required to register for VAT once it conducts a VAT taxable business. Here, Registration however, is not mandatory unless the turnover is over the threshold of 10 000 Euros for one accounting period (12 months). If the VAT taxable operation is considered small- scale, which means the turnover for the required period is less than 30 000 Euros, the business may be eligible to relief from VAT (Vero 2017).

VAT rates on goods and services in Finland are shown in TABLE 3. The current standard rate has been 24% since the start of 2013. 14% and 10% are reduced rate for specific items listed in table 2. Now, Finland has the fifth highest standard rate among the Member States. Two reduced rates are in use at the same time. (Vero 2017.)

TABLE 3. The rate of VAT on goods and services in Finland. (Vero 2017).

Rate	Item
24%	The standard rate
14%	At a reduced rate for food, animal feed, restaurant and catering services
10%	At a reduced rate for books, pharmaceutical products, physical exercise services, film showings, entrance to cultural and entertainment events, passenger transport services, accommodation services, operations relating to TV and public broadcasting against a fee

In Finland, a VAT taxable business whose turnover for a 12-month accounting period is less than 30 000 Euros is considered small –scale, and these small entrepreneurs whose annual turnover is at most 10 500 Euros are not obligated to register for VAT purposes. As a VAT taxpayer, the business must submit a VAT return on its own initiative and pay it, in accordance with the required tax period. The reporting system in used is My Tax from the beginning of 2017. Moreover, the VAT registered com-

pany should give an invoice to buyers, which contains all VAT details required by Finnish VAT Act. (Vero 2017.)

6 CONCLUSION

Shown in (TABLE 4) below, is a summary of the differences between United State tax system and the Finnish tax system which covers the core areas of taxation as regards to this thesis.

TABLE 4. Summary of the comparison between United State and Finnish tax system (Practical Law 2018)

United State Tax System	Finnish Tax System
Most recommendations for new tax legislation come from the President, Treasury Department has primary responsibility for drafting the President's tax recommendations	The Ministry of Finance prepares the tax laws that regulate taxation.
Taxes are levied by federal, states and municipalities vary	Taxes are levied by the Tax Administration and the Finnish Customs
Value added tax, No jurisdiction in the US currently imposes a value added tax.	Value added tax (VAT) is a tax on supplies of goods and services made by a taxable person in the course of a business. The main legal framework for VAT is the Finnish Value Added Tax Act, which has largely incorporated the provisions of Directive 2006/112/EC on the common system of value added tax (VAT Directive).
Number of Payments of Corporate Taxes per Annum in U.S 10.6	Number of Payments of Corporate Taxes per Annum in Finland is 8.0
Time Taken For Administrative Formalities (Hours) 175.0	Time Taken For Administrative Formalities (Hours) 93.0
The United States taxes its non-resident citizens on worldwide income, in the same manner and rates as residents	Finnish companies are taxed on their worldwide income, unlike non-resident companies that are only taxed on income sourced in Finland.
The corporate income tax rate is 21.0%. (The federal corporate rate is 21% "from brackets with a maximum tax rate of 35%" separate taxes are levied at state and municipal levels.	corporate rate is 20%
The primary authority responsible for administering and enforcing federal taxes (including taxes relating to corporate transactions) in the US is the Internal Revenue Service (IRS), a bureau of the US Department of Treasury. In addition, each state has a separate taxing authority that administers and enforces taxes imposed by that state.	The main authority responsible for enforcing taxes on corporate transactions is the Finnish Tax Administration (Verohallinto) (FTA).
Dividends, A corporate distribution is treated as a dividend to the extent that the distribution is made from the corporation's current year or historic earnings and profits. A dividend paid by a US corporation to non-US stockholders is generally subject to a	Dividends, Dividends paid by a Finnish company to a non-Finnish tax resident company are in principle subject to Finnish withholding tax at the rate of 20%. However, in practice, withholding is either prohibited or reduced under the provisions of Directive 2003/123/EC amending Di-

30% withholding tax, subject to reduction or elimination by an applicable income tax treaty. Corporate distributions in excess of current and historic earnings and profits are generally not subject to withholding tax. A foreign corporation that conducts business in the US must pay a branch profits tax that attempts to mimic the withholding tax that would apply if the foreign corporation conducted its US business through a wholly-owned US corporate subsidiary. In addition, any dividends can become subject to withholding under the FATCA rules if the recipient corporation does not comply with FATCA's information reporting requirements.	rective 90/435/EEC on the taxation of parent companies and subsidiaries or an applicable tax treaty. Under most tax treaties, the withholding tax rate is usually reduced to 0% to 15% on dividends paid to persons entitled to treaty benefits.
Corporate income tax, A corporation organized outside the US is subject to corporate income tax only on: • Income and gains that are effectively connected with the conduct of business in the US (and if required under the terms of a relevant treaty, if that conduct is attributable to a "permanent establishment" as defined under the terms of the treaty). • Certain US-source income that is fixed, determinable, annual, or periodic (for example, dividends, interest, royalties, annuities, and so on).	Corporate income tax, A non-Finnish tax resident company is only taxed on income from Finnish sources. Finnish source income includes: • Lease income derived directly from Finnish real property. • Gains derived from the sale of real property situated in Finland. • Gains derived from the sale of shares in a Finnish MREC, REC, real estate holding company or a housing company.
progressive tax system	progressive tax system
Joint ventures, In general, JVCs can be formed by joint venture partners without incurring tax. There are exceptions if: • The joint venture partner receives cash or property other than equity in exchange for its contribution to the JVC. • The liabilities transferred to the JVC by the joint venture partner exceed the basis in the assets it transferred. To the extent that the transaction is taxable, the joint venture partner pays tax at corporate rates.	Joint ventures, There are no special provisions regarding the taxation of JVCs. The tax treatment of a JVC is determined by its legal form (for example, a limited liability company or limited partnership). Tax is not generally payable on the incorporation of a JVC. However, a transfer of assets to a JVC may have tax implications.

As a regulation pertaining to legal issues in the business world, law is a part of every aspect of human existence and in everything we do, rules and regulations exist in the business world and regulatory environment, the study of law and legal issues by business people needs to be a little more than a passing acquaintance with the law and legal issues, administrative heads also need sound knowledge of the law in order to make better choices and be aware of legal consequences of every decision, most im-

portantly knowledge of legal liabilities, limitations, rights and obligations set by law are important and play a significant (often ignored role) in the effective administration of any business.

In addition, laws and regulation in its effectiveness in business administration play an additional role in grounding of business fundamentals; economics, accounting, marketing and management to appreciate how legal issues affect and regulate decision making, in addition legal aspects of business contribute to critical thinking, communication and leadership skills.

Worthy of note and importance is taxation law; federal or government set laws for businesses and internal laws; those set by the business owners themselves abiding with government law and how both these genres sometimes conflict affect small businesses

This paper analyzes and evaluates the concept of taxation law and its effects (positive or and negative) on the survival of small businesses, for purpose of brevity and precision, focus was largely on an examination of the United State tax system and passively the Finish taxation systems and how these systems affect small businesses and entrepreneurs in effective management and business administration.

The Internal Revenue Service (IRS) in the United States, the Kansaneläkelaitos social insurance institution (SII) in Finland govern the tax systems in the USA and Finland respectively.

In the USA small businesses fall under the purview of the International Revenue Service's (IRS) small businesses and self-employed division (SB/SE) this division services approximately 57 million tax filers, including 9 million small businesses (partnerships and corporations with assets of $10 million or less), more than 41 million of whom are full-time or partially self-employed, about 7 million filers of employment, excise, and certain other returns. The SE/SE division accounts for about 40% of the total federal tax revenues collected. The goal of the IRS division is customer assistance to help small businesses comply with tax laws.

Being small can be advantageous in the US , tax laws contain some special rules exclusively for small businesses, but it is important to determine what a small business is, in the united states the average size of a small business in the united states is one with fewer than 20 employees, with an annual revenue of less than $2 million. The SBA usually defines small business by the number of employees -size standards range from 500 employees to 1500 employees depending on the industry or the SBA program. The SBA also uses revenue for certain business size standards (e.g. average annual gross receipts for non-manufacturing industries) size matters because only “small businesses “can qualify for SBA granted loans and for special consideration with federal contracting. (IRS 2016).

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