

Influence of Corporate Tax Policy In Investment Decisions In Estonia - Case Study

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<p>This study aims to answer what kind of differences in investment behaviour arise from different tax policies. The comparison is made between Finland and Estonia. The legislative difference that we are looking at deals with internal financing, where Estonian companies pay their corporate taxes when money is distributed out from the company. The aim is to exclude other factors that alter investments and attempt to boil down the direct effects of these policies.</p> <p>The research is conducted in cooperation with The Federation of Finnish Enterprises, an organization that's mission is to facilitate entrepreneurship in Finland. Research is conducted through interviews. The utility of the results for the federation is to provide data for publications and back up suggestions on legislative actions.</p> <p>Variety of industries is represented in the study. The common denominators are that all the companies are Estonian based, either part of bigger international chains or domestic to Estonia. Every company is profitable so looking investments through internal financing is a viable option. During research, I emphasized making connections or comparisons between countries where possible or the interviewee had the capabilities to do so.</p>	
Keywords Internal financing, Directional effect of taxation, Investment decision, Capital rationing	

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1 Introduction

Private companies are the heart of every functioning economy, they create innovations and provide goods and services for consumers and other businesses alike. Just like heart beats blood forward to keep bodies functional, the private sector contributes taxes to keep economy alive. Everything that governments offer for their citizens is essentially financed by tax income from private companies. Managing a business is a balance between using resources and creating something of value. The investment opportunities are endless so how do companies then pick where to put their money? There are two factors that are in common with all kinds of businesses, they invest into things that fit their values, mission and vision and they expect their investment to generate a return. In this research, we are interested of how companies choose to invest under different legislative circumstances and what kind of return they expect. Estonian and Finnish corporate tax policies are compared in order to find out if indeed there is a valuable lesson towards better investment conditions in Finland.

Corporate income tax (CIT) system is a part of legislation that every entity must follow in order to legitimately operate in the operating region. Taxation plays a key role in the public agenda as well as in the plans of business managers. So how does difference in corporate tax system influence the operational and strategic decisions of private companies?

In the international perspective, the current trend is that Europe in general is able to attract investments but Finland fails in this comparison. If we exclude flow-through investments the amount of foreign direct investments average per year between 2008 and 2013 was only 13% of what it was 2002-2007 (Suomen Pankki, 2015). The Tax Foundation publishes the International Tax Competitiveness Index (ITCI) that compares the level of tax competitiveness in OECD countries. The study declared the Estonian system as the most favourable and stated that the tax-free internal financing is one of the reasons. Estonia scored the best ranking in corporate tax, overall rank and property tax. In the same study, Finland scored 9th on the corporate tax rank and 11th overall (Tax Foundation, 2014). It is fair to state that the Finnish system is still relatively competitive according to the study but other factors such as high labour cost diminish the appeal. It is very important to acknowledge that we are not dealing with so called "0% corporate tax rate" and the distribution of tax burden is excluded factor in this study. The core of the issue is timing of taxation.

1.1 Importance of Tax System

Corporate tax policy can be systematic and conscious effort towards influence on company level behaviour or it can be neutral by avoiding influencing on corporate behaviour. According to Kauppakamari businesses require four key elements from tax policy:

Key elements	Features
Effectiveness and transparency	Clarity and simplicity Minimizing the expenditure of administration and reporting Aligned with international customs Based on written law instead of interpretation of authorities
Stability and long-term orientation	Enables long-term business planning Changes are well reasoned and prepared
Supporting growth	Encourages entrepreneurship and employment Supports innovation and value creation Promotes internationalization
Supports welfare	Sustainable economy Collection to cover public expenditure Promotion of welfare

Table 1: Key elements of Tax policy (Kauppakamari, 2010)

Most important features regarding this study are supporting innovation and value creation, encouraging entrepreneurship and enabling business planning. Keep in mind that even in the best tax systems these elements can contradict each other and for example supporting general welfare often comes with the expense of internationalization and innovation. All the elements are connected in a manner that altering the policy influences many of them directly or indirectly. Even if the elements contradict each other, tax system is not a zero-sum game, the gain of others can be greater than loss of others. It is very important to see that some political decision makers emphasize even distribution of gain and loss while others aim for highest possible overall gain. Most agree that tax system is merely a tool to accomplish better environment for businesses and private people to operate in. Any type of tax policy is not valuable in itself, but only through the effects that it has.

Finnish policy has received criticism about most of the key elements (Table 1). First of all, Finland is obtaining more loans to cover the deficit from tax revenue, this is the result from bad long-term planning. The system is quite complex in international comparison thus increasing expenses of auditing and reporting. Tax systems have to be seen as whole, so stating that we should just pick one element and change it is destructive and throws the overall system off. On the positive note, Finnish system is said to be neutral and relatively fair.

1.2 Commissioning Party

This study was conducted in cooperation with The Federation of Finnish Enterprises (Suomen Yrittäjät). The federation works towards promoting entrepreneurship in Finland. They provide information to entrepreneurs and to everyone interested in entrepreneurship. To their stakeholders, they provide a channel to influence municipal, regional, nationwide and industry specific decision making. The network is built so that there are over 400 local associations, 20 regional associations and 59 industry specific associations. Influencing the legislation is one of their main provided value towards entrepreneurship. Their special interest group is small and medium size companies.

The topic of this thesis is on the agenda of The Federation of Finnish Enterprises and they wish to utilise the key findings in a publication or in future research. The topic of possible renewal of corporate taxation policy in Finland is extremely current and in interests of many other groups as well. The research not only adds value as a source of information but creates a basis of student research cooperation with The Federation of Finnish Enterprises.

The big question behind the need for this study is how Finland can compete in international market, possibly by attracting foreign investments and by creating healthy business environment to domestic enterprises. The scope is on the level of internal financing and differences in making investment decisions. The research method used is qualitative interviews. The aim of this study is to provide data on differences in investment behaviour due to different corporate tax policy.

1.3 Key Concepts

Internal financing- Financing always deals with the question of how companies raise money for their operations and investments. Internal financing is using company's own profits to fund investments.

Financing structure- How much company has borrowed and how much there is owners' capital. Internal financing is always a part of owners' capital.

Capital rationing- Operating with limited resources, therefore companies cannot pursue every investment project. Either for the reason that they don't have capital to take on every possible investment or simply because it is not reasonable to do so.

Directional effect of taxation- Taxation is set in the way that it enforces certain actions. For example, high tax on gasoline would direct towards less consumption. Now we are studying the directional effect of corporate tax policy.

1.4 Previous Studies and Presented Argumentation

If we can find drastic differences in the two systems, why is not one or another applied in both countries? This topic has been on going public discussion and there is a lot of argumentation available for and against both policies. The basic question is should Finland move towards more liberal corporate tax policy like the Estonian policy. The argumentation is divided into two subcategories. Those that argument towards the policy and those that argument against the policy.

Estonian policy facilitates growth. Amount of investments has doubled in Estonian from 2000 to 2015. In Finland, there was no growth during that period in investments. There is definite link between investments made and work force needed. The expanding business requires more employees, thus investments having a positive impact on employment. A corporate tax policy should reinforce taking positive growth related risks. (Teknologiaeollisuus, 2015).

There is a possibility of lock-in effect where money is rather retained in company instead of distributing to share-holders (Janne Juusela, Kauppalehti, 2015). The businesses maybe encouraged to investing into projects outside of the actual core business. Share-holders without decision making power in the company might expect dividends but the system supports investing money rather than distributing it thus putting new share capital into less favorable position. The Estonian policy is in some sense less neutral than Finnish one. "The Estonian policy encourages shifting economic activity from natural persons to under a company name" (VATT, Kari & Ropponen, 40, 2016). In this same study, they elaborate on the short and long effects and they state "these changes could have harmful impact on risk financing of growing business and on the willingness for foreign companies to establish in Finland" this was backed up with arguments about disfavoring financing selling equity stakes in the company.

These are the most common arguments for each system. There is no common consensus of what are the actual effects. Usually the arguments seen on media are completely shifted towards for or against. There is very little material describing both sides of the differences that we have. The single biggest argument against Estonian policy is the lock in

effect. Those who argue that the system doesn't work in Finland say that there would be a major lock-in effect of funds. On the other hand, many argue that a lock-in effect will not play a big role since entrepreneurs do wish to distribute their earnings and pay salaries. This point is further discussed in the investment decision section. The sum of all company level choices is the influence on the economy, therefore we are looking at the phenomena on a root level. As previously discussed, private companies are the heart of the economy, since basically everything else is financed by them.

1.5 Scope of The Study

This study aims to provide information about what are the company level differences created by tax policy. The study is conducted in the proximity of capital areas in both countries. Due to accessibility and a high number of businesses operating in the area, it is not intended to discover which area is more lucrative as an operating environment or should anyone relocate their businesses. The main interests are what kind of investments are made and why. How investments are financed and is there a pattern in investment behaviour.

The corporations that participate in this study are service, manufacturing or retail companies. Data might not apply to, for example, agriculture and other business areas due to very different industry norms and regulations. An important factor is that the companies constantly do pay salaries, for instance, which creates tax income for the country so the benefits for the government are not limited to corporate taxes.

1.6 Demarcation

The influence of these policies is not restricted to individual decisions. There is an aspect of how does this influence the economy, for example, will it delay or reduce the tax income or how do investors react to withholding profits. In the policies, themselves, there are other differences, for example, the tax rates, the effects of how much the actual tax is payable is not studied in this research since it closely relates to the economic effects. These are aspects that are demarcated from this study since the company perspective carries a priority to the commissioning party.

The capital gains taxation and other effects on taxation after the investments are made are disregarded in this study to properly scope the study. This means that the investment

rise or lose value and the accounting procedures and effects on the further investment decisions are disregarded. There are many varying effects of financing structure and choices of investments. It is important to recognise that companies have different motives when choosing where to invest and how investments are financed. In some cases, companies might wish to have more debt even though it is not necessarily necessary to execute the investments.

The economic effects in general of different policies is one suggested topic for future research and especially the lock-in effect described under previous title. This study serves a role of providing information on one of many aspects of tax policies. On the aspect of the company level, which is the focus of this study there is one important factor that should be recognized: entrepreneurs and shareholders might feel like that the tax paid by their company is paid by them personally. The separation of legal entity and private person is not discussed further in this study but can serve as a topic for another one. The differences that are discovered may not apply to all industries or other operating areas.

2 Conceptual and Legislative Framework

We have to assume that Capital Rationing applies to companies in both countries, so every company operates under limited resources, therefore making trade-offs between the choices and accepting the opportunity cost. Furthermore, even if a company would have the resources investments can be mutually exclusive meaning that both cannot take place anyhow. For example, two investments can be designed to do the same job or to use the same facility, therefore companies have to make trade-offs. This is crucial element always when discussing behaviour of companies, they simply cannot access or process all the information and cannot take on every investment opportunity. In theory, we can compare the options in many ways. In theory, corporate tax policy can have three types of effects: Enforcing behaviour, Neutral or Restricting actions. In reality the influences are dynamic and varying.

2.1 General Theory of Corporate Investing

An investment can be any item or an asset. To call a purchase an investment, it needs to have potential to either generate future utility, income or possibly increase in value over time. Investing is a part of company strategy and they make decisions in the framework of their goals, needs and risk tolerance. Company shareholders wish that firm invests in projects that are worth more than what they cost, for the reason that they wish to make money instead of losing it.

In principle money today is worth more than the same amount is in the future. This is not only due to inflation but also to alternative ways to allocate money to generate income. Very widely recognized tool is net present value, where we look at future cash flows in today's money, it's preferable over pay-back period since it takes the time-value of money into consideration. Yet formulas can be used as a tool but they will always fall short in the long run. Business managers have the option to follow up their investments, either by expanding successful ones or decreasing less successful ones. On paper we can see what a passively held investment would generate but the constant interaction with other parts of the business and people inside the organization can make all the difference. (Brealey, Myers & Allen, 2011, 554).

My hypothesis is that in Estonia companies need less external financing and the companies have more equity in ratio compared to Finnish companies. This can lead to a behaviour that is less influenced by outside pressure, such as less interest towards bank to be covered, yet companies can choose to obtain more leverage in order to expand quicker therefore in paper we cannot see difference in financing structure but quite possibly quicker expansion rates. This should make the Finnish companies less agile with their investments. There is no comprehensive theory of what is the right mix of debt and equity but we can extract the causes of tax policy on the financing structure.

2.2 Investment Decisions

For a firm to make a rational investment decisions they always need to reflect on their strategy and what their competitive advantages are. In the very core of business strategy is the question of how to differentiate from others. Michael Porter describes following three ways: Cost leadership, differentiation or niche focus (M. Porter, Competitive Advantage—Creating and sustaining Superior Performance, 1985). In this light it is arguable that we should not be able to observe a lock-in effect mentioned in the arguments section, if overall business strategy and investment strategy are aligned, then businesses do not wish to invest for the sake of tax free investing. The hypothesis in this sense is that the investment decision is driven by industry and business specific reasons and not so much by which type of tax policy is effective.

Every corporation plays along with the market they are in by providing supply to the demand that they observe. In Finland and in Estonia the micro and macro environments are different, therefore we cannot expect identical behaviour. The entrepreneurs in both countries face similar issues while considering whether to invest the profits with the company or take money for personal use. First and foremost, there is their personal need, this is their livelihood and they must receive personal gain from it in order to sustain. The next step is to consider whether they can invest the money better with the company or are there better options for them personally to spend on. This is where differences arise, can Estonian entrepreneur be more efficient with received money after tax or should they keep investing and growing the business and what is the willingness of a Finnish enterprise to reinvest profits at all since other sources of financing seem more appealing especially now that interest rates have been very low during year 2015.

One of the arguments against the policy is that the shareholders who are not involved in the business decision making process might wish to receive dividends. Now it is important to look at what the investors in general want for their investment and how the trade-off

work in the scenario. For this we assume that the shareholders are not just surviving but they have other forms of income, possibly salaries from the company. First, investors wish to maximise the value of their wealth this can happen through two ways: increase the value of the shares they own or provide them with cash flow.

2.3 The Estonian Policy

The Estonian policy stands as following: “Deferral of taxation shifts the time of taxation from the moment of earning the profits to that of their distribution. Thus, undistributed profits are not subject to income taxation, regardless of whether these are reinvested or merely retained.” (Ernst & Young, 2012, 18). This means that taxes are paid from corporate profits when they are distributed to shareholders, this can be for example in form of dividends. Profit of Estonian companies is taxed only once. Therefore, Estonian corporations decide the moment they wish to pay taxes and taxes are paid once from earnings. The Estonian system was reformed in the year 2000 and the reasons to adopt the current system were promotion of business and acceleration of economic growth by making additional funds available (Rahandusministeerium). This policy was one of the results of the reformation. Therefore, the policy has been effective for almost 16 years.

Before joining the EU the original order was for Estonia to give up this system and adopt a similar system with other at the time current EU countries by 2009. Estonia joined in 2004 so their original transit time was supposed to be five years but meanwhile the European court of justice ruled that their policy does not conflict the regulations and therefore the system stayed.

In Estonia, the basic tax rate is 20%. This rate is paid on dividend payment and on salaries of a natural person. This means that it should not make a difference how the owners choose to pay themselves. The rates are excluded from this study, but this gives an interesting aspect for future studies. This is one of the factors that could lead towards influencing investment decisions. For Estonian corporation owners, the math is very simple. They give up 20% of the earnings if they believe that they as a natural person are better allocating funds than the corporations that they are owners of. This could help explain if the Estonian companies are eager to use internal financing.

2.4 The Finnish Policy

Finnish companies pay taxes directly from their profits regardless of how they then decide to allocate the money. If a corporation chooses to pay dividends, the receiver is liable to pay taxes again from those gains. In contrast to Estonian companies' Finnish companies do not have to choose of planning the moment when taxes are paid. This makes the system less appealing on the businesses point of view by offering less choice. Finnish corporate tax policy was formed by most parts in the 1980's. The reformation was implemented to support the welfare state. For example, the aging structure of Finnish society began to change towards older population and retired group (Findikaattori, 2015).

In Finland, the receiver of dividends pays 30% on the investment income and 34% on the sum that exceeds 30 000 euros (valtiovarainministeriö, not dated). Corporations pay 20% flat rate on their profits. This creates a double tax if the shareholders decide to pay themselves through. There are other specifications on dividends from listed or unlisted corporations. Taxation on salaries is progressive (Table 2).

Taxable salary income	Tax amount at the low limit	Tax % on income above the low limit
16 700—25 000	8	6,5
25 000—40 800	547,5	17,5
40 800—72 300	3 312,50	21,5
72 300—	10 085,00	31,75

Table 2: Taxation on salaries

Here we can conclude that there is planning involved for owners of a corporation on how they pay themselves in Finland. It can make a difference for their personal finances.

3 Alternative models

In this chapter, different models and key elements are discussed these factors are useful to keep in mind and can be considered for future research. These are the corporate tax models that in the end produce the same or similar effect for the companies to operate in. This serves as a conclusion chapter for conceptual frame work, yet serves significance in it is own. There are two important concepts here: substance- what is taxed and timing- when it's taxed.

First, we have the current Finnish model which is very neutral in many ways. The profit of the company is the end of the line and it is taxed, different forms of companies have some variation of the guidelines but the timing, substance factor is still the same. An example of this would be a limited liability company whose financial year ends at 31.3.2016 would hand in the tax declaration four months after the latest and then pay the taxes accordingly, no matter of what is done afterwards to the profit.

The Estonian policy alters the timing aspect and the concept of profit is seen differently. This policy doesn't recognise corporate profit as taxable before distribution, it could be stated that their profit only occurs when the owners receive compensation. This makes sense because the salaries are taxed so the corporations do generate tax income continuously, yet it allows them to be very effective when the investment opportunities arise. The timing aspect plays a role in the sense that the company chooses the moment of profit distribution and therefore taxation. This allows to hold money as reserve while making the investment decision.

The alternative model or "poor man's Estonian policy" would alter the substance that is taxed. The essence of this is that first distributed profit and reinvested profits are separated and the distributed profits are taxed as per norm in given country and the part that is reinvested is taxed with a lower rate. This is where we see the two types as separate taxable substances. In a sense this would encourage making investments and growing and the idea behind is that those investments would help generate more of the fully taxed profit. This model could be further developed to create possibly as competitive model as the Estonian is. What if the reinvested part would be completely tax free but the other one fully taxed? This would fully eliminate the benefit of just withholding the profits yet would allow to some extend the companies to finance their investments with their profits. There

would naturally have to be restrictions to how long until the money must be allocated to an investment.

The difference between the Estonian system and the alternative model comes from the recognition of profit. In this model companies would have to adopt a new type of accounting procedure. The reserve could for example be limited to fixed percentage of the annual EBIT and the reserve would expire in fixed time, let's say in couple of next fiscal years. It is important to give some time to the companies not to encourage rushed decisions but still allowing them to be agile enough. This is something similar to how corporate taxation works in Sweden.

To illustrate the differences, I created an income statement with reasonable numbers yet it's not taken from any real company:

Income statement for example company	
Revenue	1 000 000,00
COGS	-550 000,00
Operating profits	450 000,00
Operating Expenses:	
Salary expenses	-113 000,00
Insurance	-5 000,00
Rent	-20 000,00
Marketing	-6 000,00
Depreciation	-4 000,00
EBIT	302 000,00
Interest expense	-8 000,00
EBT	294 000,00
Corporate income tax	-98 000,00
Net Income	196 000,00

For an Estonian company the increase in equity for the year would be 294 000 EUR, if this was a Finnish company the equity rises by 196 000 EUR. The numbers are just taken to represent reasonable proportion. A real business with a very solid profit margin could have these figures. This highlights quite well how much the advantage is. The hybrid model would allow to split the 294 000 into two parts. Other one taxed and other one reserved under equity.

4 Public Discussion

The question of possible application of the Estonian policy in to Finnish society has been an ongoing discussion in Finnish politics and thus in media as well. In this section, some of the recent articles and significant argumentation is presented. Kauppalehti which is a specialized economics and business newspaper has published several articles about the topic as well as big more local newspapers like Helsingin Sanomat in the early 2016. Naturally in the publications the focus is often on the economic effects, yet there is always a direct link between business performance of the private sector and the economical side therefore making it an acceptable reference point to this research as well.

In Kauppalehti 29.2.2016 there was a text by Dmitri Jegorov, the undersecretary of Treasury stated that the Estonian policy benefits the small and medium sized companies with limited access to financial markets and helped especially during the financial crisis of 2008. This was part of the results from independent study of group of experts.

In the Finnish political scene there has been a discussion about “poor man’s Estonian tax policy” basically meaning a toned down version of the same policy. The minister of employment and finance Olli Rehn discussed this idea in his publication and Yle published an article on 26.1.2016 about his ideas (Esa Koivuranta, Yle, politiikka 26.1.2016). The idea is to have a similar system but instead of being able to retain the earnings and invest tax free there would be just lower tax on those reinvested earnings. This would simply be a retained reserve from where the investments can be made that would then have a lower tax rate. This model borrows elements from the Swedish system alongside with Estonian system. In Sweden companies make appropriations which can be up to 25% of their profit to tax allocation reserve. In Sweden, this serves them as loss carry forward, Finland has loss carry forward mechanism as well, yet the idea of a reserve that amounts to fixed percentage of given years profits is the fundamental idea. The reserve is not used like in the Estonian model but would serve more as a mechanism. The alternative systems are discussed in a separate chapter of this thesis. Naturally Rehn’s discussion is heavily focused on the general economic effects as can be assumed from his position. In newer publication Rehn takes a stance once again for this investment booking reserve, yet no figures regarding maximum percentage from EBIT or regarding timing is said. This new publication is part of bigger program set by ministry of employment and the economy (TEM, 12.4.2016).

5 Research Problem

The research problem is how the investment policy and decision making process are altered by difference in policy. Which differences directly linked to the policy? Is there any difference in other sources of financing used that can be linked into the tax system? The recommendation derived from these questions is whether there is some utility for Finnish companies if the local policy would be adjusted towards the Estonian system.

These investigative questions answer the research problem in the way that they allow us to look at the behaviour that we can link to legislation. The third question is there to show has the policy shaped the overall financing structure of the company which then leads to different investment decisions. Therefore, the third question gives more of the idea of indirect effect of the policy that might have as much of an influence on decision making.

The investigative questions are:

1. What are the dynamic effects of Estonian tax policy (how much of a difference it makes)?
2. Does the policy make a difference in investment decisions?
3. What is the influence of other sources of financing used?

The interviews were conducted through phone, using mainly Finnish language with slight help of English where needed. The participants received the questions (Appendix 1) well in advance and they were given time to revert to get well thought answers. The order of questions was followed but the manner that the interviews were conducted was informal and semi-structured allowing every respondent to elaborate as much as they wished. The companies that were included in the study all were relatively well established and no start-ups were involved. From the companies represented, two were part of international group, both subsidiaries of Finnish parent companies. The groups that they represent are sizeable. The respondents both are in the executive position in the company. They were able to make comparisons and connections between tax policies. The other persons are very long time Estonian entrepreneur who were able to elaborate on how the policy has influenced them in different businesses. We choose to have main focus on their current main business. To preserve the trust it was chosen that none of the names are presented when discussing the results.

6 The Results of The Interviews

In this chapter, each interview is discussed case by case. Special emphasis was on the investments that they have made, was undistributed profits used in financing and what was their role/significance. All the respondents were positive about the topic and were able to contribute well. The companies are named as cases.

6.1 Case 1

The interview was conducted with the co-owner and the CEO of the Estonian subsidiary. The company manufactures metal components and sells them to other manufacturing companies. The interview was conducted in Finnish and English was used when necessary for the correct message to come across. A major part of the components is sold to companies in energy industry. This company was first established in Finland during the 1980's and the subsidiary in Estonia was funded 2008. The Estonian company became operational in 2009. Value for this research was that this company is well established in both Finland and Estonia, therefore the comparison could be made easily. One important reason to establish in Tallinn was the proximity and accessibility to key clients. An important characteristic for this industry and company is that the business tends to be capital intensive which means that investments towards expensive machinery are frequent and play important part in the competitive advantage. In comparison, an industry or a business could be labour intensive which means that in order to successfully run the business there are lot of human working hours needed and labour costs are bigger portion of the costs for the business.

At the time of the interview the Estonian subsidiary had 65 employees and the Finnish parent company had between 80 and 90. During last three years in Estonia, they have managed to double the number of employees and the goal is to surpass the parent company in next couple of years. It was mentioned that the growth for this company has been in Estonia, while in Finland the situation has been in slight decrease. Many of their clients have also established themselves in Estonia in recent years.

Each year in Estonia has been profitable and during last three fiscal years there has been growth. (Table 2). The volumes have risen as well as the generated profits. There is very notable increase in EBITDA in relation to revenue, which is an indicator of better cost efficiency. Very important side note is that there were significant investments made 2013, which is reflected in the figures but also financing structure, which is discussed further

down the line. It was stated that the business is heavily orientated towards growth and has not reached full potential or maturity in Estonia. The subsidiary has become a key location towards Nordic clients also in Sweden and Denmark.

Year	Revenue	EBITDA	Growth % Revenue vs previous FY	Growth % EBITDA vs previous FY
2015	5 004 786	734 682	2,90 %	38,98 %
2014	4 863 599	528 622	12,14 %	77,79 %
2013	4 337 136	297 324		

Table 3: Figures FY 13 – 15 Case 1

Currently the company is financed 50% by bank loan, this is due to the need for external financing for investments in 2013. They are working towards having bigger portion financed by equity. In this regard the internal financing plays a role. Allowing quicker decision making and not compromising the future profits for interest. As stated since the core of the business is very capital intensive, the competitive advantage comes through investments in new technologies that either advance the efficiency or the quality of the final product.

The investment options are compared with traditional future and present value calculations but after sales activities are valued very high. This means the relationship with the supplier of the machinery. The availability of maintenance and repair is very important. When comparing the options, the core business is always the priority. All the recent investments have brought utility from their technical side. They generate better quality products and alter the role of manual human labour to more controlling side of the whole process. This is in line with how the industry generally operates, the human work is often in using and controlling the machinery, to be noted is that they have grown in number of employees despite the capital intensiveness.

We discussed the advantages and disadvantages of the Estonian tax policy and stress was put into comparing to the Finnish parent company, since this is where there was valuable insight. "The current corporate tax policy is very important. To make the decision and execute the investment process is easier. Since continuous investments are needed they are planned all the time and they are vital for the continuance of the business. The Estonian model gives certain edge to the company. The investments often are and can be first movers game where you need to be very aware of the supply of new technologies and willing to move quickly towards them." It was mentioned that in Finland many investment opportunities could not be pursued due to lack of flexibility and limitations to financing. From their perspective, it would be major change in the directions of the whole company if Finland introduced the same policy. The corporate tax policy did play a role when making the decision to establish subsidiary in Estonia in the first place.

The focus has been and still is in growing the company in Estonia. In this regard the tax planning has been easy since profits have not been distributed yet. There is a plan to start paying dividends in the upcoming years. This relates to the maturity of the company as well, when the business reaches more mature state and large scale investments are not needed that often. In the past, all the profits have been reinvested but the internal financing will have a significant impact also in the future. Prediction is that at least 50% of the profits will be invested back especially since continuous investing is of an essence. In near future there is a plan to invest into laser technology, this decision has now been facilitated by increased profitability and the opportunity to organically grow the business.

As a final thought the relationship between the Finnish parent company and Estonian subsidiary was emphasized. The subsidiary is very focused on growth and ability to compete, while the parent company is slow and steady. The subsidiary is projected to outgrow the parent in near future.

6.2 Case 2

The interview was conducted with the CEO of Estonian subsidiary from a large chain of businesses originated in Finland. Interview was fully conducted in Finnish. The group currently employs 950 persons in Estonia. The group is large and includes a bank and a logistics company. The company that we discussed mainly about is a Super Market chain. In Estonia, they operate in three major cities with eight super markets. In contrast to the first interview this industry and company are labour intensive. The group is organized in very common fashion for large international groups, so that there is a separate administrative department looks for investments and financing. It is very notable that with this company investment means opening a new super market which is extremely large scale. The profits for reinvesting do not measure up to these figures. They do not withhold their profits to save for these investments, some smaller investments are made on the spot from the liquidity at that time. The aim is still to further grow the business but the projection is that the business is stable.

The financial statements of the whole group are public. In the newest available financial statement in section titled investments, it is stated that in Baltics investments were made towards the super market section. Unfortunately, the individual figures for this super market branch were not and are not available. The figures are consolidated into the group financial statement; from there we can tell that they don't use long term debts to finance

their activities. This is in accordance of what was discussed in the interview. We can also conclude that they have interest in making investments in this market.

The size of the corporation is large but since the operations are so labour intensive, a good measurement of the size and advancements is the number of employees. Which has been in slight decrease for this Case. It is still safe to state that this is financially stable business unit. This business has reached a more mature state and is competing in a rather small domestic market in Estonia. The business environment in Estonia for Case 1 is different than what it is for Case 2. Case 2 serves the local consumer market in each country which makes Estonia less favourable. The interviewee mentioned many factors besides the corporate tax policy which have larger impact on the operations for example one of the biggest factors for them is the city infrastructure, public transportation and the current employment market situation. It was mentioned that many of their employees depend on the public transportation which is on a poorer level in Estonia than for example in Finland. There is a lack of proper employment force in Estonia.

As described earlier the investments and the related financing are handled from group treasury. The CEO's are in touch with how the investment planning but ultimately their influence in the decisions is limited. The CEOs of the businesses in each country view the investment plans, the main basis for them is the evaluation of profitability, how the investment fits into the network plan and what are the current goals of the parent company. In the investment proposals (from the treasury) the interviewee stated that taxation is not under the discussion "not even mentioned in the plans". New investment opportunities are constantly searched but the plans are very conservative and careful.

An interesting aspect was given that if the profitability percentage is relatively high from the revenue, making important investments with the Estonian policy becomes more feasible. If from the EBITDA is high amount from the revenue, we know that being able to invest the profit can make significant impact on growing the business. In this Case the EBITDA percentage is low out of the revenue. This helps explaining why the role of internal financing is small for them. The possibility was left open that in the future some projects could be internally financed, yet as of per now it does not fit the core idea of the business. There hasn't been an occurrence where they would have needed to alter the dividend payment schedule for instance. The CEO mentioned he is a supporter of alternative policy where the corporations are allowed to make an investment reserve, a certain percentage of their annual profit to be held for so fiscal years. In his opinion this is best alternative between liberal policy and supporting welfare.

6.3 Case 3

This interview was conducted with long time entrepreneur, founder and co-owner of four companies, two of which he still is major shareholder of. He has owned a clothing business and a restaurant. He is currently an owner of chain of stores that sells various design items and a recording studio. He started with his first company 1995 they imported clothing from Sweden to then very poor Estonia, two years' after he funded the design store. We discussed the chain for the most part since it's the longest running and has been his main business for the longest period.

The main idea behind this shop that later developed to a chain was to import items that he personally liked and have not been available in Estonia. The items were found through traveling and importing the items has been an important part of his business. At the time of the interview they have 30 employees of which almost half are part time. There are eight shops around Estonia including several in Tallinn, one in Tartu and one in Pärnu. This gives a rather good nationwide coverage to the chain. Their locations are based on where most demand is found. This business as per character is a hybrid between capital- and labour intensive. Running the daily operations takes mostly working hours from the employees, since the premises are rented, but finding new products to offer has brought the more capital intensive aspect.

The entrepreneur has hired a consultant in the past to advise him if he could establish shops in Finland. The idea was quite quickly discarded, the venture would have been much riskier than what it is in Estonia. Heavy bureaucracy also played a role. The estimated risks regarding financing outweighed both the profits and his interest in the Finnish market.

The business has reached full maturity and the owner has shifted his interest more towards the music business. It was mentioned that this design item business reached its high point before the international economic decline around 2007. The predicted development for the chain is to stay stable. For the recording studio, he has made investments into equipment, for the chain of shop the investment as a term has another meaning. They do not own machinery that produces the goods, so when investments are considered the meaning shifts towards the ready products. The qualities that are looked into are naturally the use, style and the ethnical background that the product represents.

The products offered are more luxury items in terms, so the economic situations and trends are a factor. During last three years, the revenue has been very stable between

one million and one and a half million euros for the chain. All the years have been profitable as well, yet their cost structure is heavy and the profit percentage from revenue was small, the exact figures were not disclosed.

Particularly interesting was that since Estonia adapted to their current policy in after the reform in the year 2000, the interviewee has seen the transition period. When the policy was introduced the country was in very different state and other things at the time had much bigger influence on the businesses. It has helped their businesses to grow and can be attributed to have played a factor but the starting point was very low.

He stated that he has always had a principle not to borrow, or acquire debt for his business. None of his companies has never had a separate investment strategy, he described his business ideas as very intuitive and out of his own interests. He said he always liked what he did and wanted to offer others products from abroad that they didn't have other access to. He elaborated through example that he found shisha pipes during one of his travels and his shop became the first to sell them in Estonia, they became a big trend later. This reflects in his investments in one sense, they searched for trends in locations and in their product selection. Still the capital rationing has very much applied and they have had to choose from alternatives and thought about what the Estonian consumers can and wish to acquire. During economic recessions, they have looked into products that can be made available for large market.

They have always raised their own capital and organically grown the business without external capital. Therefore, out of principle the Estonian corporate tax policy has had significant positive impact on his ventures and it has served him as facilitating factor. He stated that if there ever was an investment that they were considering they did not depart any funds from any of the businesses he has owned. It makes sense in terms that the internal financing is easy to arrange and does not cost anything. Other means of financing require much more effort and for instance the interest rates could diminish the profits. The tax policy has helped some individual shops to become profitable, for example when the chain introduced jewel business it saved some of the shops. That investment had the most anticipated returns loaded in it and it has paid off for now, as described the trends have such major influence, the product selection needs to evolve with them. Interviewee stated that due to these turns and choices it is safe to say that maintaining all units has been possible only due to the investment policy in Estonia. He firmly stated that he would probably be forced to shut down some units if the policy was different. "In priceable there are obstacles to entrepreneurship in Estonia but the corporate tax policy is absolutely good".

For the first ten years of his entrepreneurship all the profits were kept to grow the business (paid salaries to themselves naturally). From the respondents initiative they haven't paid dividends, he believed that business had potential to grow and making the economical choices through the business only made sense. Later in the 2000' from the initiative of his partner they did pay dividends.

It must be considered that some personal principals have influenced his decisions more than what would have been economical optimal choices. He stated that he could have leveraged his business with bank loans, but it has been possible to grow and later maintain the business without them. He described his business in earlier stages they were "weightless" - there was no pressure. The financial independence of his business from financing institutes is very important for him. He of course couldn't describe the scenario where the costs of loan would have been considered when making investment decisions. On idea level, he said making the choices was flexible and easy to make compared what they would have been if they were financed externally. For the closing statement he re-mentioned his ideas of expanding to Finland but being quickly realizing the bureaucracy related to entrepreneurship. He said he's finding his balance between a business man and a citizen and wishes to maintain the jobs he's created and pay the taxes as well, the focus is not in growing the businesses but doing business according to his own interests.

6.4 Case 4

For this case I interviewed another entrepreneur with several businesses, with her we focused on discussing their current most active business a real-estate development company. The company was founded 2007 and it operates in Tallinn and the surrounding area. The company has two employees; some functions are purchased from third party. Their business involves mainly real-estate improving and maintenance. The company buys the land or the buildings, upgrades them and rents them forward or sometimes liquidates the upgraded property and invests into another project. They also host a maintenance service for the rentals. This is hybrid between capital and labour intensive. It takes significant funds to acquire the properties, after which man hours are needed to generate the value. This case is relatively small but well established company.

The couple previous years have possessed challenges; their revenue is down 20% from previous year. For this fiscal year, they have accumulated 218k EUR revenue. There is one month left but year to date figures are below last year. The company has been profitable throughout recent years, with approximately 5% profits from revenue. The book value

of their assets at the time of the interview was bit under 100k EUR at the time of the interview. The issue wasn't discussed much further but interviewee confirmed that the market value for their assets is something else. This is quite normal in such business. There was positive outlook for the future despite recent figures. Business can still grow and their aim is at growth. She believes there is still potential in the business and room in the markets, even thus the Estonian real-estate market is gradually more competed. The owner believes they will be able to grow in monetary terms as well as gain more recognition.

The search for new investments is continuous for this company. First and foremost, they value long term investments over short term investments. In optimal conditions investments are made towards real-estate with medium payback period. They need new projects as that is their lifeline. The investment strategy is very specific and it is bound to other legislation and administration issues, such as how much can be built on said property and so on. It is not a common case where they would have two potential projects and any comparison methods would be needed. They evaluate each case separately and take on those that can generate profit for them. The knowledge comes from experience in the field but the thought process is something similar to calculating present value. The investment strategy is not separate from their overall business company strategy. To this company investments are an operational issue and an essential part of the core business. They emphasize proactive approach so finding the projects early ahead of others is very crucial.

In recent years, they have had projects such as building two office spaces for rental, they have built a café, parking lots and couple of duplex houses. These are long term investments for them but what they have done in the past is that they have liquidized other projects to pursue more profitable or suitable ones. This is a good indicator of quick value creation. The main reason behind the long-term orientation seems to be stability to cash flow and liquidity management. The related taxation issues are not hugely planned, she said the rules in Estonia are very simple and making the economically right choice is not difficult. The financing is always fitted to the investment. This essentially means that the projects come first. What would be a financing strategy is secondary to what are the new development projects.

She stated that even thus their profit margin is not very large, it creates a good buffer for the time when they find another investment opportunity and that financing internally is important for them and has been especially in the earlier years of business. For them it is very important that the funds are available quickly to be able to take the projects. So, having the extra liquidity from their previous profits is valuable and facilitating factor. In very

rare cases they consider external financing options such as bank loans. It was stated that it is easier for a project to have a beginning and an ending when financing institutes are not involved and that financing related risks are thus more manageable. They have had outside investments from private investors and very interestingly they have been an investor/loaner for another company. This was quite a rare occurrence but very interesting aspect to consider the likeliness of companies borrowing from each other. It's another form of financing that didn't show up in other cases. The financing is searched separately to each project. The tax policy has the facilitating effect even in the case where profits are relatively small.

As a closing statement stated that she believes the Estonian policy might undergo a change in near future. She elaborated this by saying that the history of capitalism is so short in Estonia. In the earlier stages of independence, it was important to kick start the economy and the domestic companies. The purpose of the tax mode was to aid the early growth and it has served its purpose well in that. She predicts that there could be another reform to bring the investment reserve model or some other light form of corporate income tax.

7 Findings

This chapter serves as conclusion for the interview results and reflection on the basic assumptions and theories and whether the results reflect the discussion. Most important the answer to the investigative questions (chapter 5.1) are discussed in this chapter. It came across that for Estonian companies' taxation issues are seemingly very simple. Either it's not even a point of discussion when making investment decisions or choices are self-evidently clear. In every case the internal financing was said to be primary source of funds for investments so whenever there was a comparison made to Finnish companies the advantage in financing was very clear.

7.1 The Core Characteristics of Investment Decisions

Companies under Estonian corporate tax policy share common factors that can be attributed to the tax policy. Their willingness to invest the profits is very high. Participants felt that making new investments was important part of their overall business and investment strategy was never seen as separate from the bigger business strategy. None said they have bought non-operational assets.

Taking into consideration the difference in characteristics of the operating areas, companies actions indicated that they are long-term growth oriented. Even those entrepreneurs that had several current companies stated that being economically sustainable with the new purchases is and has been important. Where the comparison was possible it was said that the Estonian companies were more active and aggressive with the new investments, but risk tolerance was at a similar level. The expectations towards the investments were related to supporting their operations. This would indicate that all companies had their orientation on the core business and for example not buying assets just to withhold the profits.

Taxation issues were not planned to great extent, hence the simplicity of the system. All but one of the company had had needs to alter the dividend payment schedule. Two stated that changing corporate taxation model would effectively change how they do business. Case 3 entrepreneur stated that he would have been forced to close down some of his units in the past without this model and possibly would have to in the future as well. In this case, we can see that the extra that was reinvested helped save entire business units. The model was widely used among the respondents.

All the respondents agreed that the Estonian system brings utility and stated that if similar system was adopted in Finland it would change the companies' capabilities to grow organically and quickly. The two companies that are part of international groups highlighted the best that the Estonian subsidiaries are in definite advantage when it comes to funding investments. Due to the differences, in between industries the Case 1 was projected to grow beyond their parent company but Case 2 struggled in the Estonian market more. Especially in the Case 1 where the subsidiary had similar access to their foreign clients, the fact that they had the advantage in the investment markets gave them edge even over their parent company. The corporate tax policy is mostly an allowing factor for the investment but not as a driver for them.

7.2 Financing Activities

The role of internal financing was very important for the smaller companies in this study. They depend on it much more than the international large chains. It was said that to help especially in the early years. The external financing markets were said to be something to work away from. One of the more interesting findings and suggestion for future research is the correlation of the corporate tax policy and the unwillingness to use external financing. Even thus the theory states that there is an optimal level of leverage for every company. Loans can be very effective way of growing as well, given that you can outgrow the interest rate. It certainly seems that the better access to this organic growth pushes the business decision makers away from using external sources of financing even when it could benefit them potentially.

Other than the extra financial independency none of the respondents stated that the Estonian policy influences their financing decisions. All respondents stated that they do not want to use loans at all or are working towards less external capital. Respondents expressed hesitance to invest loans. The need for less external capital helps explaining the elevation in risk tolerance. In all the cases the investment needs come first and the financing is thought secondarily, indicating no harmful lockdown effect.

7.3 The Biggest Gainers

After researching the effects of the policy, the question of how it makes the difference shifted also towards to whom it makes a difference. Since it came up in the interviews that the policy affects in different ways depending on other factors. The key characteristics of a business that gains from the Estonian policy are listed in order of relevancy followingly:

1. **Sufficient profitability.** The companies that are able to generate enough profits to create the investment foundation for themselves are the only ones with the precondition to gain anything from the policy.
 - a. This was evident in the case (chapter 6.2) where profits did not measure up to what is needed for a new investment. Having a lean costs structure is an important factor.
2. **Orientation to growth.** Those companies that are in a position where they can grow and aim at the expanding gain significantly from the opportunity to alter the corporate taxation timing
 - a. The maturity and position in the market plays a role.
3. **Capital intensity.** Those who operate in fields where access to financing plays a role more so than having large workforce gain from the model.
4. **Not bound to domestic markets.** Estonian domestic markets are small in many industries. If a company can reach for instance Nordics and rest of Baltics from Estonia the growth potential is much greater thus giving more relevant uses to the financing.
 - a. This applies both to the investments and then to searching of clients. For a company that was very bound to Estonian consumer and employment markets the internal financing didn't play a significant role. This could be different depending on the maturity of the business.
5. **Quick decision makers.** Those whose investment opportunities require quick action have the needed flexibility.
 - a. For some of the interviewees it was very important that they have this buffer on top of which they can acquire additional financing.

7.4 Other Findings

Surprisingly two interviewees expressed interest towards an alternative model without asking. This occurred when asked to compare between taxation models or in the closing statements. One predicted this to be in the future for Estonia and other one said that it is

the best alternative between supporting growth and sustaining social welfare. Besides these remarks another elaborated that the plan is to later leave a buffer and pay dividends, this is almost like following the alternative model willingly even when more free action is allowed. Therefore, considering this model is worth awhile. One interviewee told that their company has acted as a financier to another company. It would be interesting to know if this is more common practise in Estonia. It seems like they avoid financing institutes much more than Finnish companies.

It's important to understand that business environment is a complex formula of many factors and can have variety of influences on how companies organize their investments and their financing. The policy cannot save unprofitable businesses, but can help maintain a moderately profitable company. It cannot overwhelm the current situation in the business environment has a whole, but it does help Estonian companies in the international markets through the gained agility. There were two different outcomes among the interviewees. One was projected to overtake their Finnish parent company and the other struggled more in the Estonian market. For the advantage, it was seen that the corporate taxation policy played a part. For the one struggling, the hardship didn't come from unfairness of the policy it was other factors of the domestic industry. The characteristics of the company determine how much use this policy has for them.

8 Reflection

In this final chapter of the thesis I reflect on this research through my own words as well as with feedback that the research received. Conducting the study and finalizing all aspects took much longer than expected, yet the topic held its relevancy to the commissioning party as well as in the public discussion. The topic itself is very interesting and offers lot of potential for research. Many different stakeholders are interesting in the tax policies. They have varying agendas and target points of interest and the discussion is constantly on-going. The scope of my study was on more on general level of influence for the companies but there are many ways of looking into this contrast between two close countries. The simplicity of the Estonian system makes it an accessible study for many other. Tax planning can be a very sensitive subject and it is very important to conduct the study in a manner where the respondents are not put into distress. While discussing the matters with my interviewees I always put emphasis first on discussion on their terms. All participants very cooperative and helpful towards me, aiding my understanding how the matter works in their perspective. The entrepreneurial spirit and the unique take on business life of each interviewee was inspiring.

8.1 Suggestions for Future Research

The influence of the policy on the government tax income and the whole government side of things was left out of this study. It is of course a sum of all the choices that the companies make, but it could serve as another point of view. Would be interesting to know in more detail how much more on the overall tax paid is the timing changes in Estonia. As discussed before the companies are beneficial to the government through many other taxes and ways than the corporate tax income. The salaries and related topics are in this direction. The influence on the size of the salaries and employment is a topic that influences both government and the companies. One point naturally being that if this tax policy has a positive impact on salaries, it also has positive income on the taxes paid that can be linked to the choices that the companies made. It seemed that even the capital-intensive corporation was growing greatly in number of employees. Would be very interesting to know what are the objectives of the Estonian government regarding the policy and what are the key aspects from their side.

Keeping the same starting point in the influence on the companies there are other interesting studies to be made. As described I attempted to make a basic study on how company level behaviour. The study could be scoped down to industry levels and studied if for example the tax policy influences some specific field in varying ways. The growth rates of companies in the same industry could be compared between countries or specifically how they utilize their advantage. The employment studies would be a very much cross study between influences on government and on companies. In my study, there were two cases of international, originally Finnish companies that have expanded to Estonia, that specification could be one study in itself. Alternatively, there are companies completely moving themselves from a country to another, their behaviour and reasoning behind the moving would most likely both interest both Finnish and Estonian entities.

The third perspective that I would see interesting is the role and adaption of financing institutes and investors. What is the role of banks and how do they experience the effects of this Estonian policy for their corporate clients and for themselves? How about those that invest into companies, is it helpful that the companies they invested in are better able to grow organically or do they feel at a loss for since they feel they are lacking dividends. I would also assume a difference arises for venture capitalists who by equity directly and thus aid the capital at hand and for example those who trade the equity stake on the market.

8.2 Feedback and Discussion with The Federation of Finnish Enterprises

The thesis was send for review to the commissioning party in November 2016. The feedback was received from director of economic policies, taxation and research. She described the thesis as successful and interesting to read. She approved the way different systems are presented and their key characteristics. The arguments and statements made were well reasoned and the content of the research further justifies considering changing the Finnish system. The focus on the internal financing and the advantages of the model was said to be especially important.

Their current stance is that even thus Sweden and Estonia are geographically as close to Finland, the taxation culture of Finland is much closer to Sweden than Estonia. Unfortunately, the corporate tax system of Estonia is generally doubted to fit Finland, even thus the small and medium enterprises wish to have the system applied. The Estonian system is seen politically too long step, at least to be applied at one go. Factoring in is the large price tag that is very likely to occur in early years of adaption for government tax income. For

these reasons the alternative model that is applied in Sweden is regarded as the more probable advancement. Yet in Finland it would be extremely important to recognize the benefits of the Estonian policy on growth of the businesses and improved access to financing thus leading to more welfare. Another issue will be common consolidated corporate tax base proposal made by the EU, which aims for to unify systems inside EU and how the Estonian system is positioned in this progress. After all she though at the time being this was excellent description of a possible alternative also for Finland.

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Appendix 1: the interview questions

Company basics

(Yrityksen perustiedot)

Name of the company and the respondent can be presented anonymously in the final report. Questions are presented in English and Finnish but will be reported in English. All numerical data provided can also be systematically modified so that rationality applies in order to protect the identity of the company if respondents wish so.

(Yrityksen ja vastaajan nimi voidaan muuttaa tai jättää mainitsematta lopullisessa tuotoksessa ja numeerista dataa voidaan systemaattisesti muotoilla, siten että suhdeluvut pysyvät samana vastaajien niin halutessa. Lopullinen työ on täysin englannin kielinen.)

1. In which industry and area your company operates in?
(Yrityksen toimiala ja maantieteellinen toimintaympäristö)
2. When was this company established?
(Koska yritys perustettiin?)
3. Progression and current size of the company
(Kehitys ja tämän hetkinen koko)
 - a. Number of employees now and has it decreased, stayed stable or increased.
(Työntekijöiden lukumäärä ja viimeaikainen kehitys: vähentynyt, pysynyt samana vai kasvanut)
 - b. Turnover of last three years
(Viimeisen kolmen vuoden liikevaihto)
 - c. Earnings before taxes (Ebit) last three years
(Liikevoitto ennen veroja kolmelta viimevuodelta)
 - d. Value of assets, equity and liabilities. Has there been a trend in recent years with those values: Decreasing, Stable or increasing.
(Omistusten, oman pääoman ja velkojen määrä plus viimeaikainen kehitys)
 - e. How do you see the company developing in the future? In regards of size for example
(Miten uskotte yrityksen kehittyvän tulevaisuudessa. Esimerkiksi liittyen yrityksen kokoon)

The investing behaviour

(Investointikäyttäytyminen)

4. Can you describe the investment strategy of your company?
(Voitteko kuvailla yrityksenne investointi strategiaa?)

5. How do you search for new investments and how actively?
(Kuinka etsitte uusia investointikohteita ja kuinka aktiivisesti?)

6. How do you compare different investment options? What kind of methods are used?
(Kuinka vertaillette eri investointi mahdollisuuksia? Mitä metodeja käytätte?)

7. What kind of investments have you made in recent years and what where the expected returns?
(Minkälaisia investointeja olette tehneet viimevuosina ja minkälaisia odotuksia investointeihin kohdistui?)

8. How does current corporate tax policy influence investment decisions? Please mention the operating country or you can compare between countries.
(Kuinka nykyinen yritys/yhteisövero käytäntö vaikuttaa investointi päätöksiin? Mainitkaa kyseinen maa tai voitte myös verrata maiden välillä)

Tax planning

9. Can you describe how the tax issues are planned in your company?
(Voitteko kuvailla kuinka verotusta suunnitellaan yrityksessänne?)

10. Is there or has there been needs for your company to alter the tax payment timing?
(Onko yrityksellänne ollut tarvetta tai olisiko tarvetta muuttaa verotuksen ajoitusta?)

11. What do you feel like are the advantages and disadvantages of current corporate tax policy? Please mention the operating country or you can compare between countries
(Mitkä ovat mielestänne nykyisien yhteisövero käytäntöjen vahvuudet ja heikkoudet? Mainitkaa maa tai voitte verrata maiden välillä)

Financing used
(Käytetty rahoitus)

12. How many percentage of company's earnings before interest and taxes (EBIT) you invest back into the company annually or in recent years?
(Kuinka monta prosenttia yrityksen voitosta (ennen veroja) investoitte yrityksen toimintaan?)
- a. How do you regard internal financing and its role in your company?
(Miten koette sisäisen rahoituksen ja sen roolin yrityksessäsi?)
13. What kind of financing structure and strategy you have implemented?
(Millainen rahoitusrakenne ja strategia yrityksellänne on?)
14. How does the form of financing influence the decision making in investing?
(Kuinka käyttämäanne rahoitusmuoto vaikuttaa investointipäätöksiin?)
15. How does taxation influence the form of financing that you use?
(Miten verotus vaikuttaa rahoitusratkaisuihinne?)

Final thoughts

16. Do you wish to add anything regarding investment behavior or corporate tax policy?
(Haluatteko lisätä jotakin koskien investointi käyttäytymistä tai yritys/yhteisöverotusta?)