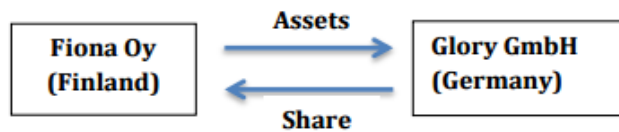


## Question 4

Fiona Oy in Finland transfers its assets to Glory GmbH in Germany in exchange for shares of Glory GmbH.



Total assets of Fiona Oy	200 million
Accumulated Depreciation	70 million
<b>Net Assets</b>	<b>130 million</b>

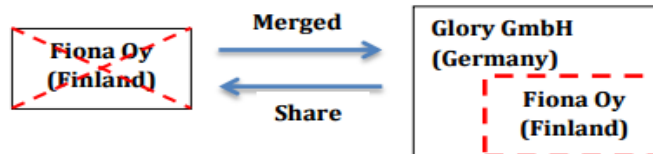
Fair market value of Net assets @ transfer	190 million
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Capital gains*	60 million
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\* In Finland, capital gains are part of business income and subject to 10% corporate tax rate.

- Discuss the tax consequences if the Merger Directive is not applicable (2 ½ points)
- Discuss the tax consequences if the Merger Directive is applicable (2 ½ points)

On the 1st January 2015, Fiona Oy was completely merged into Glory GmbH, and Fiona Oy became dissolved. Glory GmbH issued its own shares to the shareholders of Fiona Oy in exchange for their shares in Fiona Oy.



As of the 31st December 2014, Fiona Oy has unused carry-forward of losses as follows:

Losses in 2013	- 30 million
Profit in 2014	5 million
<b>Profit after loss carry forward</b>	<b>-25 million</b>
Tax due in 2014 (@20%)	0
Carry forward of losses for 2015	-25 million

- Discuss the tax consequences if the Merger Directive is not applicable. (2 ½ points)
- Discuss the tax consequence if the Merger Directive is applicable. (2 ½ points)