



The Finnish Government has published its proposal for windfall tax law - Fortum to assess the proposal

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The Finnish Government has today published its law proposal (HE 320/2022 vp) for a temporary windfall tax on the electricity sector. The proposal intends to implement EU's Council Regulation 2022/1854 on revenue cap and solidarity contribution as an emergency intervention to address high energy prices. This model deviates from the models proposed in other European countries. The tax would apply to companies in the electricity sector within electricity generation, wholesale and partly retail sales in Finland. Pursuant to the proposal, the tax would be 30% of the companies' net profits generated from the above listed electricity operations in Finland exceeding a 10% return on capital in the fiscal year 2023. The Finnish corporate income tax is 20%, consequently, the total nominal tax rate would be 50% on net profits generated in the scope of the defined windfall tax. The Government has estimated that, under certain assumptions, it would cumulatively collect EUR 0.5-1.3 billion of the temporary tax from industry participants during 2023.

The temporary law is anticipated to enter into force at the beginning of 2023 and the tax would become payable in early 2024.

Fortum's electricity generation in Finland accounts for approximately one third of total Finnish electricity generation. Approximately 40% of Fortum's Nordic electricity generation and approximately 30% of electricity customers are in Finland.

Fortum will thoroughly review and assess the proposal's financial impacts, which will depend on the market development and results of the business operations within the scope of the taxation. Fortum aims to disclose more detailed information on the financial impacts, for example, on the comparable effective income tax rate including this windfall tax in due course, latest in connection with the publication of its full-year 2022 results on 2 March 2023. Fortum annually discloses its tax footprint and taxes borne in its Tax Footprint report.

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