

Action Plan to Tackle the Grey Economy and Economic Crime for 2020–2023

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1 PROMOTING HEALTHY COMPETITION BETWEEN COMPANIES AND A FAIR LABOUR MARKET

1.1 Examining how to enhance the transparency of and public access to business information and how to ease the administrative burden of companies so that the obligations laid out in the Act on the Contractor's Obligations and Liability can be fulfilled and effective action can be taken to combat the grey economy

(Original entry in the Government Programme: The PRH-Tax Administration Business Information System (BIS) could be extended to include more comprehensive details for managing key business obligations.)

Project description

The purpose is to examine how to enhance the transparency of and public access to business information and how to ease the administrative burden of companies so that the obligations laid out in the Act on the Contractor's Obligations and Liability can be fulfilled and effective action can be taken to combat the grey economy. The project would examine how the meeting of the obligations laid out in the Act on the Contractor's Obligations and Liability and more extensive public access to information can be ensured with maximum cost-efficiency so that the grey economy can be combated using the information available in the BIS. The way in which companies view information on customs debt, employment pension insurance, accident insurance, unemployment insurance, lack of means in enforcement, bankruptcy, corporate restructuring, debt restructuring and business prohibition in the fight against the grey economy and how important it is for them to access this information through BIS should be assessed in the project.

A study should be produced on the positive impacts of the development proposals, with focus on their effects on combating the grey economy, their economic effects on companies, the authorities and general government finances, and on the way in which they impact companies' behaviour. It should be assessed in the study which information is relevant to companies when they assess the reliability of contractual partners and how increasing openness would contribute to the fight against the grey economy. The need to change the Act on the Contractor's Obligations and Liability would be examined as part of the project to expand the Business Information System.

Instruments used in the impact assessment

The impacts of the development proposals should be assessed separately.

Responsible parties:

Ministry of Economic Affairs and Employment, in cooperation with other ministries, stakeholders and social partners (Ministry of Finance, Ministry of Justice, PRH, Finnish Tax Administration)

Timetable and resource requirement

The project should be implemented in stages and a political decision should be made on the basis of the impact assessment results as follows:

- 1) using existing reports as a basis, a range of different development proposals would be examined
– autumn 2020

- 2) a separate impact assessment/analysis of different options would be produced – 2021
- 3) the required legislative amendments would be introduced immediately following the reports and impact assessments referred to in sections 1 and 2
- 4) technical implementation and introduction of the measures would take place in stages parallel to the drafting of the legislative amendments, and the introduction would ultimately depend on the resources required (a more detailed assessment can only be produced after the analysis referred to in section 2).

To implement the project, the Ministry of Economic Affairs and Employment and its stakeholders should jointly review the framework conditions for developing BIS and any need to change the Act on the Contractor's Obligations and Liability so that the grey economy can be effectively tackled. The impacts of the development proposals on combating the grey economy would be assessed separately. A total of about EUR 60,000 should be allocated to the assessment, and an additional EUR 180,000 would be needed for preparing the required legislative amendments (two person-years; Ministry of Economic Affairs and Employment and Ministry of Justice). Decisions on further measures, required legislative amendments and technical changes to the systems would be made after the assessment. Data owners and ministries should also allocate resources to implementing the legislative amendments and other changes. According to preliminary estimates, three million euros should be allocated to BIS implementation so that the costs arising from the work of non-governmental stakeholders can be covered. The costs would be spread over the period 2021–2023. The project should be carried out using the appropriations for combating the grey economy envisaged in the Government Programme.

Provision of information

The Ministry of Economic Affairs and Employment would be responsible for the provision of information, if necessary, in cooperation with its stakeholders.

1.2 An obligation to keep accounts will be imposed on foreign companies with a fixed place of business in Finland

(Government Programme)

Project description

The obligation of foreign legal persons to keep accounts was removed as part of the overhaul of the Accounting Act in 2016 (HE 89/2015 vp). No justification for the change was presented in the Government proposal. This amendment to the Accounting Act has made it more difficult to combat the grey economy. Grey economy activities are often carried out through foreign companies so that these enterprises actually have fixed places of business in Finland.

Tax inspectors often have to examine the way in which fixed places of business have been established and determine their taxable income. The content and scope of the obligation to provide information on these matters (sections 11 and 14 of the Act on Tax Assessment Procedure) are not clearly defined. The fact that the Accounting Act does not oblige foreign legal persons to keep accounts makes it more difficult to request and obtain accounting documents for tax control. The matter is also relevant from the perspective of court cases involving economic crime as only persons that have neglected their accounting obligation can be sentenced for accounting offences. The preventive effect of the criminal code can only arise from comprehensive legislation.

Foreign companies with a fixed place of business in Finland must already calculate their profits/losses for the financial year and itemise the assets and liabilities on their place of business

for taxation purposes. An accounting obligation explicitly stated in the law would therefore not substantially add to the obligations of foreign legal persons.

Instruments used in the impact assessment

The impacts would be assessed as part of the preparation of the Government proposal.

Responsible parties

Ministry of Economic Affairs and Employment

Timetable and resource requirement

The Government would submit its proposal to Parliament in autumn 2020 and the act would enter into force on 1 July 2021. The amendment would be prepared by the ministry as part of its official duties.

Provision of information

The Ministry of Economic Affairs and Employment would be responsible for providing information on the project in its capacity as the responsible party.

1.3 Enhancing the fight against corruption and abuse through expertise, supervision and openness

The purpose of the project would be to enhance awareness at all levels of society of corruption as a phenomenon, the legal standards for combating and preventing corruption, and the tools used in anti-corruption work. The aim is also to develop ways to identify economic abuses through automation and to increase openness of activities receiving public funding.

Project description

Corruption is a wide-ranging phenomenon and it can occur at all levels and in all sectors of our society. In the prevention of risks arising from corruption and the grey economy, it is particularly important to enhance awareness (especially of the risks arising from the grey economy, corruption and cartels), to monitor the use of public funds more effectively and to reduce the risk of abuses. It is also essential to ensure that public funds are used in an open and transparent manner, which can serve as an effective instrument in the prevention and detection of abuses. More effective supervision should be supported by information technology solutions to make it easier to uncover abuses and to enhance risk-based supervision with the help of more cost-efficient automated solutions. The project combines four development projects intended to enhance the effectiveness of anti-corruption work:

- raising awareness of the risks arising from corruption, grey economy and cartels, and of the ways to combat them through targeted training
- making more effective use of data analytics to identify abuses and to ensure more effective risk-based supervision in central and local government and in local government organisations
- in accordance with the Government Programme, examining whether the scope of the Act on the Openness of Government Activities should be extended to include legal persons owned or controlled by the public sector

- examining how to ensure that the reporting obligation and public access to information can be extended to include the secondary jobs and other similar economic interests of university research staff.

Increasing awareness of corruption in national risk sectors would require more extensive multisectoral cooperation between the authorities, and concrete measures. The project has three key objectives. The first objective is to increase public sector awareness of corruption risk areas, anti-corruption work, cartels and other economic abuses. This objective is one of the recommendations set out in the report 'Harmaa talous ja hankinnat' (Grey economy and public contracts). The second key objective is to enhance awareness of the corruption risk areas and anti-corruption work in SMEs through targeted training. The third objective in the field of openness, expertise and supervision is to prepare codes of conduct and to systematically put them into practice in the public sector as part of the implementation of international recommendations. This would require a need survey for such bodies as Parliament and state-owned companies. In practice, existing guidelines and instructions should be clarified and updated, and they should be made easier to use and better known. This can only be achieved in cooperation with the Ministry of Finance.

The parties concerned should examine and develop the use of data analytics so that abuses can be identified and more effective risk-based supervision practices can be applied in central and local government and in local government organisations, especially in connection with public contracts. Because of abuses and negligence in the use of public funds, there is a gap between taxes owed and taxes paid, and public contracts may be overpriced. To ensure that corruption and grey economy phenomena can be effectively identified, public sector actors should have access to cost-efficient internal control instruments so that risk-based control can be enhanced. In addition to its use as a supervisory tool, data analytics can also contribute to more efficient use of public funds and promote accountability in public spending.

In accordance with the Government Programme, it should be examined whether the scope of the Act on the Openness of Government Activities should be extended to include legal persons owned or controlled by the public sector.

It should be examined how to ensure that the reporting obligation and public access to information can be extended to include the secondary jobs and other similar economic interests of university research staff.

Impact assessment

Incentives of the targeted public sector actors to maintain independent and adequately resourced internal audit/control functions would be assessed through training. The aim is to ensure that there is sufficient attention on the grey economy, corruption and cartels in the internal audit/control functions, especially in connection with public contracts. Training enhances the capacity of SMEs and local government to tackle abuses and shortcomings and strengthens the culture of accountability. With training, it is also easier to draft internal guidelines for the issues discussed above. The aim is to strengthen an ethical operating culture and to ensure that the management and personnel of companies and municipalities are committed to these guidelines.

The data analytics development project would help public sector actors to strengthen risk-based internal control and their capacity to identify potential economic abuses and corruption more effectively. When abuses can be identified more effectively, the risk of being caught also increases. The view is that the project will enhance cost-efficient use of public funds.

Responsible parties

The Ministry of Justice would have main responsibility for the awareness-raising development project. Other parties: Ministry of Finance, Ministry of Economic Affairs and Employment, Finnish

Competition and Consumer Authority, Finnish Tax Administration, and the Association of Finnish Local and Regional Authorities. The Ministry of Economic Affairs and Employment would have responsibility for the data analytics development project. Other parties: Finnish Competition and Consumer Authority, Prime Minister's Office and the Association of Finnish Local and Regional Authorities. The Ministry of Justice would have main responsibility for the project in which the extension of the scope of the Act on the Openness of Government Activities is examined. The Ministry of Education and Culture would have responsibility for the project on university research staff.

Timetable

2020–2023

Resource requirement

The Criminal Law unit of the Ministry of Justice's Department for Criminal Policy and Criminal Law would have main responsibility for the project promoting accountability (part of the awareness-raising project). The unit would be responsible for preparing the training plan and coordinating practical training, and for the production of the information content for risk sectors and anti-corruption work. To implement the project, the Ministry of Justice should be allocated additional resources for three years amounting to one person-year and operating expenditure, totalling EUR 260,000 (EUR 240,000 for the person-year, and EUR 20,000 to cover publishing and seminar costs; funding will come from the appropriation for the action plan to combat the grey economy). A variety of different authorities and stakeholders would take part in project implementation in areas pertaining to the information content and training of their own administrative branches. The Ministry of Finance and the Ministry of Justice would be jointly responsible for the objective concerning ethical guidelines.

A provision of EUR 200,000 from the appropriation for the action plan to combat the grey economy should be made for the development project on using data analytics in public contracts. The project comes under the responsibility of the Ministry of Economic Affairs and Employment. An external evaluation of the project would be required. An appropriation of EUR 30,000 should be allocated to recruit an employee for project administration tasks and other grey economy coordination tasks in connection with the combating of the grey economy in public contracts as part of the other projects of the action plan.

The other projects would be carried by the responsible parties as part of their official duties.

Provision of information

Information on each of the development projects would be provided jointly with the responsible authorities. The websites anti-corruption.fi and [grey economy & economic crime](http://grey-economy.fi) should, however, be used in the dissemination of information.

1.4 The Government will examine new means, such as administrative sanctions, to intervene in intentional or grossly negligent underpayment

(Government Programme)

Project description

Severity of the situations involving underpayment may vary significantly. The provisions on extortionate work discrimination (chapter 47, section 3a of the Criminal Code) or human trafficking often apply to the most serious cases and cases involving intentional underpayment. Underpayment situations usually involve incorrect application of the Employment Contracts Act, Working Hours Act,

Annual Holidays Act and collective agreements and thus a failure to observe employees' rights in matters concerning pay, working hours, minimum rest periods, maximum working hours, payment of compensations and supplements, and in the implementation of annual holiday entitlements. Applying administrative sanctions to violations of the Employment Contracts Act, Working Hours Act and Annual Holidays Act would require an assessment of the existing system of sanctions laid down in the labour legislation so that more effective action can be taken to tackle situations involving underpayment.

Introduction of administrative sanctions in underpayment situations would be examined in the project. The project would assess how the system of sanctions for violations of labour legislation could be improved (changeover from criminal sanctions to administrative sanctions).

Impact assessment

The aim is to ensure a more level playing field for companies and to promote the rights of the employees laid down in labour legislation and collective agreements. The aim is also to ensure speedier investigation of abuses.

Responsible parties

Ministry of Economic Affairs and Employment, Ministry of Social Affairs and Health

The necessary proposals would be prepared by subgroup 6 a of the ministerial working group promoting employment appointed by the Ministry of Economic Affairs and Employment (TEM/1085/00.05.01/2019 – the working group will be reappointed for the term of Prime Minister Sanna Marin's Government).

Resource requirement

The matter would be prepared in the tripartite working group referred to above. No specific resource requirements

Timetable

2020–2021

Provision of information

The Ministry of Economic Affairs and Employment would provide information on the matter in its capacity as the responsible ministry.

1.5 Reviewing the interfaces between contractual employment relationships and entrepreneurship and the need for clearer regulation, and the application practices used by the authorities in new forms of work

Project description

In Finland, work is performed in a contractual employment relationship or as an entrepreneur. The forms of performing work have, however, become more diverse and for this reason, it should be examined whether the legislation has kept up with the changes taking place in working life. As part of the project 1) a review of the new forms of work would be produced as set out in the Government Programme and, to support the project, 2) an official report would be produced on the concepts of contractual employment relationship and entrepreneurship and the way in which they are interpreted by different authorities.

Forms of work have changed over the past few years, as the platform economy has grown, and invoicing services and temporary agency work have become more common and more companies have outsourced their operations. New employment services and services providing opportunities for self-employment have become available. Such companies manage the taxation, insurance and other statutory obligations of the persons performing the work, using a variety of different service and invoicing models. Self-employed persons and individuals invoicing for their own work are often referred to as light entrepreneurs. Such authorities as the Finnish Tax Administration, the Finnish Centre for Pensions and the occupational safety and health areas of responsibility of the Regional State Administrative Agencies have issued interpretations concerning these groups in such areas as taxation, income processing, insurance and labour legislation. The interpretations and legal instructions issued by the authorities should be harmonised so that the existing situation could be clarified. To the extent possible, future changes in the model of doing work should be anticipated.

Room for interpretation allows grey economy actors to create their own practices for managing obligations and for creating tax avoidance arrangements. This affects competition neutrality.

The existing legislation and guidelines should be updated and harmonised from this perspective.

1) New forms of work: The need for legislative changes from the perspective of the transformation of work should be examined (self-employed persons, sharing and platform economy, new ways of ordering work, and cooperatives). To reduce uncertainties in working life, the concept of employment contract in the Employment Contracts Act should be clarified so that a contractual employment relationship could no longer be disguised as something else.

The main aim of the project is to clarify the interface between contractual employment and entrepreneurship. A working group appointed by the Ministry of Economic Affairs and Employment will review the labour law dimension of the new forms of work, as laid out in the Government Programme. The working group should take into account the status of contractual employment and entrepreneurship in the social security and taxation legislation.

Responsible parties

Ministry of Economic Affairs and Employment and the Ministry of Social Affairs and Health (The necessary proposals would be prepared by subgroup 6 a of the ministerial working group promoting employment appointed by the Ministry of Economic Affairs and Employment (TEM/1085/00.05.01/2019 – the working group will be reappointed for the term of Prime Minister Sanna Marin's Government).

Instruments used in the impact assessment

The required impact assessment would be produced in cooperation with stakeholders during the working group's term.

Resource requirement

The matter would be prepared in the tripartite working group referred to above. No specific resource requirements.

Timetable

2020–2023

Application practices used by the authorities when drawing the boundary between contractual employment relationship and entrepreneurship:

The interpretations and application practices concerning contractual employment and entrepreneurship used by different authorities would be reviewed in the project.

Reviewing and clarifying of the application practices of different authorities concerning light entrepreneurship and new forms of work and (to the extent possible) harmonisation of the interpretations (labour legislation, social insurance and taxation) would facilitate the application of the rules and the authorities' work. Regarding the individuals already operating in the grey area (entrepreneurs or wage earners), there would be fewer abuses and less exploitation of ambiguities, and the work of the supervisory authorities would be made easier. At the same time, competition between companies would be on a healthier basis as businesses operating in the same sectors would not be able to seek undue advantage on the basis of differences arising from the meeting of employer's obligations. Legal protection of individuals would also be enhanced. At the same time, harmonisation of the interpretations issued by the authorities would promote reliability and predictability and reduce uncertainty among actors.

Instruments used in the impact assessment

A survey would be one option (relevant authorities, companies, Employment and Economic Development Offices, ELY Centres, Regional State Administrative Agencies, Finnish Centre for Pensions)

Responsible parties

Ministry of Economic Affairs and Employment, Ministry of Social Affairs and Health, Ministry of Finance, Finnish Tax Administration, Finnish Centre for Pensions, Occupational Safety and Health Administration, Finnish Workers' Compensation Center, stakeholders

Timetable

The survey would be carried out in 2020 and 2021.

Resource requirement

A survey conducted by external parties would cost EUR 50,000.

Provision of information

In projects 1) and 2) provision of information would be the responsibility of the responsible ministries and the authorities involved.

1.6 More effective measures will be introduced to combat grey economy activities in the transport sector

(Original entries in the Government Programme:

- The duties of the customer ordering transport services will be extended to include the duty to report overloads. Customers who order, pay for and receive goods transport services in which there is overloading will also be held responsible for the overloading. In such instances the customers would have neglected their duty to check in regard to the transport service provider.

- The customer's responsibility regarding any breaches of driving and rest times by the transport service provider will be examined. Similarly, persons scheduling deliveries or customers ordering transport services with a delivery time request that is not feasible without violating the provisions on driving and rest times will be made responsible for such violations.
- Legislation and regulation on taxis and enforcement of such regulation will be revised with the objective of combating the grey economy, promoting effective competition and ensuring availability of taxi services everywhere in Finland.)

Project description

The entries in the Government Programme on combating the grey economy in the transport sector concern goods transport and taxi services.

The measures listed in sections 18 and 19 of Annex 4 (Work to combat the grey economy) to the Government Programme concern goods transport by road, and under them the customer's reporting obligation would be extended to include overloads and breaches of the provisions on driving and rest periods. The current view is that the required amendments should be made to the Act on Transport Services.

In the same connection, the amendments required under the European Union social and market legislation on goods transport and coach and bus traffic would also be incorporated into the national legislation. The changes to the EU legislation are part of the Mobility Package I, which comprises legislative proposals concerning access to the road haulage market and rules governing international freight transport (such as those pertaining to cabotage, driving and rest periods, tachographs and posted transport workers). The Mobility Package I contains a number of proposals aimed at promoting healthy competition in the transport sector, such as the combating of letterbox companies. Implementing Mobility Package I would require changes to the Act on Transport Services and to the Posted Workers Act.

In accordance with section 20 of Annex 4 to the Government Programme, functioning of taxi regulation would be examined in cooperation with the authorities from the perspective of combating the grey economy and the changes based on the review would be made to the Act on Transport Services. According to the Government Programme entry on the development of the transport network, regulation of taxi services under the Act on Transport Services would be assessed from the perspective of the combating of the grey economy, but consideration would also be given to operational safety, transparent pricing and availability of services.

Responsible parties

Goods transport: Ministry of Transport and Communications; division of responsibilities with other ministries (such as the Ministry of Economic Affairs and Employment and the Ministry of Social Affairs and Health) would be determined after the adoption of the Mobility Package I; in cooperation with the National Police Board and the Finnish Transport and Communications Agency.

Taxi services: Ministry of Transport and Communications, in cooperation with the Finnish Competition and Consumer Authority, Finnish Transport and Communications Agency and the Finnish Tax Administration.

Timetable

The Ministry of Transport and Communications would prepare the necessary legislative amendments for goods transport in cooperation with other responsible parties when the timetable for the national implementation of Mobility Package I is known.

The legislative project to revise the regulation of taxi services under the Act on Transport Services is expected to be launched in early 2020.

Estimated resource requirement

The project would be carried out by the responsible parties as part of their official duties.

Impact assessment

The impact assessment would be carried out as part of the statute-drafting process.

Provision of information

Providing information on the legislative projects would be the responsibility of the Ministry of Transport and Communications.

2 PREVENTING GREY ECONOMY AND ECONOMIC CRIME

2.1 The tax number system, which has worked well and prevented the grey economy in the construction industry, will be introduced in shipbuilding. The need to introduce the tax number system in other high-risk sectors, such as tourism and the restaurant sectors, will be assessed.

(Government Programme)

Project description

The purpose of the tax number system used in the construction sector is to ensure that the foreign workers not yet entered in the database of the Finnish Tax Administration can be made subject to tax control and to reduce opportunities for undeclared work. The obligation to use the ID containing a tax number at construction sites will make foreign construction workers subject to tax control because in order to obtain a tax number, they must be entered in the customer register of the Finnish Tax Administration and their taxpayer status can be determined in connection with the registration.

In the construction sector, the personal identification number (obligatory at construction sites under the Occupational Safety and Health Act) must contain the employee's tax number entered in the construction sector tax number register.

In order to obtain the tax number, the employee must have a Finnish personal identity code. Foreign individuals coming to work in Finland can receive the personal identity code and the tax number by visiting an office of the Finnish Tax Administration. During the visit, all details of the employee required for tax control are entered in the database of the Finnish Tax Administration.

In the project, the tax number system used in the construction sector would be extended to include work at shipyards. Shipyards would introduce the requirements and obligations concerning the identification card and tax number laid down in the Occupational Safety and Health Act that are already used at joint construction sites. Operators of shipyard areas would also be obliged to keep lists of employees working at the shipyards.

The decisions on extending the tax number system to include new sectors should be based on the needs of tax control and combating the grey economy. When these needs are assessed, consideration should be given to the benefits of the tax number system and whether there are factors making a sector vulnerable to grey economy practices that could be successfully tackled with the tax number system.

Impact assessment

It is estimated that the tax number system has reduced grey economy activities in the construction sector. The working conditions at shipyards and construction sites are very similar. Extending the tax number system to include work at shipyards can therefore be considered useful for tax control purposes.

Responsible parties

Ministry of Finance, Ministry of Social Affairs and Health, Finnish Tax Administration

Timetable and resource requirement

The Government would submit its proposal to Parliament during 2020. The obligation to use tax number at shipyards would be introduced in 2021/2022. The need to introduce the tax number

system or a similar registration system in other high-risk sectors, such as tourism and the restaurant sectors, and the prerequisites for it would also be assessed in 2021/2022.

Provision of information

Information on legislative matters would be provided by the Ministry of Finance; the Finnish Tax Administration would provide details on other aspects of the reform.

2.2 Options of ensuring better public access to information on share ownership in listed companies and better access to information on trading in nominee-registered shares will be examined

(Original entries in the Government Programme:

- The possibilities will be examined for making sure the Finnish Tax Administration can receive information about trading in the nominee-registered shares of Finnish listed companies and about the parties to the transactions.
- The scope for placing information on the holders of nominee-registered shares of listed companies in a public register will also be investigated.)

Project description

As required under the Government Programme, it would be examined whether the Finnish Tax Administration could also obtain the details of transactions with Finnish nominee-registered shares and the parties to the transactions and whether the details of nominee-registered shareholders of listed companies could be entered in a public register. The legal provisions on substitute dividends would also be amended as described below.

Nominee-registration of listed companies' shares and lack of transparency concerning their ownership may give rise to grey economy activities. Issues concerning public access to information on holdings have been addressed in the national implementation of the EU regulation of central securities depositories (909/2014) and in the Ministry of Finance publication 30/2018 Disclosure of listed company ownership information in Finland: An EU law perspective. Enhancing public access to information involves a number of legal and technical challenges that should be considered in the review. Alternatives to better public access to information could include the use of the right to identify companies or enquire about companies as laid down in the change directive on shareholders' rights or the establishment of an enquiry system on shareholding to collect information from custodians. The most important of the legal issues involved concern the compliance of the alternatives with the EU law, while the technical issues concern such matters as the functioning of the securities market, features of a multi-tiered clearing system and whether the entry in a public register could be circumvented by using conventional capital market practices and financial instruments. Establishing new systems would also require substantial resources.

Access of the Finnish Tax Administration to information on transactions involving Finnish nominee-registered shares and on the parties to the transactions could be ensured by means of transactions reported for the supervision of financial markets. Through this channel, Finnish supervisory authorities have probably access to real-time information on trading in Finnish securities. The restrictions on the use of this information and the way in which it could be used more extensively by the tax authorities should be examined.

Substitute dividends refer to compensation that instead of being paid in dividends is paid on the basis of a share repurchase agreement, loan agreement, or other such contractual arrangement under which the right to receive dividends has been temporarily transferred to another taxpayer.

Regulation on substitute dividends intended for domestic situations may leave room for interpretation in cross-border transactions. For this reason, the legislation on substitute dividends would be updated on the basis of the definition of dividend recipient set out in the commentaries on the OECD Model Tax Convention and the Finnish tax law. In the same connection, the provisions on substitute dividends contained in the Act on the Taxation of Business Profits and Income from Professional Activity would also be updated.

Impact assessment

The advantages and disadvantages of establishing and maintaining a public register of nominee-registered shareholders of listed companies should be examined in the project. Tax control concerning transactions around the dividend-payment day could be made more effective if the details of the transactions reported for financial market supervision are found to be necessary and prove useful and there are no restrictions preventing their use.

The legislative amendment on substitute dividends would make the legal provisions clearer and more unambiguous, which would further enhance legal certainty. Moreover, it would ensure that the existing legislation will also apply to cross-border situations.

Responsible parties

Ministry of Finance

Timetable

The reports on the matter would be produced during 2021.

Resource requirement

The legislative work would be carried out in the Ministry of Finance as part of its official duties. Preparing a report on whether the details of the nominee-registered shareholders of listed companies can be entered in a public register would require additional resources (between EUR 50,000 and EUR 100,000).

Provision of information

The Ministry of Finance, in its capacity as the responsible ministry, would have responsibility for providing information about the project.

2.3 In the European Union, Finland will work to extend the reporting obligation of beneficial owners to include all beneficial owners whose ownership is at least 10 per cent.

(Government Programme)

Project description

When considering the Act on Preventing Money Laundering and Terrorist Financing (444/2017; hereafter Money Laundering Act), Parliament adopted a resolution (EV 57/2017 vp), in which it called for the Government to assess, in connection with the implementation of the changes to the Fourth Money Laundering Directive, whether the registration threshold for beneficial owners is at sufficient level to ensure that the provisions cannot be easily circumvented, also taking into account the purpose of this information. The latest amendments to the Money Laundering Act entered into force on 1 January 2019. The main purpose of the amendments was to implement the directive of the

European Parliament and of the Council to prevent money laundering and terrorist financing (Fifth Money Laundering Directive). It was noted in the Government proposal on the amendments (HE 167/2018 vp) (p. 46) that when submitting the proposal for the Fifth Money Laundering Directive, the European Commission proposed that the percentage indicating the direct or indirect control of the beneficial owners should be reduced from 25 to 10%. This proposal did not, however, receive any support during the negotiations on the directive and the percentage remained unchanged. According to the Government proposal, no reasons have emerged since the adoption of the Money Laundering Act warranting Finland to deviate from the internationally accepted percentage limit. For these reasons, no changes to the percentage indicating the direct or indirect control of beneficial owners were proposed by the Government.

At the Ecofin Council on 5 December 2019, EU Member States agreed, at the initiative of Finland, on the strategic priorities for combating money laundering and terrorist financing, which are intended to serve as the basis for any future legislative proposals by the European Commission. According to the conclusions, more extensive harmonisation of legislation at EU level (using directly applicable EU regulations instead of directives implemented by means of national legislation) will be one of key priorities for the coming years. Based on these conclusions, it can be expected that the European Commission will produce initiatives on money laundering legislation.

With this project, Finland is working to ensure that the issue of expanding the obligation to report beneficial owners, as envisaged in the Government Programme, would be raised in the coming legislative negotiations in the EU.

Impact assessment

Expanding the obligation to report beneficial owners would make the information on the parties behind legal persons more transparent.

Instruments used in the impact assessment

Responsible parties

Ministry of Finance, Ministry of the Interior, Ministry of Economic Affairs and Employment

Timetable

The project timetable will become clearer when the timetable for the legislative negotiations in the EU is known.

Required resources

The work would be carried out by the parties as part of their official duties.

Provision of information

The responsible ministries would provide information about the legislative projects.

2.4 The legislation on the disclosure of tax information will be amended to ensure that any changes to tax information made after the close of the tax year will be made public

(Government Programme)

Project description

As a rule, all tax information is confidential. However, under the Act on the Public Disclosure and Confidentiality of Tax Information, there are a number of exceptions to this rule. Details of taxation only become public after the assessment process has been completed.

Under section 5 of the Act on the Public Disclosure and Confidentiality of Tax Information, the following income tax information is public: name and year of birth of the natural person, and the region in which the taxpayer's municipality of residence is located under the Act on Tax Assessment Procedure. The following information is also public:

details of the person's 1) earned income taxable in state taxation; 2) capital income taxable in state taxation; 3) income taxable in municipal taxation; 4) income tax, municipal tax and the total amount of taxes and fees collected; 5) total amount of tax prepayments; and 6) amounts to be debited and refunded in the final tax assessment.

The same information describing the result of regular taxation of corporations and benefits under joint administration is also public.

Changes made to taxation after the completion of the tax assessment process are not public. In income taxation, tens of thousands of decisions on changes to taxation are made each year. These include adjustments to the benefit/detriment of the taxpayer, decisions on claims for adjustment, and supplementary taxation decisions.

Under the legislative changes planned in the project, changes to taxation introduced after the completion of the tax assessment process would also become public information.

The way in which the information on changes to taxation is made publicly available should also be considered in the project.

Impact assessment

Considering the changes made after the completion of tax assessment in publicly available information would enhance quality of public information and legal protection of taxpayers.

Instruments used in the impact assessment

The methods can only be assessed when the extent of the changes to the publicity of revised taxation is known.

Responsible parties

Ministry of Finance, Finnish Tax Administration.

Timetable

A report on the matter and a Government proposal would be prepared in 2021. The changes would enter into force in 2022.

Required resources

Changes envisaged in the information system would require resources, which can be determined when the implementation method is known.

Provision of information

Information on legislative matters would be provided by the Ministry of Finance; the Finnish Tax Administration would provide information on other aspects of the reform.

2.5 A risk profiling model for preventing environmental crime will be developed

Project description

Not all environmental offences are reported to criminal investigation authorities. The aim of the project is to reduce the proportion of hidden environmental crime by focusing on specific crime categories and by increasing the risk of being caught. As the first step, a sector where there is potential for violating environmental protection legislation would be selected.

The intention is to use the analysis tool of the police to combine the risk indicium data on the same companies in the possession of different authorities. In this way, potential risk companies can be identified and information on them collected so that illegal activities can be uncovered. The purpose of combining data is also to create a phenomenon-level situational picture that helps to produce more information about the risk sectors and activities.

An analysis register would be established for information management in the project.

Impact assessment

1. The aim of the project is to uncover serious environmental offences that would remain undetected without risk profiling.
2. The project will help to create a more detailed phenomenon-level situational picture of the illegal activities carried out by the companies concerned, which would generally make it easier to uncover breaches of environmental standards.
3. Risk profiling can boost new forms of cooperation between the authorities that are based on knowledge-driven activities, as information combined with the help of computers can be used to construct an operational and phenomenon-level situational picture of risk actors and risk sectors.
4. Uncovering hidden crime with the help of risk profiling can generate new information and add value to environmental supervision.
5. A broad-based risk profiling model can also be used more extensively in the future. The project is scalable, which means that the profiling can also be applied to the profiling and risk mapping of other environmental offences.
6. The new risk profiling model would increase the risk of being caught in environmental offences. Disseminating information about the results would help to prevent new environmental offences and make the preventive measures more effective.
7. There is every reason to expect that the costs arising from the project can be recouped through the proceeds of crime confiscated in connection with one serious environmental offence or the attachment of the property of the individuals convicted of the offence.
8. It is estimated that the effects of knowledge-driven activities will create cost savings, as the supervisory resources of the criminal investigation authorities and the environmental authorities can be allocated more accurately through operative and phenomenon-level analysis.

Instruments used in the impact assessment

1. Quantitative performance monitoring of uncovered offences.

2. Use of the risk profiling data in targeted supervision and criminal investigation activities. All data disclosures are entered in statistics.

3. More effective cooperation between the authorities in terms of qualitative indicators as a result of a more detailed situational picture at operational and phenomenon level.

Responsible parties

Parties responsible for the project: National Bureau of Investigation, Eastern Uusimaa Police Department, National Police Board

Timetable

In the first year of the project, the aim is to create an analysis register, produce a more detailed assessment and description of the legal project framework and the technical implementation based on the framework, to build or select a suitable platform for the system, and to launch close development cooperation with other authorities in order to obtain risk indicium data. The required risk indicium data would be selected and entered in the analysis register.

In the second year, a reporting model for the analysis register would be developed using the risk indicium data as a basis, a phenomenon-level report would be prepared and the necessary documentation and a final report would be produced. The analysis register is expected to be available to the police at the end of the second year. To ensure that the risk indicium data is up to date, the project would be presented to different authorities during the second year.

During the third year, the analysis register would start producing results in accordance with the project impact assessment (for example, by helping to uncover environmental offences). The analysis register would be maintained and developed, and if necessary, training would also be provided.

Required resources

Recruiting the person in charge of the risk-profiling project for two years. A part-time (50%) input of one environmental crime investigator for two years would also be required. The total costs of the project would amount to EUR 300,000 (equipment, workstation and licences EUR 100,000; personnel costs EUR 200,000).

Provision of information

Provision of information about the project would be coordinated between the responsible parties.

2.6 An information campaign for immigrants and individuals at the start of their working careers will be launched

Project description

An information campaign focusing on combating the grey economy as part of a responsible membership in society would be created. The campaign is intended for individuals entering the labour market and those at the early stages of their working careers. The campaign would emphasise the elements of a fair and sustainable society: we are all building a country that is a good place to live and work. In a responsible society, both employees and employers do their share. In this vision, there is no room for a third category, providing a basis for grey economy, between paid employment and entrepreneurship. Individuals, companies and society at large are the beneficiaries when taxes and social security contributions are properly paid.

Therefore, young people and potential employees who have moved to Finland from other countries have been selected as the target group. Many young people are highly aware of global issues, which manifests itself in growing concern over the environment and in lifestyles that are less consumption-oriented. Responsibility for social peace is also in keeping with these attitudes.

The information campaign would also show what can be achieved with taxes, or how taxes and tax-like fees help to build a welfare society taking care of all its members. The campaign would take a positive approach: this is how responsible citizens and responsible employers act. Social media would be extensively used as a communication channel and social media personalities would also make appearances in the campaign. The verokampus.fi website of the Finnish Tax Administration would also be overhauled and teaching material and tasks would be produced for the site.

Impact assessment

The aim is to make young people and immigrants more committed to a fair and sustainable society, which would make their attitudes towards the grey economy more negative.

Instruments used in the impact assessment

A survey gauging the attitudes of the target groups would be conducted at the start of the campaign. It would be tailored to the participants' needs and repeated at the end of the campaign. Visibility in the social media and other media.

Responsible parties

The Finnish Tax Administration would be responsible for the campaign concept, and it would act in partnership with the Ministry of Economic Affairs and Employment and the Finnish Centre for Pensions.

Timetable

2021–2023

Required resources

Recruiting a project coordinator in the Finnish Tax Administration (three person-years á EUR 60,000, totalling EUR 180,000)

Services: contents, web analytics, social media personalities and media advertising, totalling EUR 300,000

Two attitude surveys, totalling EUR 40,000

Social media marketing, totalling EUR 40,000

Participation fees and marketing in nationwide public events, totalling EUR 40,000

Total costs EUR 600,000

Communications and other units of the Finnish Tax Administration, Finnish Centre for Pensions and the Ministry of Economic Affairs and Employment would also contribute to the project with work carried out as official duties.

Provision of information

The impact of the information campaign would be ensured with effective media communications. The campaign would be presented to stakeholders and influential social actors.

3 ENSURING THE ABILITY OF AUTHORITIES TO COMBAT THE GREY ECONOMY AND ECONOMIC CRIME

3.1 Legal provisions governing the sharing of information between the authorities will be developed so that grey economy actors can be identified and the phenomenon can be combated more effectively

(Original entry in the Government Programme: the powers of various authorities and the information exchange provisions they observe will be assessed with the objective of providing authorities with improved access to data on criminal backgrounds for the purpose of controlling the grey economy.)

Project description

The authorities and other parties performing public duties can only combat the grey economy and economic crime in an effective manner if they are able to identify grey economy actors among their customers as part of their normal work. Effective access to information on business activities and individuals behind the activities and the use of electronic services in information exchange between the authorities would facilitate and enhance the identification and monitoring of grey economy actors.

Organised crime is involved in numerous fields of business, seeking to use legal business activities to gain a foothold in sectors where it can use undeclared labour, restrict competition or engage in money laundering.

There has been progress in the exchange of information between the authorities, and the introduction of information exchange services has made good progress, but there are still blind spots and areas where improvements would be needed. Below are a number of tasks of the authorities and other parties performing public duties in which more effective powers and information-exchange provisions concerning the combating of the grey economy and economic crime would be needed:

- The rights of the parties granting business subsidies from state funds and the parties supervising pension, unemployment and accident insurance to obtain information on key persons in organisations and their business connections, and the right of the parties granting business subsidies to obtain information from other parties performing public duties
- The security and weapons licences and the licences issued by the Gambling Administration do not contain any legal provisions on assessing financial reliability or the right to access information on the management of public duties from the other authorities
- The information held by the authorities or the obligation compliance report service cannot be used in the supervision of public contracts in which the work has already started.
- Using information entered in the criminal records in the supervision of the grey economy
- Developing information exchange between the Finnish Tax Administration and the Finnish Patent and Registration Office in the supervision of compliance with the audit obligation.

Impact assessment

More effective legal provisions on the exchange of information would facilitate the identification of grey economy and economic crime actors. The obligation of the authorities to investigate the manner in which their customers comply with their public obligations (for example, in connection with the granting of licences and subsidies and in the focusing of supervision and other activities) and extensive access to information and cooperation in the exchange of information in connection with this is becoming increasingly important in the combating of the grey economy and economic crime

in the future. Comprehensive access to information on business activities and the use of electronic services in information exchange between the authorities facilitate the identification and monitoring of grey economy actors.

The criminal background of the key persons or actors is often linked to irregularities concerning the tax payments and other statutory obligations of their companies. Access to criminal records would make it easier to identify high-risk customers and allow the authorities to use their supervisory resources more effectively. Access to criminal records would enhance the effectiveness of tax control in such areas as customer registration and the combating of fraud in VAT refunds and in risk-based target selection in general. There would be fewer opportunities for organised crime as the authorities would be able to identify these actors at an early stage.

Criminal records come under the protection of privacy. Under the existing criminal records legislation, the information cannot be disclosed to such parties as the Finnish Tax Administration for combating the grey economy. Any legislative amendments should be carefully assessed from the perspective of privacy protection (restrictions on fundamental rights) and disclosure of confidential information.

The costs incurred by different administrative branches/the administrative branch of the Ministry of Justice as a result of information system changes concerning criminal records can only be assessed when more details of the project are known.

Instruments used in the impact assessment

Questionnaire surveys in which different authorities would be asked how sharing information on new groups impacts the combating of the grey economy.

Responsible parties

Responsible ministries and authorities, each in their own policy areas. Legislative work would be carried out by the ministries responsible for the individual policy areas.

Timetable

2020–2023

Required resources

The project would mostly involve legislative work but enhancing data flows and the use of data would also require inputs.

Provision of information

Responsible ministries and authorities, each in their own policy areas.

3.2 Ensuring Finnish Tax Administration's access to information

(Original entry in the Government Programme: The tax authority will be given the necessary statutory powers and technological means to support optimally automated information gathering related to the taxation of operators in the digital platform economy.)

Project description

Blind spots have been identified in the Finnish Tax Administration's access to information required for taxation and tax control. The purpose of the project is to enhance the Finnish Tax Administration's right to obtain information from third parties in a changing supervisory environment.

Taxation is largely based on information received from third parties. The Act on Tax Assessment Procedure contains provisions on the obligation of the third parties to provide information. Under this act, everybody must provide the Finnish Tax Administration with the information on transactions that they have paid or transmitted and that is needed for taxation purposes. The digital platform economy has assumed an increasingly important role in income formation and the existing legislation cannot be applied to such areas as platform economy relay services. The platform administrator may only be notified of the relayed service, work performance or transaction, and the transaction itself may not necessarily pass through the administrator. In the project, the obligation of the third parties to provide information would be expanded so that the Finnish Tax Administrator's access to information can also be ensured in the above cases.

The EU and the OECD are also working to promote international exchange of information on platform economy services. Finland will take part in cooperation to develop a reporting standard for international exchange of information that would allow exchange of information on the payments for services provided through the platform.

Other improvements required in the legal provisions on the third parties' obligation to provide information would also be examined in the project. Information on financial institutions is essential for tax control, especially in the combating of the grey economy and in the supervision of the international platform economy. Different ways of securing access to information on financial institutions in tax control would be examined in the project. It would also be examined whether the Finnish Tax Administration could be provided with better access to information on foreign investment insurance policies, for example by obliging the representatives and agents of foreign insurance companies operating in Finland and parties marketing their insurance policies to provide information.

Impact assessment

More detailed impact assessment would require an analysis of the information obtained from third parties and tax data from the perspective of tax gap.

Responsible parties

Ministry of Finance, Finnish Tax Administration

Timetable

Legislation on the obligation of the parties relaying services to provide information would be introduced during 2020. The rest of the project would be implemented by the end of the government term in 2023.

Resource requirement

The resource requirement concerning the obligation of platforms to provide information mainly concerns legislative work, and the Finnish Tax Administration should also allocate resources to data analysis and implementation of interfaces. The Finnish Tax Administration and the Ministry of Finance should also make personnel resources available for examining the need to develop the information-provision obligation. The parties would carry out the work as part of their official duties within the framework of existing resources.

Provision of information

The Ministry of Finance would provide information on legislative aspects of the project, while providing information on the practical reporting methods would be the responsibility of the Finnish Tax Administration.

3.3 The Finnish Tax Administration and the Finnish Customs will be provided with additional resources to investigate grey economy activities. The adequacy of the sanctions concerning the reporting obligation and the obligation to present documents will be reviewed.

(Original entry in the Government Programme: The scope for authorities to investigate failures to meet reporting obligations will be improved. In addition, the adequacy of the related sanctions will be assessed.)

Rights and powers available to the Finnish Tax Administration and the Finnish Customs when carrying out tax inspections

Project description

As part of the previous action plan, which covered the period 2016–2020, a working group led by the Finnish Tax Administration prepared, in cooperation with the Finnish Customs, a report on the effectiveness of the work to uncover tax-related abuses. Granting the Finnish Tax Administration and the Finnish Customs more extensive inspection rights and powers was highlighted as the key development priority in the report. Under the existing legislation, the taxpayer's obligation to present and establish all relevant facts during a tax inspection is on a voluntary basis. This is an outdated approach and, compared to many other countries, insufficient in cases involving the grey economy.

In Finland, too, the regulatory control work of many other government agencies is based on their right to conduct inspections (these agencies include the Financial Supervisory Authority, Energy Authority, the Finnish Competition and Consumer Authority, Regional State Administrative Agencies in alcohol licensing matters, and a number of authorities responsible for the supervision of specific categories of EU aid). A number of government agencies also have the right to take possession of accounting material. Compared with its counterparts in many other European countries, the Finnish Tax Administration has substantially fewer powers to investigate taxation matters in cases where taxpayers fail to cooperate with the investigation. For example, the Norwegian legislation on tax assessment procedure has been recently overhauled and the authorities' right of inspection expanded.

When the right to access information is assessed, consideration should also be given to issues concerning IT forensics. IT forensics are part of criminal investigation and they can only be used within the powers and means set out in the criminal investigation legislation. The police do not have enough resources to produce the necessary electronic investigation services for the Finnish Tax Administration and with the tools currently available to it, the Finnish Tax Administration is unable to effectively investigate cases involving digital tax fraud. Even though the Finnish Customs is a criminal investigation authority, IT forensics cannot be used in administrative tax inspections under the existing Customs Act.

More effective powers would shorten inspection lead times. More comprehensive data would also help to produce higher-quality and more conclusive tax inspection reports. Other authorities, including those responsible for criminal investigation, would receive higher-quality data for their own needs. The required legislative changes could be put into effect by amending section 14 of the Act on Tax Assessment Procedure. In the same connection, wider inspection powers could also be introduced. Likewise, the domestic administrative inspection powers of the Finnish Customs could be expanded by amending sections 8 and 102 of the Customs Act.

The working group was also of the view that the sanctions for neglecting the obligation to present information in connection with tax inspections are insufficient. The situation should be examined and improvements considered in the same connection.

Impact assessment

Updating the inspection rights and powers of the inspectors of the Finnish Tax Administration and the Finnish Customs would make it easier to obtain data and evidence, especially in the investigation of grey economy cases, while at the same time, it would also improve the quality of the tax inspection reports and speed up the process.

Responsible parties

Ministry of Finance, Finnish Tax Administration, Finnish Customs, Ministry of Justice

Timetable

The reforms would be introduced between 2020 and 2023.

Required resources

The report would be produced within the framework of existing resources.

Provision of information

Information on the legislative projects would be provided by the responsible ministries.

3.4 Ensuring access to the tendering information entered in the tendering system and its use in the combating of the grey economy

Project description

The right of the competent supervisory authorities (such as the Finnish Competition and Consumer Authority and the Finnish Tax Administration) to obtain the tendering information from the tendering system intended for the use of central and local government contracting entities through technical interfaces would be ensured. The data storage and analysis capabilities required for screening cartels and other grey economy phenomena with this information would be ensured. The capabilities would be used in the combating of grey economy phenomena. The proposal is based on the recommendation presented in the report 'Harmaa talous ja hankinnat' (Grey economy and public contracts).

Using the tendering information submitted for public contracts, the work to identify and combat cartels and grey economy phenomena could be put on a significantly more effective basis. Comprehensive tendering information would provide a basis for using advanced statistical and financial analysis methods that will produce indications of whether the market is characterised by genuine competition or whether there are signs of cartels. The identification data on the tendering information and tenderers could also contain signs of potential grey economy phenomena, such as short life companies or exceptionally low tenders and actors behind them.

In 2019, Hansel Ltd put out to tender the framework agreement on the tendering system intended for central and local government contracting entities, and the technical interface with the tendering information was included in the technical specifications of the system. The purpose of the project would be to use this interface by creating a technical counterpart for it, and secure transfer and storage capacity for the tendering information, capacity for analysing the tendering information, and the capacity for using the analyses in the supervisory work. The lessons learned from the supervisory work would also be used in the training provided by contracting entities and municipal internal control bodies to prevent grey economy activities.

Impact assessment

Screening the tendering information would make it easier to identify and eliminate grey economy phenomena (such as cartels), which in turn would result in a higher risk of being caught. This would also create a deterrent effect, which would, over time, directly benefit the contracting entities and lead to more effective use of public funds. Studies have shown that cartels typically boost prices by between 10 and 30% or even more, which clearly shows that there is significant potential for more efficient use of public funds. Obtaining tendering information directly from the tendering system through a technical interface would substantially reduce the administrative burden of the contracting entities, compared to the situation where the tendering information is obtained by means of information requests.

Means of impact assessment

The impacts of the project would manifest themselves gradually as the volume of the data to be analysed grows. More extensive use of screening analyses and greater importance attached to them in supervisory work, and qualitative assessment of the supervisory work produced by the stakeholders would be two of the instruments for evaluating the impacts of the project.

Responsible parties

Finnish Competition and Consumer Authority (where applicable, the Finnish Tax Administration)

Direct costs

It is estimated that about EUR 100,000 would be required to establish the information system using the open interface of the tendering system for acquiring purchasing data (counterpart), the required data communications connections, and the data safe needed to store the retrieved data.

Resources

The Finnish Competition and Consumer Authority estimates that it would require additional resources to implement the project. Resources corresponding to two person-years would have to be allocated to the specification, design and construction of the counterpart and the analysis system for a period of one year (about EUR 150,000) between 2020 and 2021. It is assumed that the additional resources would be equally divided between the recruitment of an internal expert and the purchasing of external expert services. The Finnish Competition and Consumer Authority also estimates that it would need between one and two person-years/year (between EUR 300,000 and EUR 600,000) for the development of the data analysis methods to be used in the identification of cartels and for familiarising contracting entities with them and for cooperation between the authorities. The resources would be required for the whole duration of the action plan.

Provision of information

Provision of information would be the responsibility of the Finnish Competition and Consumer Authority.

3.5 Use of artificial intelligence in the processing of criminal investigation material

Project description

Over the past few years, there has been a steady increase in the amount of electronic criminal investigation material used by the police. Society is becoming more digitalised, and the same applies to the material used as evidence. Increasingly sophisticated equipment and continuously growth in storage capacity pose major challenges to the police as they investigate huge amounts data, cross-check the data or check the data against their own databases. Criminal investigations produce a large amount of data that cannot be combined with the help of existing methods. As data cannot be used, it becomes more difficult to find material that can be presented as evidence or to uncover offences or series of offences. It has been determined that the police need a system that, based on artificial intelligence and the latest computing methods, would be able to make comparisons between data so that the police can investigate complex cases and uncover new series of offences.

The aim of the project is to develop a system for the police that makes use of information-technology evidence in a secure manner, and cross-checks the evidence against the information kept in existing police databases (police information system databases) and in this manner detects connecting factors in the data that would otherwise remain hidden. The purpose of the system would be to simultaneously analyse data copied from more than one device and cross-check this data. The system to be developed in the project would be able to receive unformatted data and automatically convert it into a format that can be indexed and analysed.

The system would be scalable and it could also be used more extensively in crime prevention work in the future.

Initially, a three-year project is planned and during this period, the intention is to design and construct the system so that a finalised Proof-of-Concept (PoC) would be available to the National Bureau of Investigation at the end of the project.

Impact assessment

In the long term, artificial intelligence can be expected to speed up investigations, and thus reduce the amount of manual work and person-years. The aim is to develop a system that can format large data masses into an indexed and quickly retrievable format. The data formatted by the system could be used as evidence and attached directly to electronic criminal investigation records. Using the system, investigators could focus their attention on the right matters more quickly, and, already during the early stages of the investigation, they would be able find connecting factors that could not be identified without information technology or detecting them would otherwise involve a significant amount of work. When correctly used, the system would help to uncover offences that can be combined into series of offences, which would help the police to focus its investigative effort on the right matters.

The aim of the project is to develop a system for the National Bureau of Investigation. During the second stage of the project, the system could be made available to all police departments in Finland. Making the system operational would require training. Teaching the use of artificial intelligence is a continuous activity and during the initial stages, it would require a great deal of effort.

The cost benefits of the system would manifest themselves in the ability of investigators dealing with complex cases to work more quickly and more efficiently, and in the detection of factors combining series of offences, as the police would be able to tackle the core of crime where the best results can be achieved. More effective combating of crime means that more offences can be prevented.

Instruments used in the impact assessment

The effectiveness improvements achieved in criminal investigation and the need to develop the system or its operational aspects would be assessed.

When the system has become operational, its impacts on the amount of person-years allocated to data investigation would be evaluated. The assumption is that substantially less time would have to be spent on the processing of data masses and criminal investigators would have more time to focus on other criminal cases.

The effectiveness of the system would be monitored and measured on a commensurate basis within the framework of Europol cooperation. By sharing a common tool with Europol (SearchBox), the Finnish police would be able to cooperate more extensively with the organisation in the field of analysis and criminal intelligence.

Carrying out cross-checks to measure proceeds of crime.

Quantitative measuring of the series of offences uncovered with the system.

Responsible parties

Responsible parties: National Bureau of Investigation, National Police Board

Required resources

Separate funding for recruiting three persons for three years would be required. The project would need a project coordinator, a person responsible for maintenance tasks on a full-time basis and a person responsible for systems development on a full-time basis. Personnel costs would amount to about EUR 720,000.

Timetable

2020

During the first year, the intention is to design the system and construct the system virtualisation platform and clusterisation (virtual environment for distributed computing). Close development cooperation with Europol would be initiated and the need for new register descriptions and the need to update the existing ones would be determined.

2021

In the second year, the tasks that the system is expected to do would be developed (artificial intelligence and teaching it), and the Proof-of-Concept (PoC) should be available to the National Bureau of Investigation at the end of the year.

2022

1. Finalisation of the Proof of Concept
2. Piloting

Costs

The total project costs would amount to EUR 870,000 (equipment EUR 125,000; workstation and licences EUR 25,000; and personnel costs EUR 720,000).

Provision of information

Provision of information about the project would be coordinated between the responsible parties.

3.6 Analytics will be applied to ensure better identification of grey economy and economic crime actors during the enforcement stage

Project description

The taxes and fees imposed on grey economy and economic crime actors and the compensations that they are ordered to pay by the courts must also be enforced in cases where the parties liable to pay attempt to conceal their income and assets. The payment obligations imposed during the earlier stages of the process to combat the grey economy and economic crime remain ineffective if the hidden income or assets are not uncovered during the enforcement procedure. Because of the large number of enforcement cases (about three million new cases each year), data analytics would be needed to ensure that such cases can be identified and the investigations correctly targeted. Computer-based analytics are potentially a highly useful tool in the enforcement procedure. In one of its databases, the Uljas enterprise resource planning system contains the entire enforcement process and all data in specific format, which would provide an ideal basis for comprehensive analytics.

In the project, the tool best suited for the purpose would be determined, its first version purchased and implemented, and the enforcement authorities would be familiarised with its use in a coordinated manner. The project would result in the first version of the enforcement process data analytics, which would serve as a day-to-day aid, and its costs would be recouped through more effective operations.

Responsible parties

National Administrative Office for Enforcement

Timetable

2020–2022

Estimate of resources required for the project

The suitable analytics tool would be selected as consultancy work, the costs of which are estimated at EUR 40,000 (three months). Implementing the analytics tool is estimated to cost about EUR 150,000. The input of a person familiar with the needs of enforcement would also be required during the tool selection and implementation stage (one year) and the introduction stage following it (1/2 years). The costs arising from this input are estimated at about EUR 150,000 (1.5 person-years). Familiarising the enforcement administration personnel with the use of the tool would cost about EUR 30,000. The total project budget would be about EUR 370,000. The project should be implemented using the additional appropriation allocated to the programme combating the grey economy envisaged in the Government Programme.

Impact assessment

Enforcement can be put on a more effective basis and there would be fewer opportunities for grey economy activities and economic crime as concealed assets can be made subject to enforcement more comprehensively. There would be more investigation requests and notifications of money laundering made by the enforcement authorities, and more notifications related to suspected abuse made to the tax authorities and parties granting public subsidies. The costs arising from the introduction of the analytics would be recouped through more effective operations.

Provision of information

National Administrative Office for Enforcement

3.7 Expansion of the information content of VAT returns and transaction-based reporting will be examined

(Original entry in the Government Programme: The prospects for gathering more information from VAT returns will be studied.)

- a) As set out in the Government Programme, reporting on value added taxes would be enhanced by broadening the reporting base of self-initiated taxes.
- b) Optional ways of implementing transaction-based reporting and their impacts in Finland would be examined.

Project description

- a) The Finnish Tax Administration would like to increase the information content of the VAT returns and to make more extensive use of automation. This would allow quicker and more detailed processing of VAT refunds and better targeting of other tax control measures and optimal focusing of resources. The reform would also allow more effective combating of the grey economy and enhance the competition neutrality of business activities.
- b) The Finnish Tax Administration is also examining different ways of introducing transaction-based reporting and their impacts in Finland. Under this arrangement, the transactions between domestic actors liable to pay VAT (B2B) would be reported by invoice or by trading partner. At the moment, the Finnish Tax Administration receives fairly comprehensive information on cross-border transactions (intra-Community trade, exports and imports) but there is still room for improvement in the combating of the domestic grey economy activities.

To sum up international comparisons, it can be noted that 18 EU Member States use different VAT-reporting methods based on invoices/transactions. In the Nordic region, Denmark and Norway are also examining the impacts of transaction-based reporting. It has been noted in the Member States that have already implemented the transaction-based reporting obligation that the arrangement has led to a reduction in grey economy activities, either statistically or empirically. This has caused movements of grey economy activities within the EU as stricter reporting obligations have substantially reduced grey economy opportunities in the Member States that have introduced the obligation. According to our observations, this has prompted grey economy actors in such countries as the Baltic states to move business to Finland, especially in the VAT sector, but tax crime activities (and potential fringe crime) have also been relocated.

The project set up by the Finnish Tax Administration would present a proposal for the information content of the new VAT return document and examine different ways of introducing transaction-based reporting and their impacts in Finland. This is connected with the development and use of the digital economy and structural receipt and invoice data.

Expanding the information content of the VAT return would make it significantly easier for the Finnish Tax Administration to focus its measures and resources, in both administrative processes and in the combating of the grey economy. As a result, the information requests sent by the Finnish Tax Administration to taxpayers would be more detailed, allowing the agency to reduce the number of such requests. VAT refunds could also be processed more thoroughly and the processing times would be shortened. In the combating of the grey economy, the reform would allow the creation of a better situational picture and better selection of targets and measures.

Impact assessment

More detailed impact assessments would be prepared in the project set up by the Finnish Tax Administration within the duration of the project. The impacts of all implementation options would be

assessed and they would also be evaluated from the perspective of taxpayers. Finnish Tax Administration experts on tax gap assessment and a variety of different processes and functions would be used in the evaluation.

Responsible parties

Finnish Tax Administration, Ministry of Finance

Timetable

The project set up by the Finnish Tax Administration would produce

a) a proposal for information content in the revised VAT return by the end of June 2020. It is planned that the new return form would be introduced in 2022.

b) a report on transaction-based reporting by the end of August 2020.

A proposal for more comprehensive information content in the VAT return would be prepared in the project set up by the Finnish Tax Administration. Decisions on project progress would be made in the Finnish Tax Administration. A report on transaction-based reporting would be prepared in the project. After the preparation of the report, the matter would move to the Ministry of Finance for further measures.

Required resources

The project set up by the Finnish Tax Administration has been allocated the required resources.

Provision of information

The Finnish Tax Administration has kept the business sector up to date on the development proposals described above. A number of information briefings and feedback sessions for central organisations and sectoral federations have been arranged within the framework of the project, and information has also been provided at other Vero-business cooperation events. The Ministry of Finance would be responsible for providing information on the decisions taken after the report on transaction-based reporting has been finalised.

4 DEVELOPING MEASURES TO COMBAT THE GREY ECONOMY AND ECONOMIC CRIME AND IMPROVING COOPERATION BETWEEN AUTHORITIES

4.1 Efforts will be made to enhance the effectiveness of cooperation between the authorities and supervision in the prevention of offences and undeclared work

The purpose of the project is to find new ways of enhancing the effectiveness of the supervision and other activities of the authorities through joint action, for example, by standardising operating models of cooperation between multiple authorities. Proper functioning of the processes can be ensured by monitoring the authorities' resources allocated to the combating of the grey economy and economic crime.

Project description

Shared multidisciplinary expertise, in which knowledge and its use play the key role, will ensure high operational quality and allow the authorities to do their work in a cost-efficient and effective manner. Even though different authorities have their own roles and powers, closer cooperation is needed and the role of joint action in ensuring the effectiveness of the authorities' work should also be understood. The project would combine seven different projects to develop cooperation between the authorities:

- promoting the action against undeclared work in a joint effort by the authorities at national and international level
- introducing more effective measures to combat the misuse of identity
- implementing a joint resource-monitoring system of the authorities playing a key role in the combating of the grey economy and economic crime
- modelling the systematic nature of the supervisory work carried out as cooperation between multiple authorities at operational level and examining the legal provisions on the exchange of information and competence issues connected with this
- identifying opportunities for more effective cooperation between the authorities in the combating and investigation of fraudulent practices in the VAT refund system of foreign private traders and in the efforts to ensure criminal accountability in such cases
- measures to combat food fraud will be jointly developed by the Finnish Food Authority and Finnish Customs
- measures to combat food chain crime will be developed in cooperation with the economic crime expert posted in the Finnish Food Authority.

The efforts to combat undeclared work will continue by enhancing exchange of information and cooperation between the authorities at national and EU level. Using the European platform tackling undeclared work and the national cooperation forum, work will be carried out to reduce undeclared work, to promote the activities of the European Labour Authority and to obtain information on viable and effective operating models. The purpose of the efforts to combat undeclared work is to improve working conditions, promote labour market integration and facilitate social inclusion. More effective implementation of the European Union mobility legislation at national and EU level and thus also the

promotion of the combating of undeclared work and effectiveness of the authorities' activities are key to ensuring a level playing field for companies and equal treatment of workers.

The current state of the combating of identity misuse and problems affecting the efforts will be reviewed. Procedures allowing the authorities to take joint action to combat misuse of identity and share information on the problem will be established. Needs for legislative changes will be examined.

A system for monitoring the person-year resources of the authorities playing a key role in the combating of the grey economy and economic crime will be developed. Parliament has allocated resources to different authorities for the above task and has called for the authorities to act against the grey economy and economic crime. A joint resource-monitoring system will be established as part of the project so that the obligation to report on developments to Parliament can be fulfilled more effectively. The resource-monitoring system will ensure that existing tasks can be performed and new phenomena tackled, and it will also ensure effective cooperation between the authorities in the long term.

Cooperation between multiple authorities will be developed by modelling plan templates for different sectors, while at the same time, identical operating practices applied in the cooperation between the authorities in different parts of Finland will be harmonised and consolidated. Competence issues concerning individual authorities will be clarified for operational cooperation. The legal provisions on information-sharing between the authorities will be examined so that a joint risk-based target-selection method can be developed. In multi-authority cooperation, the authorities will combine information in their possession, while joint inspections help them to take a broader view of matters and enhance their capability to tackle shortcomings.

Ways of enhancing the supervision of unjustified VAT refund applications sent from other EU Member States will be examined. Measures will be taken to examine the prerequisites for recovering unjustified refunds and ensuring criminal liability in situations where the offences are directed at the Member State receiving the refund application but the offender is domiciled in another Member State.

Cooperation between the Finnish Food Authority and Finnish Customs in the combating of food fraud in cross-border goods transport will be enhanced. The processes used by both authorities in the uncovering and investigation of food fraud will be described and the need to enhance and develop cooperation and coordination in this work will be examined. The cooperation models required for more effective combating of food fraud will be prepared.

The Finnish Food Authority will introduce more effective procedures to combat food chain crime in cooperation with the police officer posted in the agency on a fixed-term basis. The officer in question has background as economic crime investigator. The Finnish Food Authority will take measures to build an operating culture in which consideration will be given to the administrative structure required for combating food chain crime and the requirements for confidentiality in suspected offences. Measures will be taken to develop mechanisms and ways to produce a national situational picture so that relevant information on food chain crime can be put together in a reliable manner.

Impact assessment

Credibility of the multi-authority activities consists of the performances that are in accordance with the powers of the individual authorities. The authorities can ensure the effectiveness of their knowledge-based activities through systematic action and measures.

Responsible parties

Ministry of Agriculture and Forestry, Ministry of Justice, Ministry of the Interior, Ministry of Social Affairs and Health, Ministry of Economic Affairs and Employment, Ministry of Finance, Regional State

Administrative Agencies, National Police Board, Finnish Food Authority, Finnish Customs, Finnish Tax Administration

Timetable

2020–2023

Resource requirement

Two years x one person-year = EUR 120,000 would be allocated to the creation of the multi-authority models, and EUR 50,000 to provision of information for seasonal workers (rights and obligations of foreign workers).

In 2021 and 2022 (or at the earliest from autumn 2020), a fixed-term (three years) supervision development project would be set up in the Finnish Tax Administration to combat refund fraud and prevent identity misuse (in 2020–2023, 10 person-years/year x EUR 70,000 = EUR 2.1 million).

Posting of one official with the status of the head of economic crime investigation in the Finnish Food Authority's legal team to contribute to the prevention of food crime: two years/one person-year/EUR 80,000 = EUR 160,000.

For the joint project of the Finnish Food Authority and Finnish Customs, 2 x EUR 70,000 x 2 years = EUR 280,000. One of the officials would be a Finnish Customs crime prevention expert and the other an expert from the Finnish Food Authority.

To develop the functions of the Occupational Safety and Health Administration (Ministry of Social Affairs and Health), funding would be allocated for the recruitment of a supervisory analyst in the steering unit of the Department for Work and Gender Equality for three years x EUR 70,000 = EUR 210,000 (2021-2023).

Provision of information

Information on each of the development projects would be provided jointly with the authorities responsible for the projects. The website grey economy & economic crime would be used as a publication channel.

4.2 The obstacles to sharing information in the national prevention of money laundering and terrorist financing and the need to share information on these offences will be examined

(Original entry in the Government Programme: The possibilities for expanding the reporting duties of banks and insurance companies regarding economic crime will be explored.)

Project description

Exchange of up-to-date information plays a crucial role in the successful prevention of money laundering and terrorist financing. Sharing of information between supervisory bodies and other authorities, between supervisory bodies and parties obliged to report, and between parties obliged to report plays a key role in the process. Because of efficiency requirements, information-sharing relationships between all above parties, and thus also the process as a whole, should be examined in the project.

It is possible that the existing provisions on information sharing are currently given a rather narrow interpretation. Challenges arising from information sharing that the parties concerned have been

unable to solve are regularly highlighted in the national debate. The purpose of the project is to produce an overall picture of the current situation and to highlight practical situations for which solutions should be found so that operational efficiency can be improved. Information sharing practices applied in other countries should also be examined in the project. Proposals should be also be made to ensure that all parties have the necessary and sufficient rights to disclose and access information as well as the obligations to report to prevent money laundering and terrorist financing.

Parties obliged to report have criticised the authorities for the current state of information sharing. In other countries, the authorities have set up working groups for information sharing, in which the parties obliged to report are also represented. The report referred to in the project description should be produced to enable similar information sharing in Finland.

The project would also include the establishment of the authorities' joint website on money laundering and terrorist financing. According to preliminary surveys, the shared Government publishing platform (YJA) provided by Valtori would be the best way to implement the website because the information content envisaged for the website is quite large. The YJA platform is secure, easily accessible and easy to update, which are also factors in favour of selecting it.

Impact assessment

Improvements in information sharing would directly impact the prevention of money laundering and terrorist financing in Finland referred to in the Money Laundering Act. When information on suspicious business activities and on phenomena involving money laundering/terrorist financing is shared more effectively between the authorities and parties obliged to report, it becomes easier to prevent and investigate criminal activities.

Instruments used in the impact assessment

Effectiveness of the operations can be assessed by examining the growth in measures aimed at preventing and investigating money laundering and terrorist financing as well as freezing and confiscating of suspected money laundering and terrorist assets.

Responsible parties

Ministry of Finance, Ministry of the Interior, Ministry of Justice, Ministry for Foreign Affairs, Ministry of Economic Affairs and Employment, Financial Intelligence Unit, Financial Supervisory Authority, National Police Board, Regional State Administrative Agency for Southern Finland + other parties supervising compliance with the Money Laundering Act, Finnish Security and Intelligence Service

In addition, the private sector, especially parties obliged to report and parties representing them, such as Finance Finland and other lobbying organisations, would also be heard.

Timetable

The project should be given a high priority because in its country report published in spring 2019, FATF called for more effective information sharing between the Finnish Government and the private sector. Measures taken in Finland must be reported to FATF in June 2020. The Ministry of Finance has signalled to the financial sector actors obliged to report that a review of the matter would be prepared in early 2020 and a working group would be established in spring 2020.

Required resources

The work would be carried out by the responsible parties as part of their official duties. The project would require additional resources and purchasing of a website construction/implementation service from an external service provider (communication agency). It is proposed that the project should be

implemented with the appropriations for the combating of the grey economy envisaged in the Government Programme. The total project budget would be between EUR 50,000 and EUR 100,000.

Provision of information

Information would be provided in a coordinated manner by all project participants.

4.3 Obligation to report on bankruptcy estate administrators and corporate restructuring administrators

Project description

An insolvent debtor may also be suspected of economic crime. Under Chapter 14(5)(4) of the Bankruptcy Act, a bankruptcy estate administrator has an obligation to notify the police if the debtor is suspected of economic crime. The administrator in charge of corporate restructuring proceedings has no such obligation.

The purpose of the project is to 1) prepare an investigation request template for estate administrators and 2) to examine whether administrators in charge of corporate restructuring proceedings should also be obliged to report suspected offences.

Investigation request template

The Advisory Board for Bankruptcy has issued detailed instructions on how to report suspected offences. However, there is no specific model on the minimum content of the investigation request.

There is a need for the investigation request template. Detailed investigation requests prepared in a uniform manner would make it easier for the police to enter the cases in their information systems, facilitate the pre-processing of the requests, and provide a basis for investigation plans of economic offences. It would also be easier to focus the investigations. As part of the project, the documents to be appended to the investigation requests would be harmonised and cooperation between the parties involved expanded.

Reporting obligation of the administrator in charge of corporate restructuring proceedings

It has been noticed that attempts can be made to extend the life-cycle of insolvent companies by seeking restructuring instead of a bankruptcy. During the corporate restructuring proceedings, the debtor may be able to make asset and other arrangements that contain essential elements of an offence.

If the corporate restructuring administrator had the same obligation to report as the estate administrator, the investigation could be launched at a significantly earlier stage than is currently the case. This would also shorten the overall duration of any criminal process, prevent any further criminal damage and make it easier to recover proceeds of crime.

The extent of the phenomenon would be reviewed in the report by examining debtors in whose case the corporate restructuring proceedings have been terminated and that have since then been declared bankrupt. It would also be assessed whether reporting suspected offences would be compatible with the administrator's role and from which funds the fee for reporting suspected offences would be paid to the administrator.

Responsible parties

Office of the Bankruptcy Ombudsman, Police of Finland, National Prosecution Authority, Finnish Tax Administration

Timetable

The Office of the Bankruptcy Ombudsman would prepare a study of reports on suspected offences produced by estate administrators in summer 2020. The work on the investigation request template would be completed during 2021.

The study on the reporting obligation of the corporate restructuring administrators would be prepared during 2020.

Required resources

The investigation report template would be prepared by the parties as part of their official duties.

One person should be recruited to prepare the report on the corporate restructuring administrator's reporting obligation: a maximum of EUR 25,000 from the appropriations for combating the grey economy should be allocated for the purpose.

Impact assessment

The investigation request template would make the process of investigating economic crime more effective and ensure that more perpetrators are held accountable for their crimes. It would become easier to determine whether the threshold for criminal investigation has been exceeded, to focus the criminal investigation and to recover proceeds of crime.

The obligation of the corporate restructuring administrator to report suspected offences could lead to more reporting on economic offences and economic crime investigations, prevent further increase in criminal damage, and facilitate the recovery of proceeds of crime.

Provision of information

The Bankruptcy Ombudsman and the other parties involved in the project would provide information on the introduction and impacts of the investigation request template. The Bankruptcy Ombudsman would provide information on the findings produced by the study of the reporting obligation of the corporate restructuring administrator.

Opportunities for expanding independent investigative activities on the grey economy to also cover aggressive tax planning and the activities of private persons will be explored, and sufficient resources will be ensured for this

(Government Programme)

Project description

The task of the Finnish Tax Administration's Grey Economy Information Unit is to promote the combating of the grey economy by producing and sharing information about the grey economy and its prevention and provide authorities with obligation compliance reports on organisations and their key persons.

Under section 2 of the Act on the Grey Economy Information Unit, grey economy means such activities of an organisation in which the statutory obligations arising from the activities are neglected

in order to avoid the payment of taxes, statutory pension, accident or unemployment insurance contributions or the payments collected by the customs or to claim unjustified refunds.

Under the Act on the Grey Economy Information Unit, the phenomenon and obligation compliance reports produced by the unit must provide a link to the organisation in question or its key persons. A key person is a person that holds a responsible position in an organisation or owns more than 10% of a company.

The Grey Economy Information Unit cannot produce reports on such actors as undeclared wage earners. Moreover, it cannot examine broader phenomena that do not involve organisations. Virtual currencies are one such phenomenon. Possessing them is not necessarily connected with the activities of any particular organisation even though virtual currencies can cause a substantial tax gap. In other words, tax offences committed by private persons can be fiscally significant but at the moment, they cannot be investigated by the Grey Economy Information Unit.

The following matters would be examined in the project:

- 1) extending the operations of the Grey Economy Information Unit to cover the activities of private persons, which in practice would mean abandoning of the organisational link referred to above, and
- 2) more extensive independent investigation of aggressive tax planning. It would also be decided which party should be responsible for this task (the Grey Economy Information Unit or other parties), and the required resources would also have to be determined.

Impact assessment

Abandoning the organisational link would make it easier for the authorities to obtain information on grey economy and economic crime phenomena. It would also become significantly easier to order obligation compliance reports.

After the study, it would be decided which party would be responsible for investigating cases of aggressive tax planning. The investigative work would produce more information on the impacts of aggressive tax planning on society that could be used as a basis for decision-making.

Responsible parties

Ministry of Finance, Finnish Tax Administration

Timetable

The report would be produced between 2020 and 2022.

Resource requirement

The parties would carry out the work as part of their official duties within the framework of existing resources.

Provision of information

Ministry of Finance, Finnish Tax Administration