



### Good practice fiche

<b>Title of the policy or measure (in English)</b>	Individual Tax Numbers (TN)
<b>Case study/good practice name</b>	Tackling Undeclared Work in Europe
<b>Country</b>	Finland
<b>Sectors</b>	Construction
<b>Target groups</b>	Individuals working in the construction industry including employees and the self-employed.
<b>Type of measure</b>	Prevention
<b>Short sentence summarising the measure</b>	All individuals working on shared construction sites <sup>1</sup> must have an individual Tax Number that has been entered in the Public Register of tax numbers (Tax Number Register). They must also carry a name tag with the tax number printed on it.
<b>Background</b>	<p>The Individual Tax Numbers measure was introduced as a means to ensure efficient tax control in the construction industry. Everyone doing work on construction sites must wear a name tag with photo ID, and also their individual tax number that has been entered into the public register.</p> <p>The obligation to wear name tags was not new. The information on individual tax numbers (TN) was added as a new element to this identification.<sup>2</sup> This is necessary for the efficient tax control of workers, employers and the self-employed within the industry, because anyone can now check whether workers are tax-registered.</p> <p>The client directing or supervising a shared construction site shall ensure that each person working on the site wears visible pictorial identification while moving on the site. The identification shall indicate whether the person is a worker in an employment relationship or a self-employed person. The identification must bear the name of the employer.</p> <p>Identification shall not, however, be required for the following:</p> <p>1) persons temporarily carrying goods to the site;</p>

<sup>1</sup> A shared construction site is defined in the government Decree (205/2009) as a “workplace where work referred to in the Decree's scope of application is carried out and where more than one employer, or more than one self-employed worker, operate simultaneously or successively.”

<sup>2</sup> See the Occupational Safety and Health Act (738/20012) 52 a § Identification of persons working on a shared construction site.

	<p>2) persons working on a site where a building or a part thereof is built or renovated for the use of a natural person acting as client.</p> <p>In Finland there are many foreign companies operating within the construction sector, as well as workers of foreign companies and foreign temporary agency workers. All persons working on a common building site are registered with the Tax Number Register, regardless of whether they are obliged to pay taxes to Finland. Foreign labour working within the sector are kept within the sphere of the tax supervision system via the register.</p>
<ul style="list-style-type: none"> <li>When was the measure implemented? (including start date and end date/ongoing)</li> </ul>	<p>The Act governing the use of Individual Tax Numbers and the public register of Tax Numbers within the construction industry was approved on 15 December 2011 (1231/2011, HE 58/2011).</p> <p>The requirement to wear a name tag which displays the TN came into force on 1 September 2012. The construction sites opened before September 2012 had a transition period of six months to allow them to switch to the new name tags system. The end date of the transition period was 1 March 2013.</p>
<ul style="list-style-type: none"> <li>Names(s) of authorities/bodies/organisations involved</li> </ul>	<p>Since 4 June 2012 the Tax Administration (an agency of the Ministry of Finance) has been entering information in the Population Register System about foreign citizens arriving in Finland to work, which means they have authorisation to issue personal identity numbers. Local tax offices are authorised to issue TNs on request.</p> <p>The use of name tags in the construction sector is controlled by the Regional State Administrative Agency (AVI) which is the occupational health and safety supervisory authority.</p>
<ul style="list-style-type: none"> <li>Scope of the measure (a pilot project, nationwide, regional wide)</li> </ul>	Nationwide
<ul style="list-style-type: none"> <li>Type of (policy) measure</li> </ul>	It is a tool in a set of measures listed in the Finnish government's political programme from 2011 for combatting the shadow economy in the construction industry <sup>3</sup> .
<b>Key objectives of the measure</b>	
<b>Specific measure</b>	
<ul style="list-style-type: none"> <li>Description of how the measure operates in practice</li> </ul>	<p>The tax number in Finland is a unique 12-digit identification number issued by the tax authorities. The Finnish Tax Administration assigned and distributed TNs to all individuals who were registered as taxpayers (regardless of their citizenship) since November 2011.</p> <p>In order to receive a TN, workers must already have a personal identity number (ID) which is recorded in the Finnish Population Register System. Finnish citizens are allocated a personal ID number at the time that their birth certificate is issued. Foreign nationals must first obtain a personal ID in order to receive a tax number.</p> <p>Documents required from foreign nationals to obtain a tax number:</p> <ul style="list-style-type: none"> <li>EU/EEA citizens: passport or photo ID card valid in the Schengen zone; proof of their main employment terms and conditions (such as an employment contract or other written evidence); proof from the Finnish Police that they have been registered as an EU/EEA citizen staying in Finland (only if three months have passed since arrival in Finland).</li> </ul>

<sup>3</sup> Programme of Prime Minister Jyrki Katainen's, 22 June 2011

Government <http://valtioneuvosto.fi/documents/10184/367809/Programme+of+Prime+Minister+Katainen%E2%80%A4%99s+Government/64238eca-58cd-43bb-81dc-963a364a422e>

	<ul style="list-style-type: none"> <li>Non EU/EEA citizens: valid passport, residence permit based on employment, proof of their main employment conditions (such as an employment contract or other written evidence).</li> </ul> <p>Due to an amendment made to the Occupational Safety and Health act, in February 2006 workers on building sites must wear a personal identification badge showing their photo, name, employer's name, employment status (e.g. employee or self-employed). Through an amendment made to the Act in 2011 they must also display their TN.</p> <p>The TN also has to be recorded in the Public Register of Tax Numbers (TN Register). Individual Tax numbers are not automatically entered into the TN Register when they are being allocated to a worker. The request to enter the TN into the register can be made by the construction workers themselves, the employers or the main contractor. The Tax Administration can also enter TNs into the register on their own initiative.</p> <p>Employers may send requests to the Tax administration to add TNs to the register, by telephone, online or by visiting the local office.</p>
<ul style="list-style-type: none"> <li>Which groups are targeted by the measure?</li> </ul>	<p>Name tags must be carried by individuals working on shared construction sites. A shared construction site is defined in the government decree (205/2009) as a "workplace where work referred to in the Decree's scope of application is carried out and where more than one employer, or more than one self-employed worker, operating simultaneously or successively."</p> <p>Workers who must wear the name tags include: employees, self-employed individuals including all independent contractors, professionals and any contracting parties as well as workers not related to the building or construction trades such as office employees, security guards, caretakers and cleaners. Additionally, if trainees and teachers are visiting the site as part of the student's course, both the trainees and the teachers must wear name tags issued by the trade-school that display the appropriate TNs.</p>
<ul style="list-style-type: none"> <li>What resources and other relevant organisational aspects are involved?</li> </ul>	<p>The Tax Authority and the Regional State Administrative Agency (AVI) are the main authorities in charge of supervising this system. In addition different cooperating authorities may utilise this information (e.g. police, the Finnish Centre for Pensions (ETK), the Social Insurance Institution of Finland (Kela)).</p> <p>The Regional State Administrative Agency (AVI) is responsible for regional supervision and the direction of occupational safety and health.</p> <p>Operators in the construction industry (developers, principal contractors and employers) must ensure that everyone working at a construction site has a photo ID with their tax number displayed as required in the Occupational Safety and Health Act. The AVI supervises the fulfilment of this obligation.</p>
<ul style="list-style-type: none"> <li>What are the source(s) of funding?</li> </ul>	Government funding
<b>Evaluation and outcome</b>	
<ul style="list-style-type: none"> <li>Has the measure achieved its objectives?</li> </ul>	<p>The Grey Economy Information Unit has studied the impact on the construction sector of the legislative changes requiring notification about contractors and employees, which came into force on 1 July 2014.</p> <p>The legislative changes concerning the construction sector have boosted tax revenue and increased companies' independent notifications given for tax purposes.</p> <p>The evaluation of the measure, published on 14 March 2017, was carried out as a part of an overall evaluation of the legislation on information and reporting requirements for contractors and employees in the construction industry. The evaluation was published on 14 March 2017.</p>

	<p>The evaluation included a study of legislation introduced since 2011 affecting construction companies' independent notifications, i.e.</p> <ol style="list-style-type: none"> <li>1) Tax number register/Independent tax numbers</li> <li>2) Reverse charge mechanism for VAT</li> <li>3) Extended duty to notify contractors and employees in the construction sector</li> </ol> <p>The results of changes in the legislation requiring notification in the construction sector include boosted tax revenues and increased independent notifications from companies for tax purposes. Companies are notifying the authorities of their workers' pay more widely than before the legislative changes. This increase in notifications is seen in the higher payroll figures, mainly arising from new companies. The extent to which the pay of foreign nationals is included within the tax system has improved, although deficiencies in taxation coverage were also found.</p> <p>The above changes to the legislation resulted in an increase in 2015 of EUR 300 million in the industry's payroll and EUR 100 million in tax revenue. After the introduction of the Tax Number Register, payroll growth was particularly high.</p> <p>The construction sector payroll has grown more rapidly than related factors such as the cost of labour and the volume of work. This phenomenon has grown in the current decade, at the same time as tax surveillance has become more rigorous due to the legislative changes.</p>
<ul style="list-style-type: none"> <li>Assessment method (including indicators used to measure its impact), and the outputs and outcomes achieved</li> </ul>	<p>The evaluation included a study of the construction sector's extended duty to notify and measurement of the effects of all the legislative changes affecting the construction sector in and since 2011 on the industry's payroll growth and tax revenue. Here the measurement concerned the increase in companies' independent notifications. The Tax Number Register was one such change, along with the reverse charge mechanism for VAT and the extended duty to notify.</p> <p>The measurement was performed using regression analysis and using a number of different explanatory variables. The outcome is the average from several calculation models.</p>
<ul style="list-style-type: none"> <li>What are lessons learnt and the key conditions for success?</li> </ul>	<p>Key conditions for success of the measure and lessons learnt include;</p> <ul style="list-style-type: none"> <li>The need for political will to introduce this model.</li> <li>Social partners have played an important role in supporting the establishment of this model.</li> </ul>
<ul style="list-style-type: none"> <li>Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<p>This model is transferable among others for labour intensive sectors vulnerable to the grey economy like docks, restaurants, cleaning services and the transport sector.</p>
<b>Contacts</b>	<p>Perttu Puukko, senior advisor, Corporation Tax Unit/Steering and Development Unit, E-Mail: <a href="mailto:perttu.puukko@vero.fi">perttu.puukko@vero.fi</a></p>
<b>Sources</b>	<p>Programme of Prime Minister Jyrki Katainen's, 22 June 2011 Government <a href="http://valtioneuvosto.fi/documents/10184/367809/Programme+of+Prime+Minister+Katainen%E2%80%99s+Government/64238eca-58cd-43bb-81dc-963a364a422e">http://valtioneuvosto.fi/documents/10184/367809/Programme+of+Prime+Minister+Katainen%E2%80%99s+Government/64238eca-58cd-43bb-81dc-963a364a422e</a></p> <p>Internet links:</p>

	<ul style="list-style-type: none"><li>• <a href="https://www.vero.fi/henkiloasiakkaat">www.vero.fi/henkiloasiakkaat</a> <a href="https://www.vero.fi/en-US/Individuals/Individual_Tax_Numbers/The_public_register_of_Tax_Numbers(21096)">https://www.vero.fi/en-US/Individuals/Individual_Tax_Numbers/The_public_register_of_Tax_Numbers(21096)</a></li><li>• <a href="https://www.vero.fi/fi-FI/Tietoa_Verohallinnosta/Medialle">https://www.vero.fi/fi-FI/Tietoa_Verohallinnosta/Medialle</a></li></ul>
Metadata and key words for online search	Tax, Tax number, Finland, ID, Grey economy, Construction sector