



### *Compliance Reports, Finland*

<b>Title of the policy or measure (in English)</b>	Grey Economy Information Unit (GEIU) activities [Act 1207/2010 and marginally 1208/2010]
<ul style="list-style-type: none"><li>• Case study/good practice name</li></ul>	Compliance reports: real-time on-line information searches on company information stocks to tackle the grey economy
<ul style="list-style-type: none"><li>• Country</li></ul>	Finland
<ul style="list-style-type: none"><li>• Sectors</li></ul>	All
<ul style="list-style-type: none"><li>• Target groups</li></ul>	Organisations and individuals within organisations (registered responsible persons or significant owners) that avoid obligatory payments – taxes, insurances etc.
<ul style="list-style-type: none"><li>• Type of measure</li></ul>	Deterrence: improve detection
<ul style="list-style-type: none"><li>• Short sentence summarising the measure</li></ul>	The GEIU investigates specific organisations, and people within organisations, for suspected undeclared economic activity. The unit produces compliance reports on specific actors at the request of other authorities.
<b>Background</b>	
<ul style="list-style-type: none"><li>• Background context driving the implementation of the measure</li></ul>	Finland has been making increased efforts to tackle the shadow economy since 2000. The government has introduced several legislative changes and development programmes in this area. In 2000, a collaborative development project between several authorities ('Virke') was launched to deal, among other things, with the information needs relating to the grey economy. Combating the grey economy was regarded as a task involving a large number of authorities facing many legal barriers. A lack of coordination and sharing of good practices between these authorities was also observed. On the basis of these experiences, the legislative proposal establishing the GEIU was presented in 2008 and the law came into force in 2011. The new Unit was meant to be a permanent and efficient solution to the challenges of gathering information and exchanging practices. The compliance reports were intended to solve the problem of practical gathering of register information that the authorities are entitled to. Issues of confidentiality and access to information strictly defined <sup>1</sup> , but many authorities have recently applied for wider rights to information and joined as compliance report service users.
<ul style="list-style-type: none"><li>• When was the measure implemented? (including start date and end date/ongoing)</li></ul>	Compliance report service: July 2011 – ongoing. Grey Economy Information Unit: January 2011. The tasks of the GEIU were carried out by the collaborative project ('Virke') from 2000 onwards, before establishing the permanent Unit at the tax administration in 2011.
<ul style="list-style-type: none"><li>• Names(s) of authorities/bodies/organisations involved</li></ul>	Tax Administration

<sup>1</sup> See 6 § of Act on Grey Economy Information Unit (1207/2010 ), Internet:

<http://www.finlex.fi/fi/laki/ajantasa/2010/20101207?search%5Btype%5D=pika&search%5Bpika%5D=selvitysyksikk%C3%B6>

<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>	Permanent, mostly automatised mechanism for producing compliance reports at the request of different public authorities
<ul style="list-style-type: none"> <li>• Key objectives of the measure</li> </ul>	<p>General objective</p> <ul style="list-style-type: none"> <li>• to help detect undeclared economic activity more efficiently, as well as investigate specific organisations and people within organisations for suspected undeclared economic activity.</li> </ul> <p>Specific objectives:</p> <ul style="list-style-type: none"> <li>• to enable combining and synthesizing of data from existing databases in a register (see below for more detail) and other information held by various authorities, in order to support operational actions against the shadow economy (for example, taxation, debt collection, fund granting and monitoring, and inspections).</li> <li>• centrally performing tasks that previously required complex cooperation between various authorities;</li> <li>• providing a large amount (250,000 in 2017) of automatic interface solutions. This means that the compliance report is automatically delivered to the information system of the requesting authority.</li> </ul>
<b>Specific measure</b>	
<ul style="list-style-type: none"> <li>• Description of how the measure operates in practice</li> </ul>	<ul style="list-style-type: none"> <li>• Twenty one predefined authorities (including the Tax Administration, Customs or Occupational Health and Safety Authority, etc.), are entitled to make a compliance report request to the GEIU, on the basis of their legal obligations. The request specifies the organisation or individual to be reported on, and the purpose of the request.</li> <li>• The compliance investigation report may also be prepared on the basis of a general report which deals with the shadow economy at a more general level, such as the national or sectoral level.</li> <li>• The compliance report is produced following six steps: 1) receiving the on-line request, 2) testing for the authorisation and availability of the information, 3) making of the data mining (normally automatically), 4) transferring information between the authorities, 5) formulating the report and 6) archiving the report and on-line request.</li> <li>• The report describes the activities and economic situation and business transactions<sup>2</sup> and compliance with obligations relating to tax, obligatory pension, accident insurances, pension insurance or customs payments of organisations or persons within organisations.</li> <li>• In case that the person reported on appears not to have a position within the organisation, all information must be discarded.</li> <li>• GEIU is entitled to receive the required information and authorization from the according authority in order to compile the report, free of charge.</li> <li>• GEIU does not charge for the preparation of reports.</li> <li>• A compliance report can only be used for the requested purpose, although it can be used as a basis of another report requested by the same authority on the same subject.</li> <li>• Additional authorities (for example, different authorities granting public subsidies) are given access to GEIU services when necessary.</li> </ul>

<sup>2</sup> Person reports include, for example, income, debts, salaries, assets. Organisation reports include, for example, financial documents, board members, list of employees, encumbrance, wealth, profitability, solidity, liquidity, and bankruptcy information. Compliance information includes VAT, employment fee and other obligatory payments.

	<ul style="list-style-type: none"> <li>The actual results of the report are delivered as pdf documents, tables or in structural .xlm format..</li> </ul>
<ul style="list-style-type: none"> <li>Which groups are targeted by the measure?</li> </ul>	<ul style="list-style-type: none"> <li>Indirect: Organisations and persons working within these organisations, that are suspected or required clarification in relation to the shadow economy (e.g. grant receivers).</li> <li>Direct: Authorities seeking to tackle the shadow economy.</li> </ul>
<ul style="list-style-type: none"> <li>What resources and other relevant organisational aspects are involved?</li> </ul>	<ul style="list-style-type: none"> <li>GEIU is a mainstream practice with permanent budget funding as part of the Tax Administration's activities.</li> <li>Approximately 25 persons working in the department.</li> <li>Technical capacity to conduct automatic data mining into different company information stocks and provide on-line service.</li> <li>The compliance reports are mostly (95 %) produced automatically. Small percentage is semi-automated or individually served.</li> </ul>
<ul style="list-style-type: none"> <li>What are the source(s) of funding?</li> </ul>	<ul style="list-style-type: none"> <li>Part of the national budget funding of Tax Administration.</li> </ul>
<b>Evaluation and outcome</b>	
<ul style="list-style-type: none"> <li>Has the measure achieved its objectives?</li> </ul>	The practice of issuing compliance reports has not been evaluated specifically. However, see the GEIU customer survey results below.
<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>Customer surveys have been conducted from time to time. In 2015 the following results were reported<sup>3</sup>:</p> <ul style="list-style-type: none"> <li>availability of compliance report services: 4,69/5</li> <li>usefulness of compliance reports in targeting of measures: 4,36/5.</li> <li>usefulness of compliance reports in implementing measures 4,35/5.</li> </ul>
<ul style="list-style-type: none"> <li>What are lessons learnt and the key conditions for success?</li> </ul>	<ul style="list-style-type: none"> <li>The permanent centralised information unit provides many opportunities to serve other authorities efficiently. This in turn gives those authorities more time to tackle the grey economy. The distinct impact of the GEIU reporting activities is hard to show, since its contribution is mainly analytical, based on specific expertise.</li> <li>The separate role of the compliance reports has not been evaluated, but it forms major part of the everyday functions of the GEIU.</li> </ul>
<ul style="list-style-type: none"> <li>Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<ul style="list-style-type: none"> <li>The practice was based on relatively long trial and developmental work. The conclusion to form a centralised unit with permanent funding and personnel required shared, cross-sectoral and systemic understanding of the benefits the unit generates. Also, technical requirements and confidentiality issues had to be solved before mainstreaming took place. However, transferability to other countries is quite high, providing that political will also exists.</li> </ul>
<b>Additional information</b>	
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<ul style="list-style-type: none"> <li>Sources</li> </ul>	<ul style="list-style-type: none"> <li>Act 1207/2010 on Grey Economy Information Unit. Internet: <a href="http://www.finlex.fi/fi/laki/ajantasa/2010/20101207">http://www.finlex.fi/fi/laki/ajantasa/2010/20101207</a>. Accessed 3 August 2017</li> <li>Legislative proposal 163/2010 on establishing Grey Economy Information Unit in the tax administration. Internet: <a href="https://www.eduskunta.fi/FI/vaski/HallituksenEsitys/Documents/he_163+2010.pdf">https://www.eduskunta.fi/FI/vaski/HallituksenEsitys/Documents/he_163+2010.pdf</a>. Accessed 3 August 2017.</li> </ul>

<sup>3</sup> An internal report of the GEIU, N=250, 13 different organisations. A Likert scale is used, with 1 reflecting the lowest and 5 the highest assessment on scale.

	<ul style="list-style-type: none"> <li>• State Audit Office (2015), Harmaan talouden torjuntaohjelmat ja torjuntatyön koordinaatio Tuloksellisuustarkastuskertomus. [Combating of grey economy and coordination of measures. The performance review report.] The audit reports of the State Audit Office 14/2015. Internet: <a href="https://www.vtv.fi/files/4842/14_2015_Harmaan_talouden_torjuntaohjelmat_ja_torjuntatyon_koordinaatio.pdf">https://www.vtv.fi/files/4842/14_2015_Harmaan_talouden_torjuntaohjelmat_ja_torjuntatyon_koordinaatio.pdf</a>. Accessed 3 August 2017.</li> <li>• Virtanen, S. (2013), Grey Economy Information Unit, Finland. European Monitoring Centre for Change. Eurofound. Internet: <a href="https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/grey-economy-information-unit-finland">https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/grey-economy-information-unit-finland</a> (Accessed 2 August 2017)</li> </ul>
<ul style="list-style-type: none"> <li>• Metadata and key words for online search</li> </ul>	<p>Finland, grey economy, shadow economy, compliance reports, tax administration, Grey Economy Information Unit, authority collaboration, information exchange, confidentiality issues, access to information, automatic reporting</p>