



Tackling under-declared work: Open-source information, cooperation, and information exchange within the public sector

Estonia

	<p>Summary</p> <p>The Estonian Tax and Customs Board (ETCB) cooperates with the labour inspectorate, the Estonian Police, and the Estonian Unemployment Insurance Fund, among others, to tackle under-declared work. The ETCB exchanges information with various authorities (e.g., the labour inspectorate) and carries out joint inspections to tackle undeclared and under-declared work.ⁱ</p>
<p>Title of the practice in original language</p>	<p><i>Osaliselt registreerimata töötamine: avalik informatsioon, koostöö ja infovahetus avaliku sektori institutioonide vahel</i></p>
<p>Name(s) of authorities/bodies/organisations involved</p>	<ul style="list-style-type: none"> ▶ Estonia Tax and Customs Board (<i>Maksu- ja Tolliamet, EMTA</i>); ▶ The labour inspectorate (<i>Republic of Estonia Labour Inspectorate, Tööinspektsioon, TI</i>); ▶ Estonian Police and Border Guard (EPBG); ▶ Estonian Unemployment Insurance Fund (Töötukassa) and others
<p>Sectors</p>	<p>All</p>
<p>Target groups</p>	<ul style="list-style-type: none"> ▶ Companies engaging in undeclared and under-declared work (directly targeted)
<p>Purpose of measure</p>	<p>Deterrence: improve detection</p>

	<p>Aims and objectives</p> <p>To improve the detection of undeclared and under-declared work through cooperation between authorities, information exchange, and the availability of public information, as well as electronic risk assessments carried out within individual organisationsⁱⁱ (including those based on open data).</p>
<p>Background context</p>	<ul style="list-style-type: none"> ▶ The ETCB cooperates with the labour inspectorate, among others, to exchange information (e.g., discussing suspicious of wrongdoing)



	<p>and carries out joint inspections based on cooperation agreements between the authorities to support the detection of under-declared work;</p> <ul style="list-style-type: none"> ▶ One of the ETCB’s services is its ‘tax behaviour ratings’ e-service (https://maasikas.emta.ee/rating/search), launched in the summer of 2020. It is mainly a preventative measure, providing companies with feedback and information on the risk profile of their tax behaviour (i.e., how close they are to potential infringements), helping them to comply with tax regulations, correct deficiencies, and avoid costly tax controls; ▶ The ETCB has also developed a publicly accessible database of all companies operating in Estonia. The database is based on taxpayers’ declarations and provides general company financial data (data on infringements is public if the company makes tax behaviour ratings public or if the company has been in court).ⁱⁱⁱ The ETCB homepage in addition offers detailed data on companies from the Estonian Procurement Registry and the e-Business Registry.^{iv} Companies can use the sources on this page to check if their prospective business partners have any past infringements; ▶ The above public data from private data companies (e.g., teatmik.ee) are accessible to anyone from any country. Private data companies collect information from other government sources, such as Procurement registry, ETCB, and e-Business Registry.
<p>Key objectives of the measure</p>	<p>General objective:</p> <ul style="list-style-type: none"> ▶ To improve the detection of undeclared and under-declared work through increased use of cooperation, exchanging information, and electronic risk assessment systems created and used by individual public institutions (including those based on open data). <p>Specific objectives:</p> <ul style="list-style-type: none"> ▶ To improve the efficiency of inspections through increased use of risk assessment systems.
<p>Main activities</p>	<p>Joint investigations between various authorities</p> <ul style="list-style-type: none"> ▶ The authorities exchange information and carry out joint inspections based on cooperation agreements; ▶ The labour inspectorate forwards any signals (or suspicions of wrongdoings) of under-declared work from its counselling line to the ETCB;^v



- ▶ The authorities meet to discuss possible inspections, each providing a list of suggestions based on the risk assessment carried out internally (public institutions cannot cooperate fully due to GDPR, and different data cannot be swapped due to personal data protection laws). Decisions are taken together on the inspections selected and on how to proceed.

Publicly accessible database

- ▶ The ETCB has developed a transparent and publicly accessible database of all companies operating in Estonia based on taxpayers' declarations, providing general company financial data;
- ▶ The ETCB homepage offers detailed data on companies from the Estonian Procurement Registry and the e-Business Registry;
- ▶ This level of transparency allows institutions to directly obtain company data without needing interinstitutional data requests and to identify if undeclared/underdeclared work is occurring, based on taxes paid per employee.

Data mining

- ▶ The ETCB and the labour inspectorate regularly use the Estonia e-Business Registry for risk monitoring (and so in technical terms do not need to mine data);
- ▶ To reduce the administrative burden, the Registry contacts the managerial staff of a company only once to provide the necessary data. That information is then shared with other registries, which carry out their own updates;
- ▶ For risk assessment purposes, the labour inspectorate can take and merge data from Employment Registry, the VAT registry, and the e-Business registry, and it can be used during inspections and/or checks for potential irregularities.

Risk assessment systems

- ▶ The ETCB's 'tax behaviour ratings' e-service was launched in the summer of 2020 to provide companies with feedback and information on the risk profile of their tax behaviour;^{vi}
- ▶ Based on the analysis of data submitted to the ETCB by business operators, the service helps businesses to comply with tax regulations, correct their deficiencies, and avoid costly tax controls;
- ▶ The data is available to the individual company – all tax-behaviour ratings are confidential but companies can choose to share their data or make them fully public to anyone.

Funding/organisational resources State-funded



Outcomes

Authorities carry out joint inspections on companies and employers who are suspected of infringing employment and tax law.^{vii} Cross-border cooperation is crucial for accurate detection of undeclared work and interinstitutional data is increasingly used in risk assessment systems to detect infringements.

Achievement of objectives

The labour inspectorate and the Estonian Tax and Customs Board carry out joint inspections, alert each other to suspicions of wrongdoing regarding employers' infringements of employment and tax law, and share information when there is a legal request to do so.

Lessons learnt and success factors

- ▶ Cooperation between authorities at national and cross-border levels is essential for accurate detection of under-declared work. Risk assessment systems increasingly rely on interinstitutional data to detect infractions;
- ▶ Better risk assessment based on open data can increase detection efficiency, leading to higher inspection success rates;
- ▶ General Data Protection Regulation (GDPR) rules can impede certain practices, including data scraping from open internet sources.

Transferability

There are important factors which might affect transferability of this practice. Firstly, all interested parties must be willing to cooperate and willing to invest resources in cooperation. Regular meetings between parties are required. Secondly, information that can be exchanged must be done immediately to improve risk analysis.

Further information

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Useful sources and resources

Tax Behaviour Ratings link

<https://maasikas.emta.ee/rating/search>

Estonian Tax and Customs Board: Public databases for conducting background research on business counterparties weblink

<https://www.emta.ee/en/business-client/e-services-training-courses/advice/how-check-background-business-partner>

ⁱ Information from the following report has been used in this fiche: ELA (2022), 'Tackling Undeclared Employment through Innovative Approaches', Learning Resource Paper from Thematic Review Workshop, Estonia and online, October 2022. Available at: <https://www.ela.europa.eu/sites/default/files/2023-02/Learning-resource-paper-tackling-undeclared-employment-through-innovative-approaches-%282023%29.pdf>

ⁱⁱ Public institutions are prohibited to share risk assessment analytica via each other or combine them. Each institution can, however, create their own risk assessment tools, which means everyone has different outcomes.

ⁱⁱⁱ <https://maasikas.emta.ee/saqu/public/taxdebt>;

<https://maasikas.emta.ee/rating/search>;

<https://www.emta.ee/eraklient/e-teenused-maksutarkus/registrid-paringud/avalikud-paringud>

^{iv} <https://www.emta.ee/en/business-client/e-services-training-courses/advice/how-check-background-business-partner>).

^v The labour inspectorate has a 24/7 email and phone counselling line, which provides free legal advice on labour law and occupational health and safety. Its Labour Dispute Committees also send the ETCB information on disputes about unpaid or underpaid wages between employers and employees.

^{vi} The tax behaviour ratings include an 'average wages' rating based on data from the last 12 months. Where the average wage in the company is significantly lower than the national average wage in the same sector, this may indicate that employees are receiving envelope wages. The tax behaviour ratings rank the companies into three categories based on their level of compliance: 1. Everything is in order (green); 2. Some tax deficiencies (yellow); 3. Significant deficiencies (red).

^{vii} Information about companies and employers is shared between authorities only where an authority is legally requested to do so in ongoing criminal proceedings.