

Cooperation with social partners and government authorities means preventing shadow economy in construction sector

How to identify posted workers and what means to do cooperation with nuclear power plant Olkiluoto 3

*European project on posting workers
Transnational workshop construction sector
March 25, 26 and 27, 2013, Warsaw, Poland*

Pekka Muinonen, Finnish Tax Administration

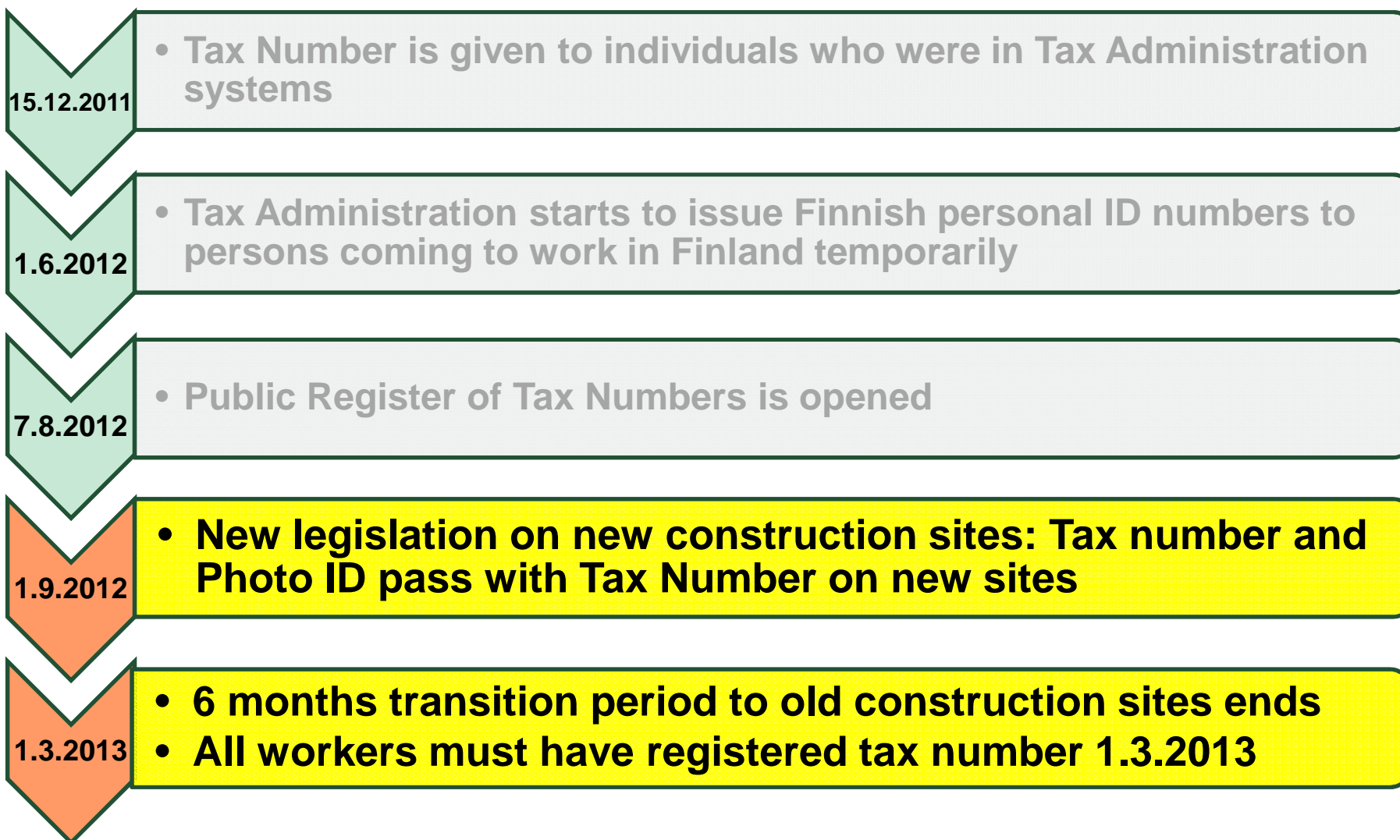
Shadow economy is too expensive to society

Finnish government has prioritized the prevention of shadow economy as one of the top areas

- ☐ Big risk area (tax gap): 20 % of tax income in construction sector
- ☐ New legislation in construction sector
 - ☐ *Finnish, foreign, posted... : all companies and workers*
- ☐ Tax number and tax number registration (open register)
- ☐ Monthly reporting procedure in construction sector
 - ☐ *Information about workers from sites*
 - ☐ *information about contract sums and transactions*
- ☐ Reversed VAT

Target: How to verify risks / Same obligations regardless of nationality

Schedule: Finnish Tax Number



How to get to know all (posted) workers who are working in Finland?

Legislation and methods concerning all construction companies => TAX NUMBER

Tax number

- Every worker in construction site must have Finnish ID and tax number
- Every worker's tax number must be in tax number register
- Tax number is related to personal ID
- Foreign workers: In registration collection of certain information for taxation
- Tax number concerns all work in site, even on hour
- No tax number in register: It's illegal to work on site

Tax number register

- In public register workers name and tax number
- Anybody can check that the worker's tax number is in tax number register (free)

Site passes (since 1997, included more information 9/2012)

- In site: Every worker must have site pass with picture, name and tax number (legislation of safety at work) = electrical site pass system

Gathered information

Finnish ID code

- Name
- Date of birth
- Sex
- Country of birth
- Occupation
- Citizenship/country code
- Address in Finland
- Address in home country

Before registration in the register of tax numbers: information for taxation if person is coming to work in construction sector

- ID number in home country
- Residence country
- Certificate E101 / A1
- Type of employment: employee, leased employee, self employed
- Details on stay in Finland
- Amount of working days
- Name of the district in Finland where work is done
- Name of the employer and business ID number
- Information on Employer's representative in Finland
- Information on Finnish service Recipient (if a leased employee)
- Information on wages earned for the work in Finland (gross)
- Id at the home country (coming)

Monthly tax declarations from all companies/whole sector

Legislation 2013 and 2014 (now free since 1996)

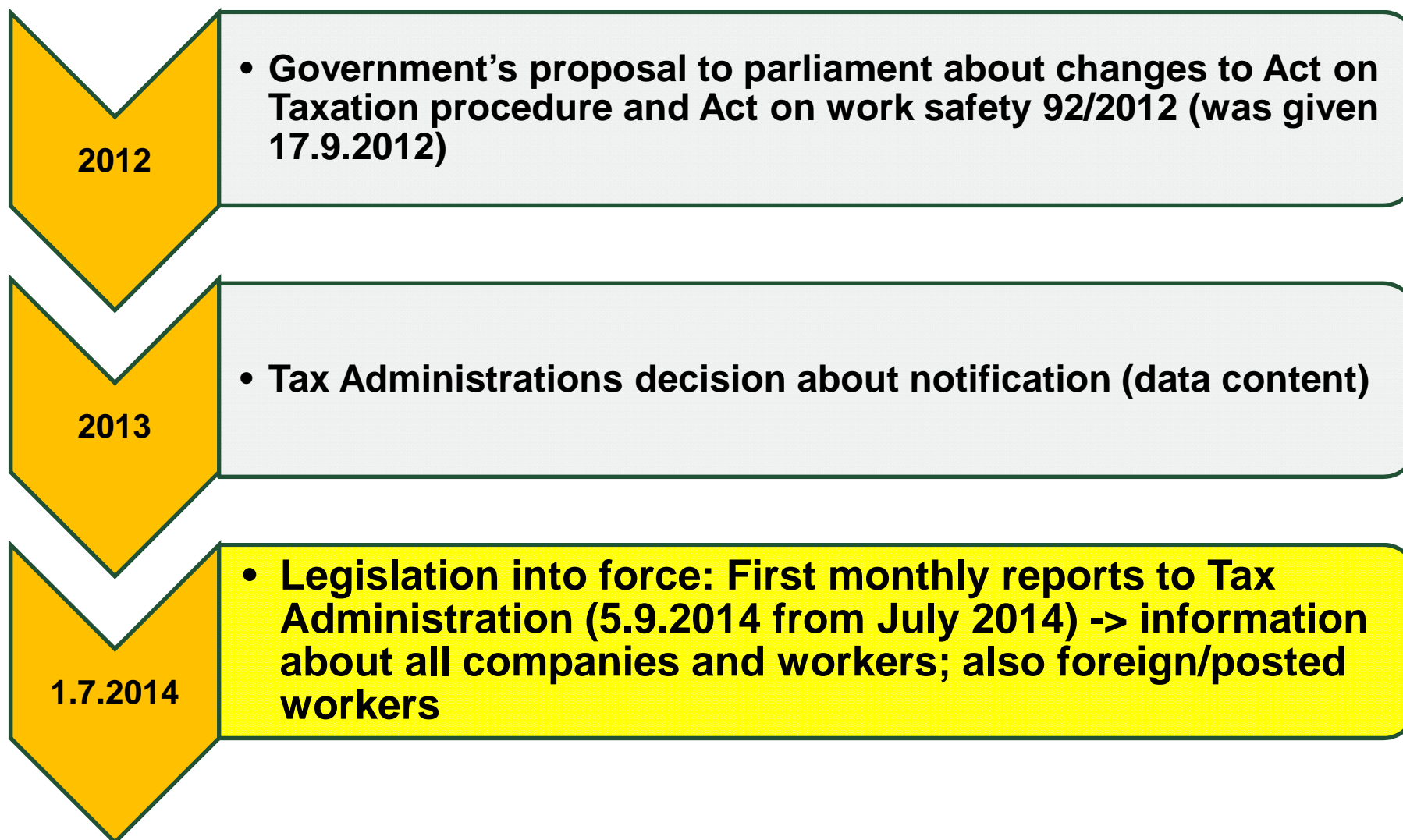
- + List of workers from all sites with certain information
- + All companies must give information about invoices and payments
- + Contract information: contract site, address, contact person, partners, partner's ID's, contract times and sums, when work is started/complete...
- + Purchase invoice information, company names, ID's, sums, VAT... or payment information (if no invoice)

Getting exact information | using and changing information

a) Every construction site must have real time list of all workers with certain information

b) Electrical real time site pass register: **name of the worker, ID (also foreign ID), tax number, basis of work (A1/E101, foreign workers), when working is started/finished, name of company (who pays the wages), company's ID (also foreign ID) and Voluntary information (if electrical passes/electrical system in use): working days (periods; week, month...), working hours.**

Schedule: Monthly reporting procedure in construction sector



Monthly information given on employees and selfemployed persons Includes information about all workers in construction sector (2014)

- About company liable to give information: name, business ID in Finland or in home country, home country, address in Finland and home country, contact person and contact information
- **Employee's name, Finnish ID number or Tax Number and date of birth, information whether the employee has E101/A1 certificate**
- Employer's name, address, business ID in Finland or in home country, home country
- Status of the person: employee (work contract), leased employee or self employed person
- Location of site and length of contract (first day and estimated ending date)
- **If the employee has E101/A1: name and address of the representative of the employer**
- Information in case no employees are to be reported from the month in question

Leased employees: name of the employer, address, business ID in Finland or in home country, home country

Service recipients (when using leased employee) name, address, business ID in Finland or in home country, home country

Tax number register is working in Finland

**In public tax number register of construction sector
- 18.3.2013**

All workers in tax number register 500.597

Workers (nationality other than FI or unknown) 42.303

Workers (residence not in Finland or unknown) 9.870

Before register known 170.000 workers and 35.000 fogeign workers (estimate)
More than 50.000 registered companies in construction sector

New legislation makes cooperation more possible and sensible

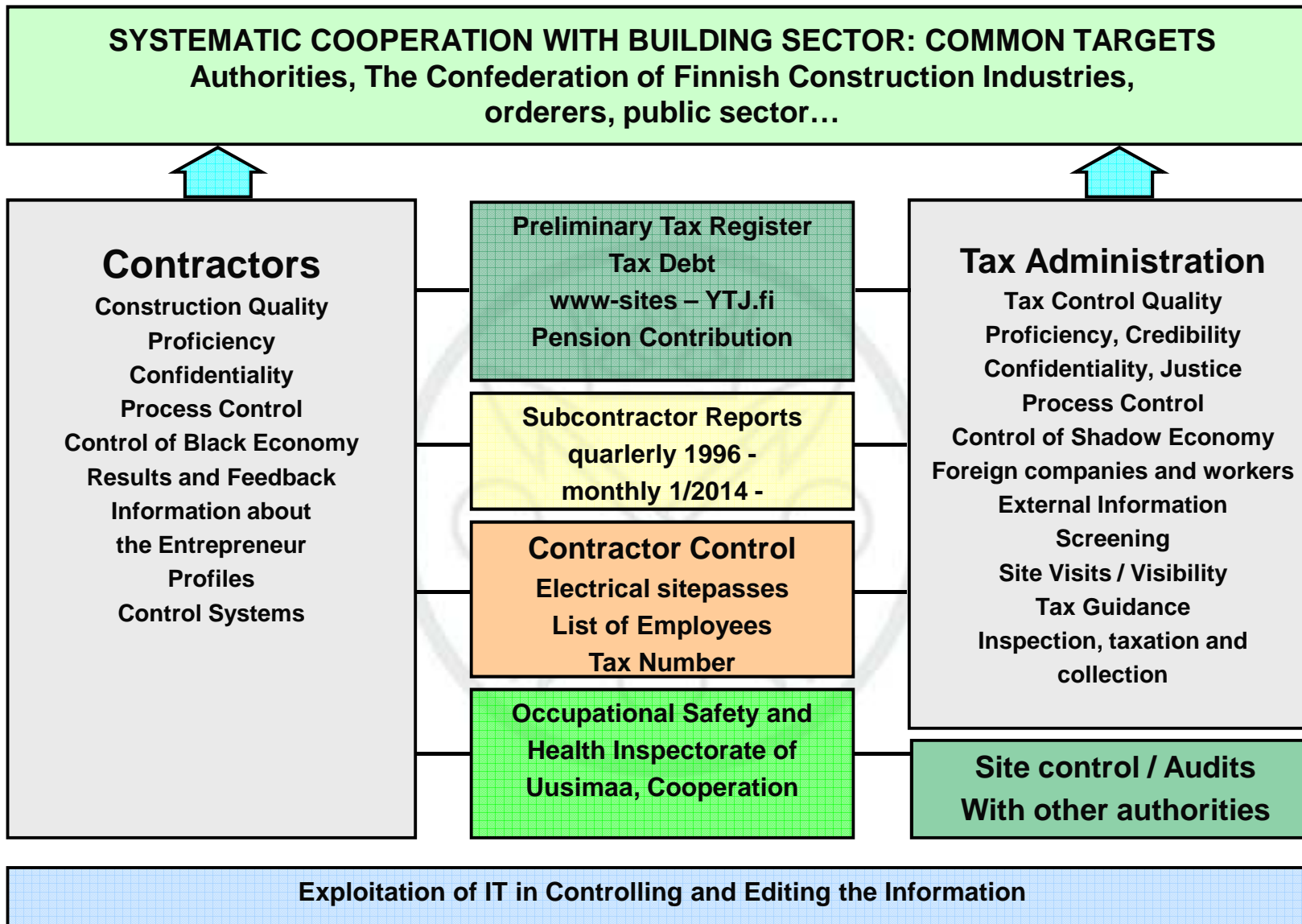
between authorities

between authorities and public sector

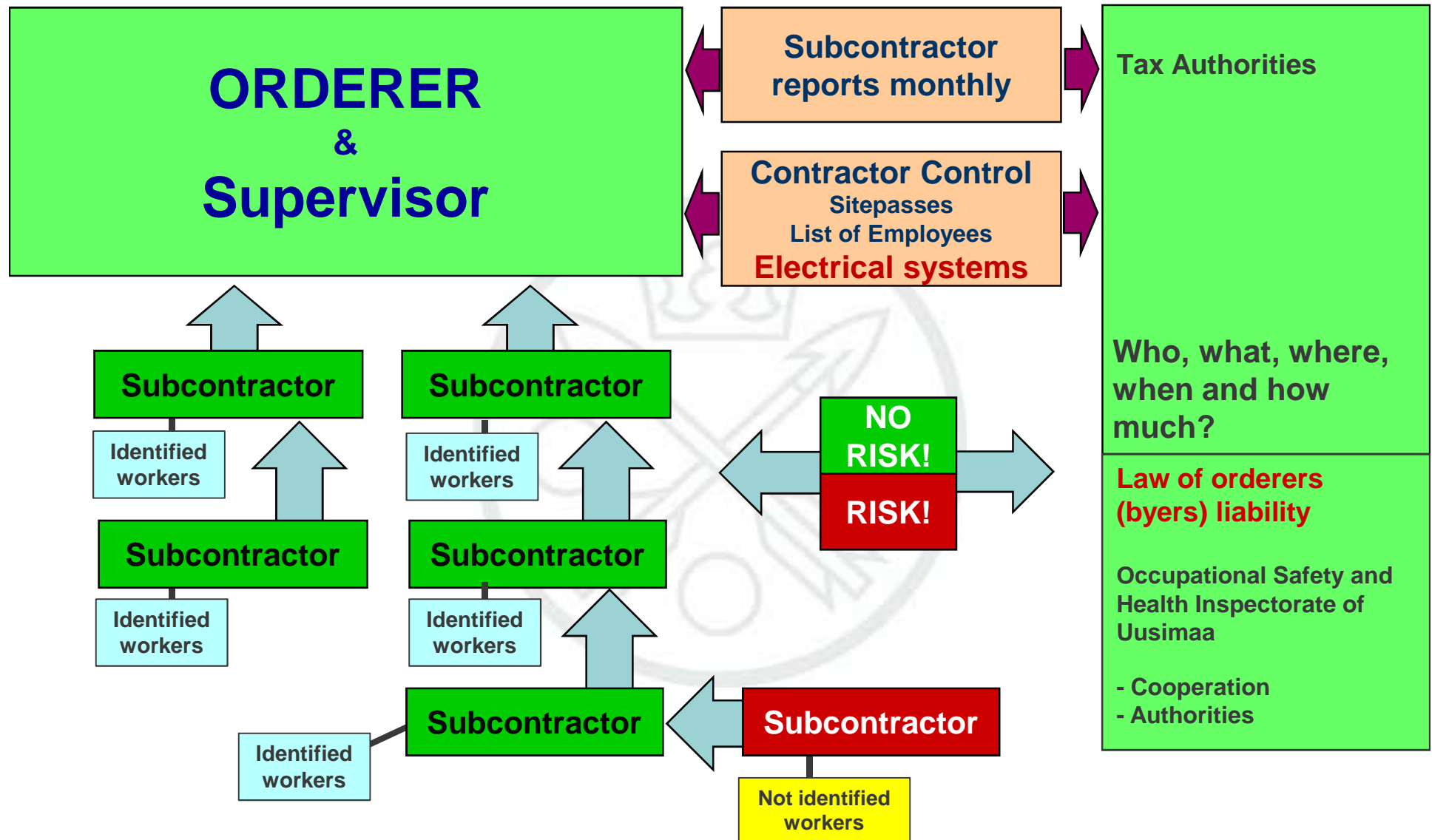
between authorities and construction sector

It's a question how to minimize risks together!

Common targets in society!



COOPERATION - CONSTRUCTION SITE CONTROL



Third Nuclear Power Plant Olkiluoto

OL3 Building Project

OL3 Building Project

Third Nuclear Power Plant to the isle of Olkiluoto in Eurajoki, Southwestern Finland

- ❑ One of the biggest construction sites in Europe
- ❑ Cost: current estimation 8,5 billion (original estimate 3,5 billion)
- ❑ Started in 2005, Commercial operation 2016 (original schedule 2009)
- ❑ The project involves more than 2 000 companies (only some of them Finnish or on-site) and thousands of foreign workers

OL3 Building Project

Tax Administration

- ❑ **OL3 counselling group (local Tax Offices)**
- ❑ **Separate OL3 supervision project (Tax Audit Unit)**
- ❑ **Joint cooperation groups between different authorities (Register Office, Police, Tax, Regional State Agency, etc.)**
 - ❑ Government Info at site (Tax officers available at site 1-2 times per month)
- ❑ **Cooperation with orderer TVO and main contractors at OL3**
 - ❑ For example about obligations in Finland, procedures, legislation changes
 - ❑ Exchange of information from the site

OL3 Building Project

Cooperation with orderer TVO and main contractors at OL3

- ❑ New legislation in Finland means real time cooperation
 - ❑ How to take Tax Number and Tax Number Register (concerning all companies and workers) in use
 - ❑ How to check workers tax numbers in real time from register
 - ❑ How to develop electrical site control (means no paper – automatic checking)
 - ❑ Information to authorities for analyze and use (new legislation)

OL3-statistics

INFORMATION ABOUT WORKERS AND COMPANIES

Amount of passes issued to OL3 site (according to pass lists)

Year	All	Foreigners
• 2006	464	464
• 2007	3 253	3 253
• 2008	5 696	5 696
• 2009	6 867	5 248
• 2010	6 775	5 190
• 2011	8 600	6 558
• 2012	?	?
Total:	31 665	26 409

Number of separate individuals with a pass (now 100 % with finnish ID)

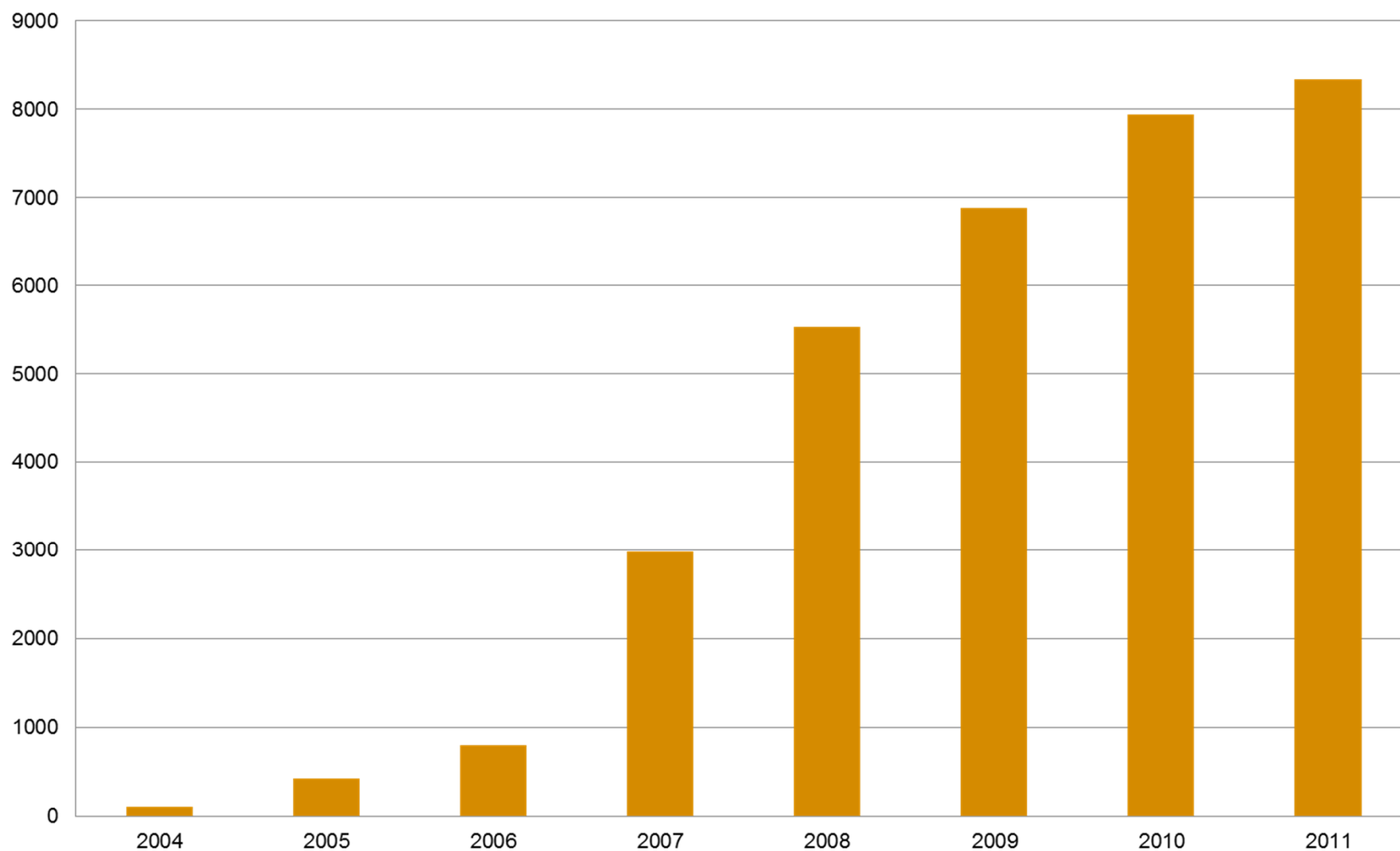
-> 16.424 during 2006 - 2011 of which 13.523 foreigners (82 %)

-> some foreigners are working several years in Finland

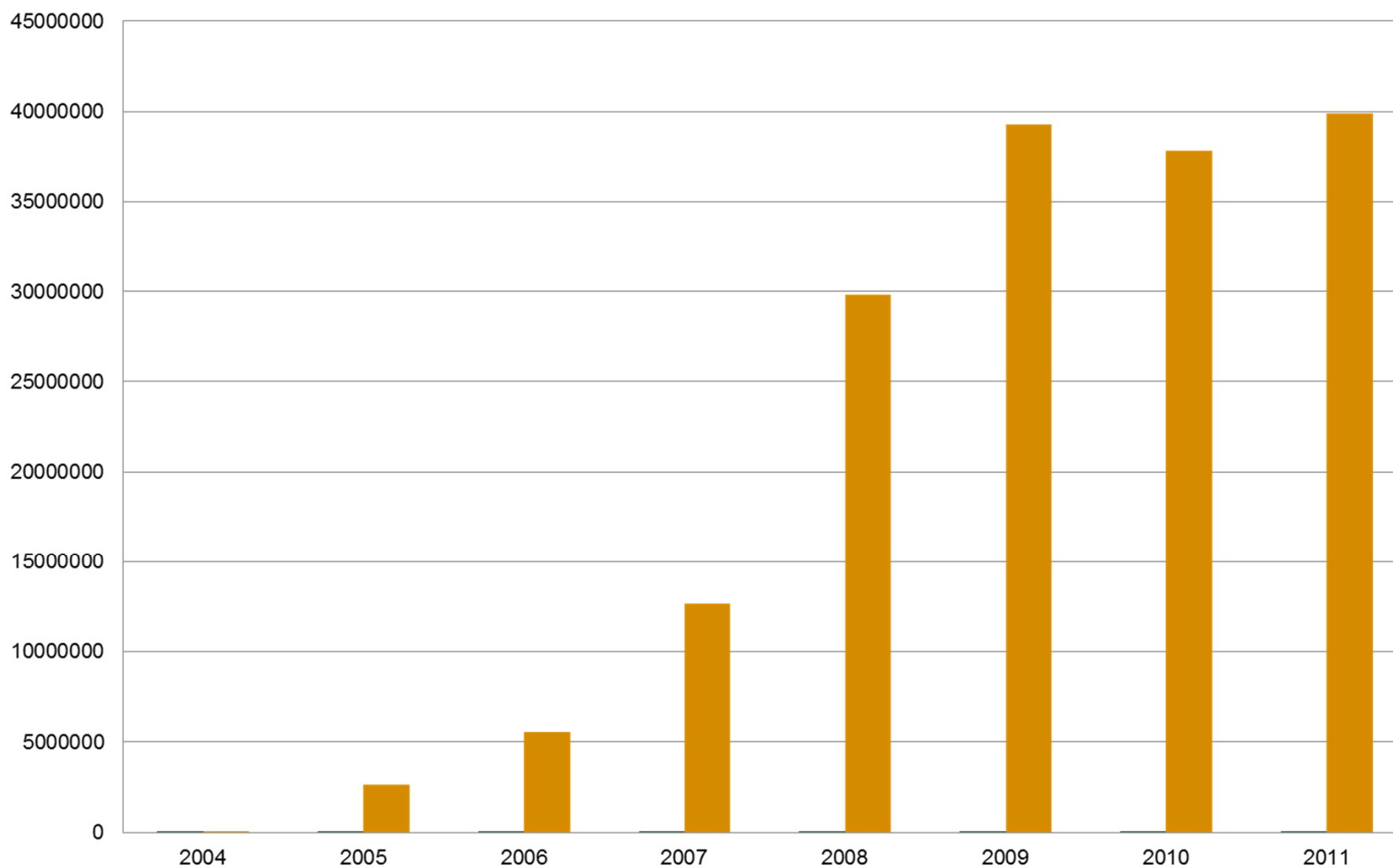
-> some workers are in Finland only short periods; 183 days rule*

**) Finland does not use the concept of "economical employer"*

Amount of registrated and active foreigners in Tax Administrations system (in Pori, Rauma, Eurajoki, Eura, Luvia)



Taxes and other payments (EUR) paid by foreigners in Finland as of 2004 (in Pori, Rauma, Eurajoki, Eura, Luvia)



OL3-statistics

Some statistics about foreign companies operating in Olkiluoto 3 construction site (2006 - 3/2012)

271 foreign companies (not including self-employed persons taxed as a resident)

- 85 % pre-payment registered (36 % is the average of foreign companies)
 - 28 companies removed from pre-payment register because of failures
- 70 % VAT registered (44 % is the average of foreign companies)
- 69 % employer registered (28 % is the average of foreign companies)

Numbers in €

• Reported salaries (gross)	296 418 452,00 €
• Withholdings	103 776 097,00 €
• Employers social security payment	5 127 904,00 €
• Salaries (tax at source)	83 366 589,00 €
• Tax at source	44 839 466,00 €
• VAT sales	4 153 931 895,00 €
• VAT tax	86 985 548,00 €
• Taxable profit	170 054 001,00 €
(income tax 26%)	44 214 000,00 €

Comparison data audit from the construction site

Orderer -> Constructor / Contractor -> Subcontractor

- ☐ Information is used in work against shadow economy:
preventive, visible, accrual (minimize tax cap), competitiveness
(branch)
- ☐ To find, inspect and verify statutory information
- ☐ To collect confident electrical information for comparison
 - ☐ From passed to real time information
- ☐ To use information (after analyze) realtime in taxation
 - ☐ Foreign companies, firm place of business
 - ☐ Foreign workers
 - ☐ Basis for exchange of information
 - ☐ Missing or incorrect tax returns
 - ☐ Unpaid taxes; collection
 - ☐ To know where, when and how the business is running

Cooperation: It's a question how to minimize risks?

Tax income, safety of work, quality of building, risks in contracts, banking, unknown money flow, black markets, posted and foreign workers, foreign companies, exploitation and whole shadow economy...

- **All risks are common - risks are ruining society**
- **Common hate of tax evasion**
- **Common methods**
- **Cooperation with all sectors and partners in real time**

Pekka Muinonen, senior adviser

Finnish Tax Administration

Tax Auditing, Steering and development unit

P.O. Box 325

FI-00052 VERO, Finland

Haapaniemenkatu 4 A, 00530 Helsinki, Finland

Phone +358 20 612 5264 and +358 40 526 3825

e-mail: pekka.muinonen@vero.fi

Finnish Tax Administration: http://www.vero.fi/?path=488&domain=VERO_ENGLISH&language=ENG