The OL3 Nuclear Power Plant Construction Project

A Learning Experience
OL3

- One of the biggest construction sites in Europe
- Begun 2005 – ready in 2016?
- Cost 8,5 billion – original estimate 3,5 billion €
- > 2000 companies
- 75% of workers - 60 different nationalities
Builder

- Areva NP S.A.S
- Areva NP GmbH
- Areva NP Inc.

- Siemens 34%

Areva 66%
Cooperation

Pekka Muinonen

Nina Kreutzman

TU

Tax Administration

Center for Pensions

Labour Inspectorate

Anu Ikonen & Riku Rajamäki

Tiia Lahti
Problems?

• Work culture; management had experience in Arab countries
• Cultural differencies complicate handling of matters
• Language problems – hard to establish contact
• Prejudice against authorities and TU
Problems?

• Subcontracting too extensive
• Finnish rules ignored – collective agreements, law and working conditions
• No Finnish organized employer at the site
  - Difficult to tackle
• Tax planning - frequent circulation of workers (> 30 000 briefed)
Problems?

• "The Invisible People"
  – Social security unclear
  – OSH?
  – Living conditions bad
  – No cars, accommodation far away
  – Missing families, alcohol related problems etc
Daily work for TU reps!

- Construction
  - 2 full time reps
- Metal
  - 1 full time rep
- Pro (White Collar) & Electrician’s
  - 1 day / week
Anu Ikonen
Labour Inspectorate
Pension Insurance for the Employees

Tiia Lahti
Inspection Manager

Finnish Centre for Pensions
ELÄKETURVakeskus
The Finnish Centre for Pensions

• A central actor in the statutory earnings-related pension scheme

• Provider of services common to the whole scheme

• Occupies a statutory role in, for example, international matters and supervision of the employers’ insurance obligation
Employees Pensions Act (TyEL) – Basics

• In Finland, the employer is liable to take out insurance for all its employees and to pay the insurance contributions
  – According to EU rules (EU Regulation 883/2004), a person is covered by the social security of the country of employment
• Private employers insure all of their employees under the Employees Pensions Act (TyEL), with a few exceptions
• The employer is obligated to arrange pension insurance for its employees within one month of the first salary payment
  – Average pension contributions in 2013: 22.8% of wages
  – The employers and the employee both pay their share of the pension contribution BUT the employer transfers the entire pension contribution to the pension provider
Supervision

- The Finnish Centre for Pensions supervises the pension insurance obligation
- The supervisory role is determined in the Employees Pensions Act (Chapters 13 and 14)
- The employer must take out insurance and report their employees’ earnings to the pension insurance company
- Enforced insurance: If the employer neglects the insurance obligation, the Finnish Centre for Pensions takes out pension insurance at the employer’s expense
Goals of Supervision

• To ensure pension security for employees and the self-employed

• To ensure fair competition between companies

• To prevent grey economy
The Olkiluoto 3 Project

- The Finnish Centre for Pensions has supervised this large construction site of the nuclear power plant on a regular basis since 2006

- The supervision is done in cooperation with other Supervisory Authorities and Social Partners

- The supervision of the construction site has been challenging because of the large amount of foreign companies and foreign employees
The Olkiluoto 3 Project - Methods of Supervision

- Large (annual) comparison of registers, based on information from the Tax Administration
- Impulses and other “tailored” information data through the cooperation between different authorities and social partners (e.g., Tax Authorities, Regional State Administrative Agencies, The Finnish Construction Trade Union, the police)
- Single inquiries, for example employees asking about their insurance
- Inspections (if necessary)
- Preventive supervision
  - Information for employers on the pension insurance obligation
Olkiluoto 3 Project – Experiences and Challenges

- Posted employees lacking A1 / E 101 certificates at the beginning of employment
- Forged A1 / E 101 certificates discovered
- The actual employment situation of employees do not always correspond to the employment situation accounted for in the A1 / E 101 certificates (e.g., employees have transferred from one employer to other employers)
Olkiluoto 3 Project – Experiences and Challenges

• A1 / E 101 certificates for persons pursuing activities in two or more Member States
  – The actual employment situation of an employee
  – Article 13 of Regulation 883/2004 (Article 14 of Regulation 1408/1971)

• Reaching employers, receiving up-to-date information
Further Information

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• Information brochure and the Internet:
Pekka Muinonen
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

- **15.12.2011**: Tax Number is given to individuals who were in Tax Administration systems
- **1.6.2012**: Tax Administration starts to issue Finnish personal ID numbers to persons coming to work in Finland temporarily
- **7.8.2012**: Public Register of Tax Numbers is opened
- **1.9.2012**: New legislation on new construction sites: Tax number and Photo ID pass with Tax Number on new sites
- **1.3.2013**: 6 months transition period to old construction sites ends
  - All workers must have registered tax number 1.3.2013
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
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
Gathered information

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

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

- 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…
Schedule: Monthly reporting procedure in construction sector

2012
• Government’s proposal to parliament about changes to Act on Taxation procedure and Act on work safety 92/2012 (was given 17.9.2012)

2013
• Tax Administrations decision about notification (data content)

1.7.2014
• Legislation into force: First monthly reports to Tax Administration (5.9.2014 from July 2014) -> information about all companies and workers; also foreign/posted workers
Monthly information given on employees and self-employed 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
New legislation makes cooperation more possible and sensible between authorities and public sector between authorities and construction sector

It’s a question how to minimize risks together!

Common targets in society!
SYSTEMATIC COOPERATION WITH BUILDING SECTOR:
COMMON TARGETS
Authorities, The Confederation of Finnish Construction Industries, orderers, public sector…

Contractors
- Construction Quality
- Proficiency
- Confidentiality
- Process Control
- Control of Black Economy
- Results and Feedback
- Information about the Entrepreneur
- Profiles
- Control Systems

Tax Administration
- Tax Control Quality
- Proficiency, Credibility
- Confidentiality, Justice
- Process Control
- Control of Shadow Economy
- Foreign companies and workers
- External Information
- Screening
- Site Visits / Visibility
- Tax Guidance
- Inspection, taxation and collection

Preliminary Tax Register
- Tax Debt
- www-sites – YTJ.fi
- Pension Contribution

Subcontractor Reports
- quarterly 1996 - monthly 1/2014 -

Contractor Control
- Electrical sitepasses
- List of Employees
- Tax Number

Occupational Safety and Health Inspectorate of Uusimaa, Cooperation

Site control / Audits
With other authorities

Exploitation of IT in Controlling and Editing the Information
Identified workers

ORDERER & Supervisor

Subcontractor

Identified workers

Identified workers

Identified workers

Subcontractor

Identified workers

Subcontractor

Identified workers

Subcontractor

Identified workers

Subcontractor

Identified workers

Subcontractor

Not identified workers

Subcontractor

Subcontractor reports monthly

Contractor Control

Sitepasses

List of Employees

Electrical systems

Tax Authorities

Who, what, where, when and how much?

Law of orderers (byers) liability

Occupational Safety and Health Inspectorate of Uusimaa

- Cooperation
- Authorities
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, etc.

Exchange of information from the site

28.10.2013

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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
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 floe, 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
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