

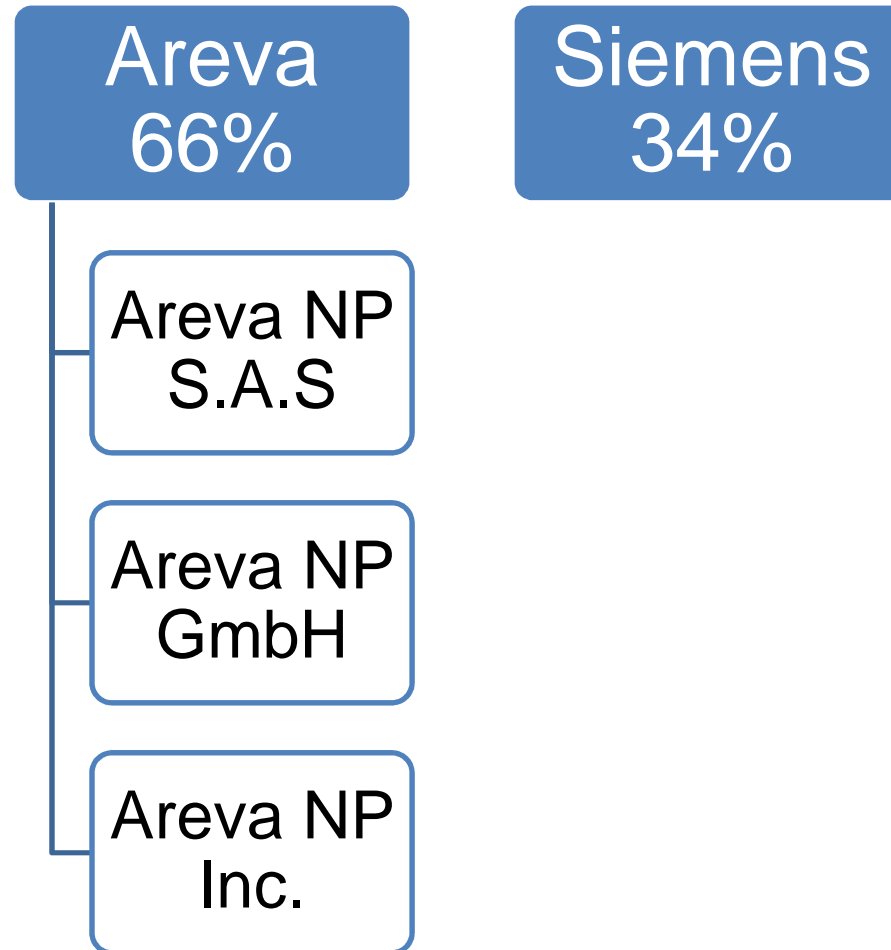
# The OL3 Nuclear Power Plant Construction Project

A Learning Experience

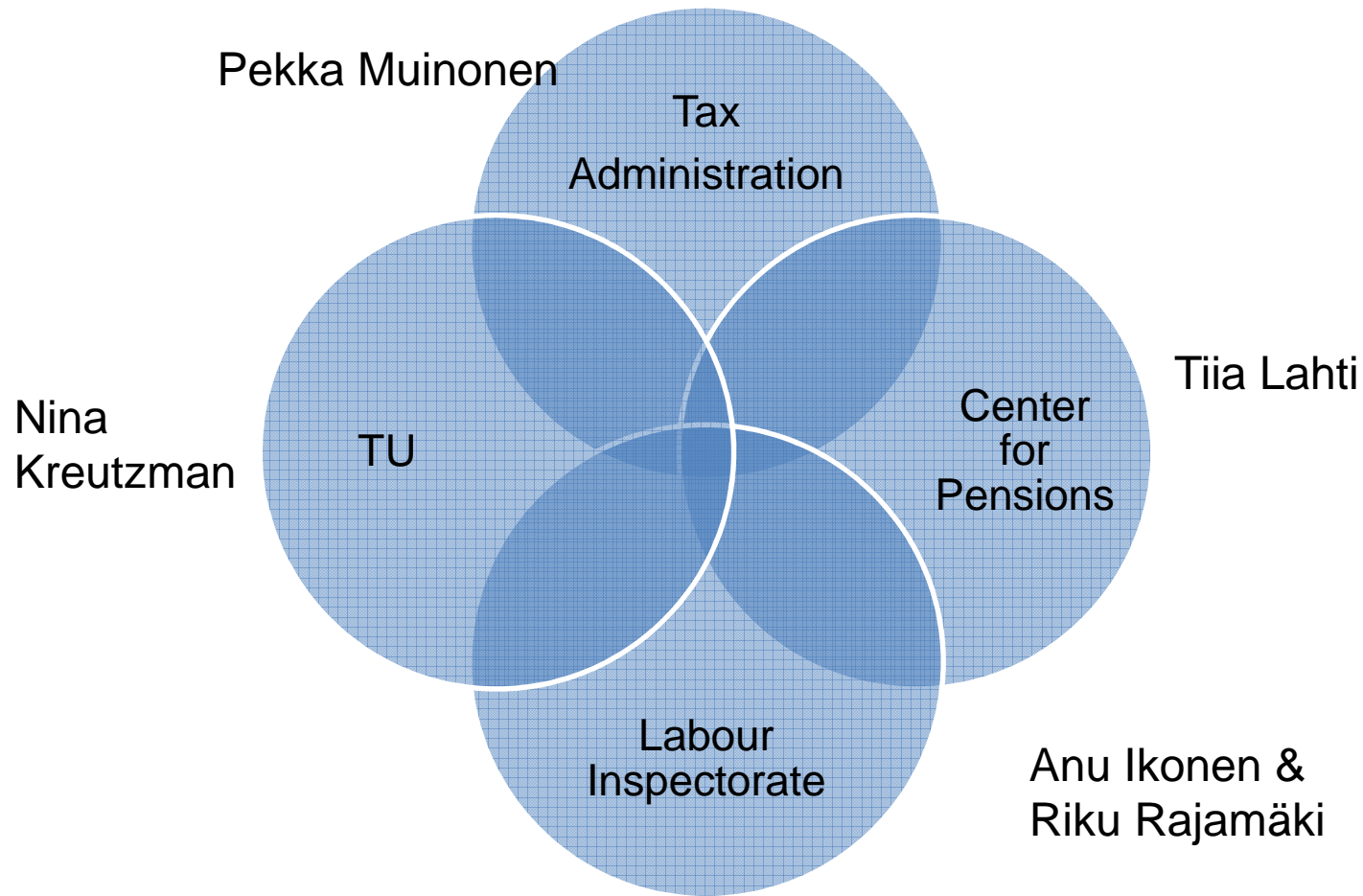
# OL3

- 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



# Cooperation



# Problems?

- Work culture; management had experience in Arab countries
- Cultural differences 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, accomodation 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<sup>1/2</sup> 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

2/2

- 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

- The Finnish Centre for Pensions  
Kirjurinkatu 3, Helsinki Finland  
Tel. +358 29 411 20
- Inspection Manager Tiia Lahti  
Tel. +358 29 411 2421, e-mail:  
[tiia.lahti@etk.fi](mailto:tiia.lahti@etk.fi)
- Information brochure and the Internet:  
<http://www.etk.fi> and <http://www.tyoelake.fi>

# Pekka Muinonen

## Tax Administration

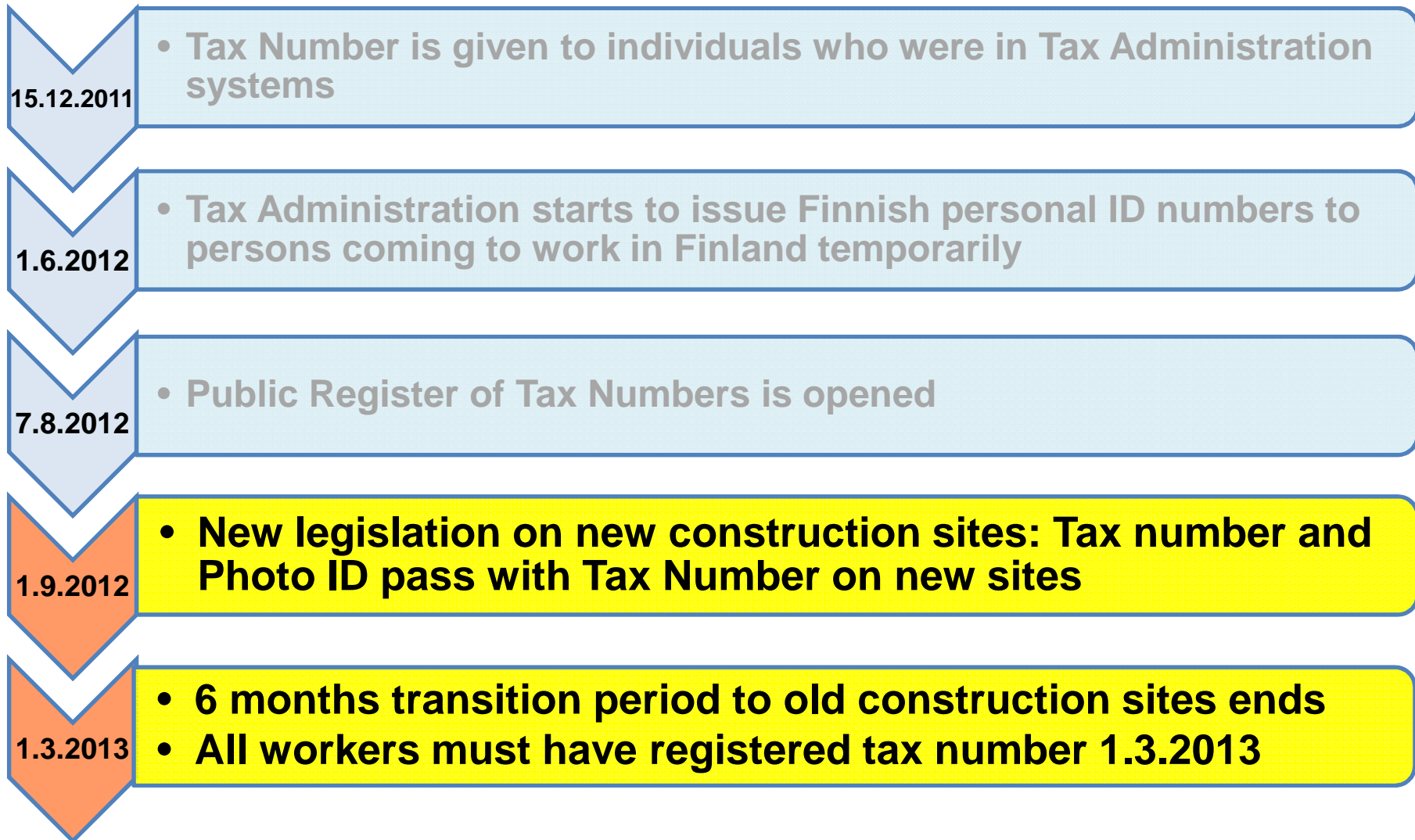
# Shadow economy is too expensive to society

***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



**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

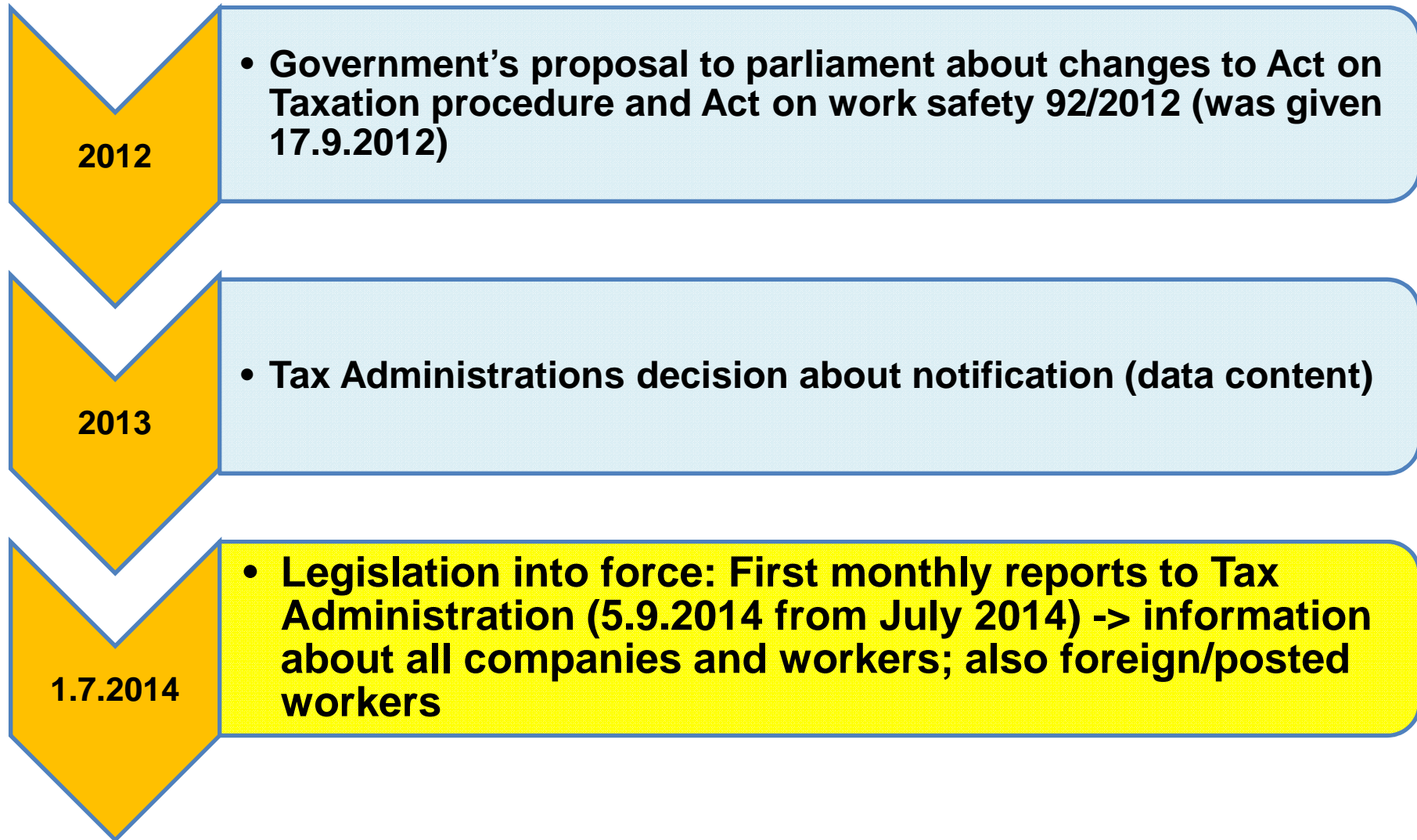
- Name
- Date of birth
- Sex
- Country of birth
- Occupation
- Citizenship/country code
- Address in Finland
- Address in home country
- ID number in home country
- **Residence country**
- **Certificate E101 / A1**
- **Type of employment: employee, leased employee, self employed**
- **Details on stay 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



## **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

New legislation makes cooperation more  
possible and sensible

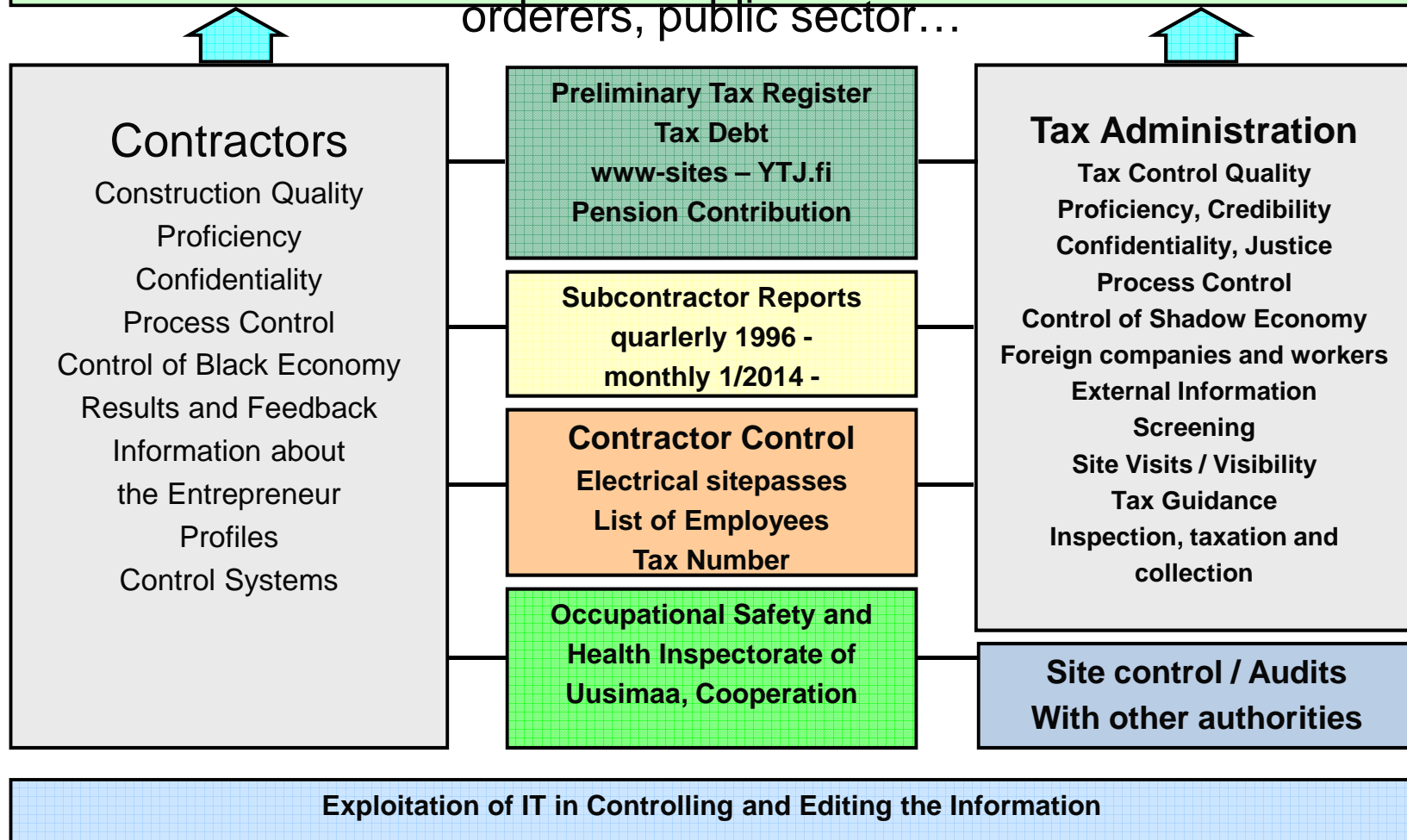
**between authorities**  
**between authorities and public sector**  
**between authorities and construction**  
**sector**

***It's a question how to minimize risks  
together!***

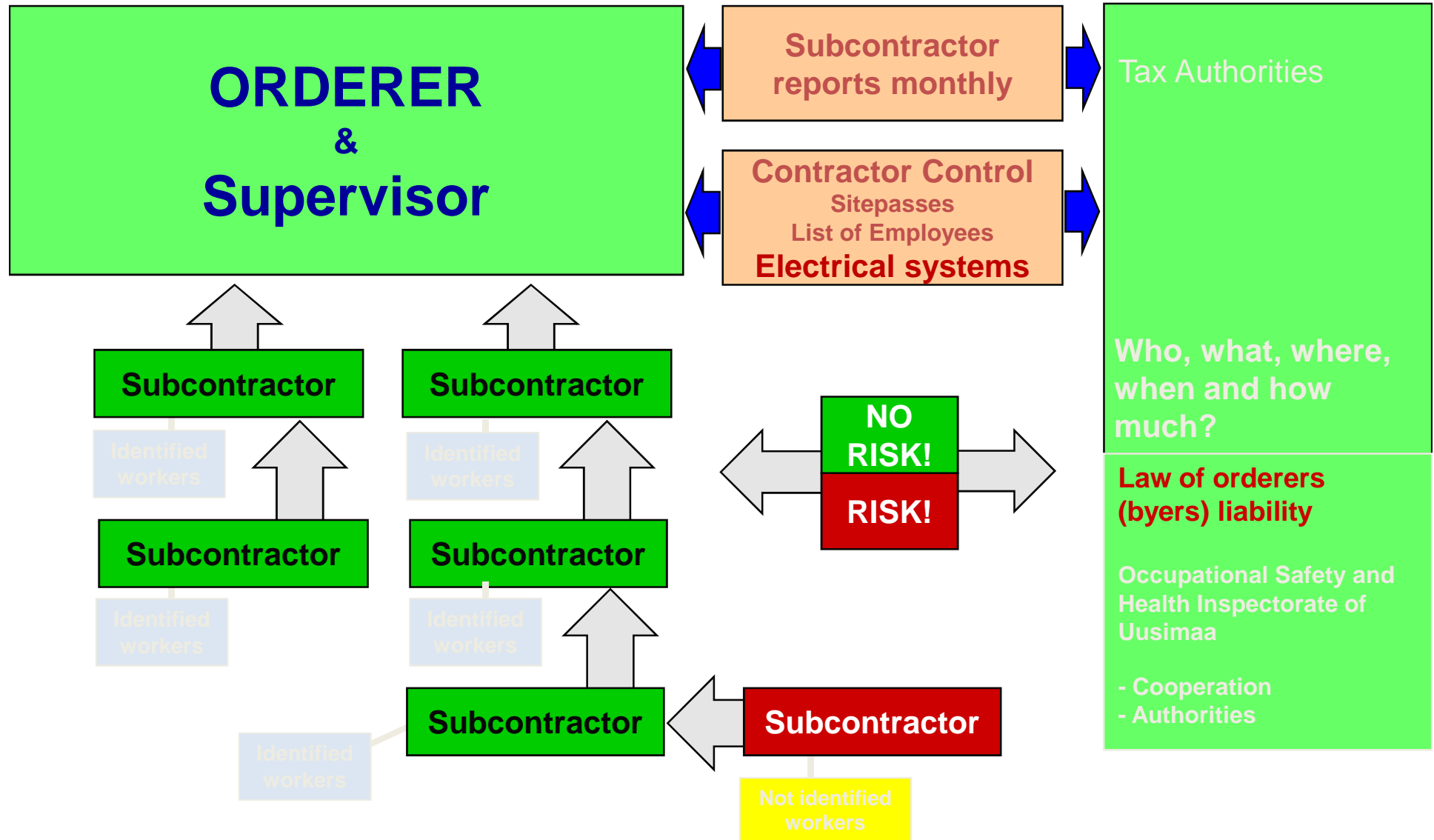
***Common targets in society!***

# SYSTEMATIC COOPERATION WITH BUILDING SECTOR: COMMON TARGETS

Authorities, The Confederation of Finnish Construction Industries,  
orderers, public sector...



# COOPERATION - CONSTRUCTION SITE CONTROL



# 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

# OL3 Building Project

Cooperation with orderer TVO and main contractors at OL3

- ❑ New legislation in Finland means real time cooperation**

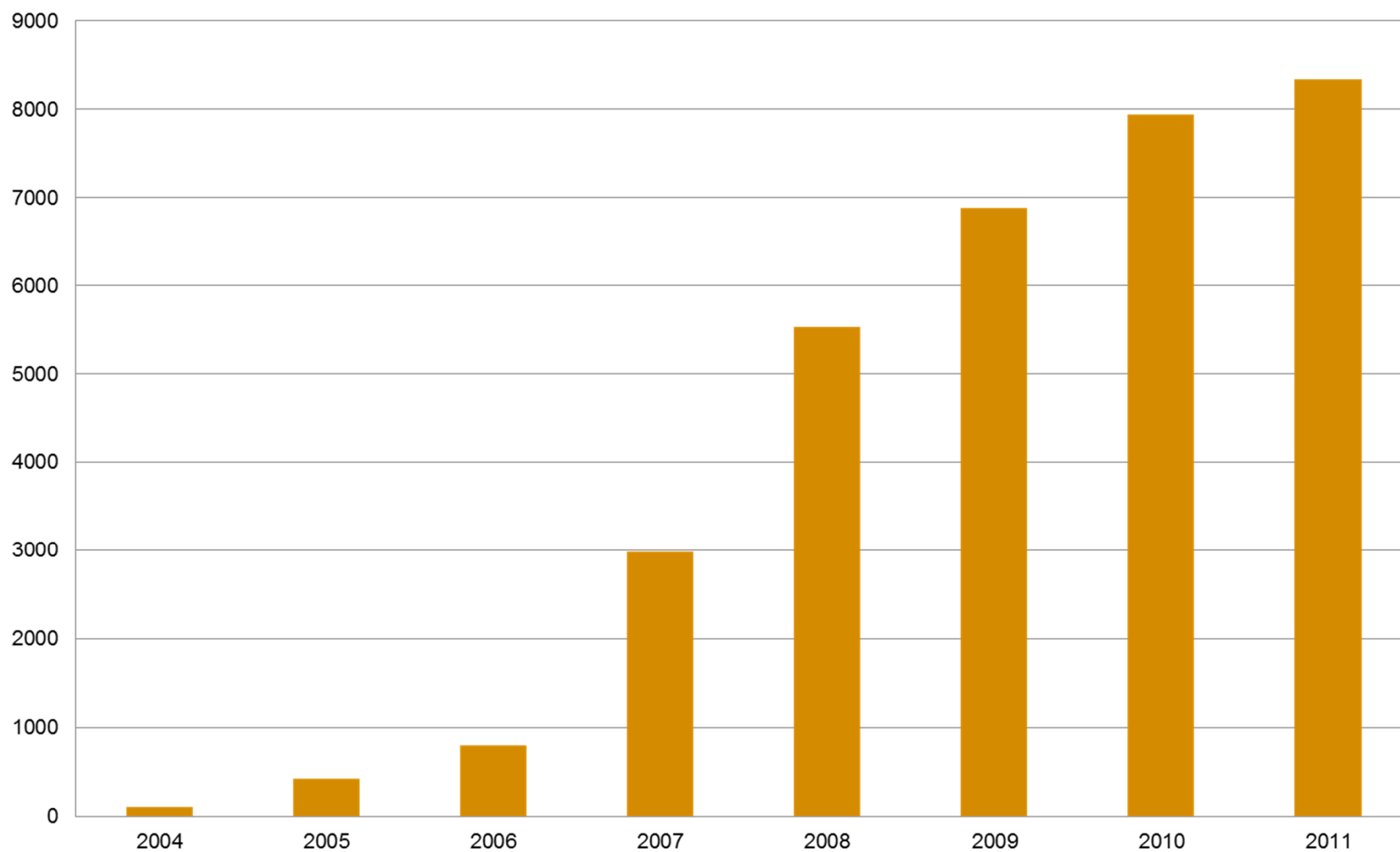
- ❑ How to take Tax Number and Tax Number Register (concerning all companies and workers) in use**

- ❑ How to check workers tax numbers in real time from register**

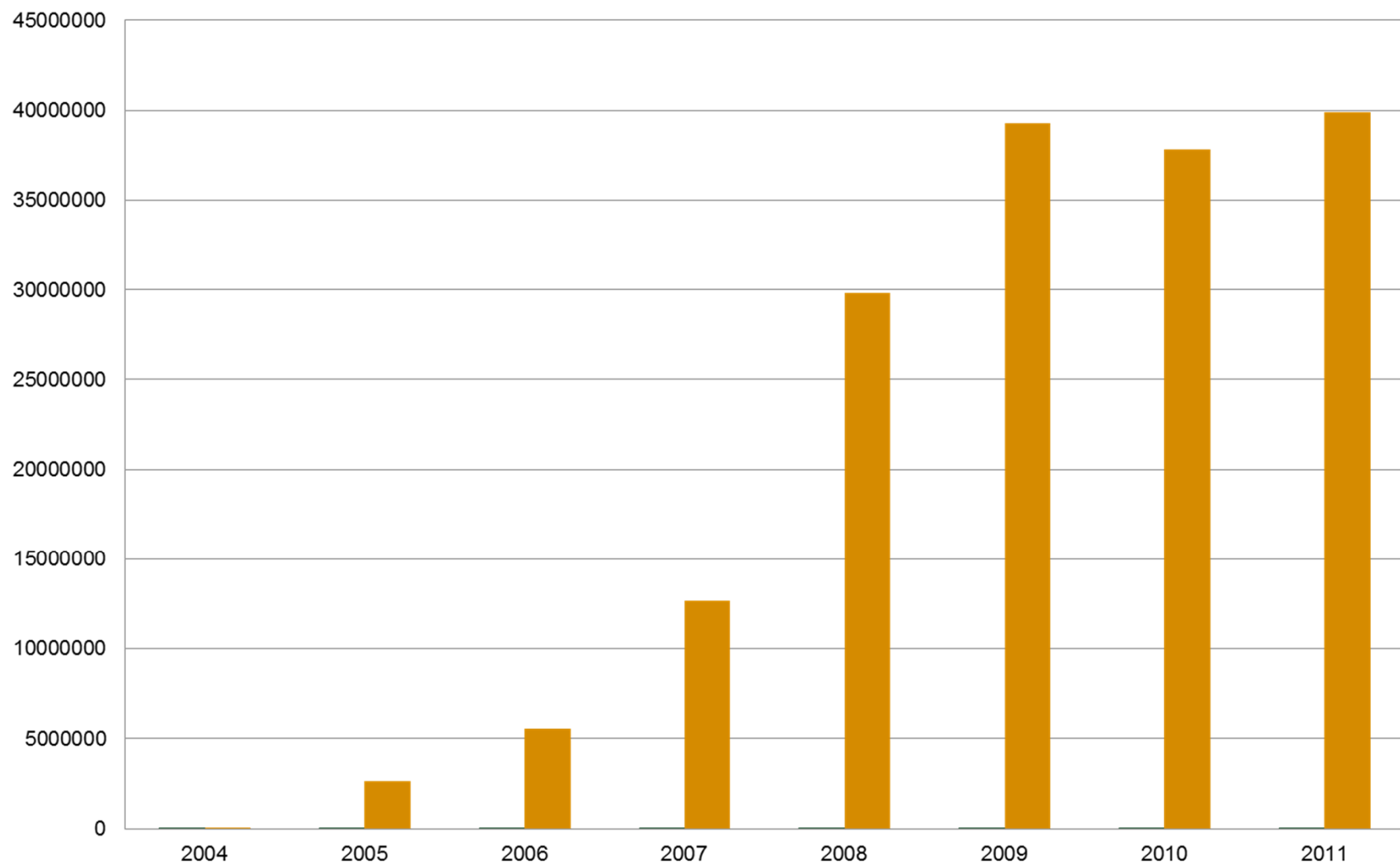
- ❑ How to develop electrical site control (means no paper – automatic checking)**

- ❑ 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 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**

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# Riku Rajamäki

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