

Action Plan for Tackling the Grey  
Economy and Economic Crime  
2024–2027

# Action Plan 2024–2027

On 17 May 2024, the Ministry of Economic Affairs and Employment issued a decision to set up a preparatory group for updating the Strategy and Action Plan for Tackling the Grey Economy and Economic Crime (VN/13193/2024). The strategy and action plan were prepared by a cross-administrative preparatory group led by the Ministry of Economic Affairs and Employment, which takes into account other action plans related to the grey economy or economic crime in its work.

The projects selected for the 2024–2027 action plan are the most important in terms of the objectives of the national Strategy for Tackling the Grey Economy and Economic Crime. The action plan has 19 projects implementing the four main objectives of the strategy: 1) promote healthy competition between companies and a fair labour market, 2) prevent the grey economy and economic crime, 3) ensure the capacity of authorities to combat the grey economy and economic crime, and 4) develop measures to combat the grey economy and economic crime and improve cooperation between public authorities.

Projects and related measures have been planned on the premise of operating with the existing resources of public authorities. Most of the projects can be carried out as part of official duties. Three projects have sub-entities that require separate funding. However, these projects have been designed in such a way that certain sections can be carried out as part of official duties. Only one project is entirely dependent on funding. The projects and their financing needs are summarised after the detailed descriptions of the projects in an annex to the action plan. The measures outlined in this action plan will be implemented within the framework of the General Government Fiscal Plan, to the extent permitted by the resources allocated. Any additional funding requirements will be addressed separately through the processes related to the General Government Fiscal Plan and the budget.

The steering group on combating the grey economy led by Minister of Employment Arto Satonen will be responsible for monitoring the implementation of the action plan. The executive group on combating the grey economy and economic crime set up by the Ministry of Economic Affairs and Employment will serve as a preparatory group for the steering group. Each ministry and agency will be responsible for implementing individual projects within its area of expertise or the remit of its administrative branch. The responsibility for providing information on the projects and organising the required consultations is assumed by the main responsible bodies designated for the projects.

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# 1 Promote healthy competition between companies and a fair labour market

## 1.1 Prevent financial irregularities and effective procurement in wellbeing services counties

### Background and purpose of the project

In June 2023, the anti-grey economy units of the Finnish Competition and Consumer Authority (FCCA) and the Tax Administration launched a tour of meetings and training sessions in the wellbeing services counties. The aim was to increase the wellbeing services counties' awareness of various phenomena and practices of the grey economy and economic crime, such as cartels, corruption, unjustified invoicing and the use of undeclared labour. In addition to the risks of the grey economy, the topics have included the competitive situation in public procurement and the opportunities to seek savings through carefully implemented procurements. The FCCA's Public Procurement Supervision unit has provided information on procedures that violate the Act on Public Procurement and Concession Contracts and the risks associated with them. So far, the work has included meetings with the leading public officials of wellbeing services counties and a training session for procurement experts with its materials. The FCCA and the Tax Administration have increased the knowledge of the wellbeing services counties on how to identify these phenomena in their procurements and on how to prepare for various threats and risks. The first leg of the tour will be completed in 2024.

This document proposes a continuation of the work. The wellbeing services counties are still undergoing major changes and their operations are under a lot of pressure, especially financial. According to the FCCA, the Tax Administration and the Police, these circumstances may also bring with them risks, the identification and prevention of which is important for the operation and economy of the wellbeing services counties. Further work will emphasise the prevention of the grey economy. The Act on Public Procurement and Concession Contracts and the creation of competition in procurements are intended to be included in the further work as well.

There are many organisational levels and people involved in procurements in the wellbeing services counties, and it was not possible to reach all of them in the first round. The following target groups have been selected for the project proposed: county councillors, middle management and employees carrying out supervision during the agreement period.

The councils of several wellbeing services counties have decision-making powers in major procurements. On the basis of the information received in the first tour, councillors generally participate in the preparation and decision-making of large procurements. This means that the new councillors elected in 2025 would be a good target group for further work.

In the organisations of wellbeing services counties, middle management involved in the preparation and implementation of procurements, as well as employees who carry out contractual control and checks on suppliers' invoicing and operations during the agreement period, should be aware of the characteristics of misuse.

## **Project description**

The new councillors will start their term in the autumn of 2025. Training and discussions for them should start soon after the new council term begins. For the sake of impact and reciprocity, it would be a good idea to hold the events primarily during visits. With regard to the FCCA, the main themes in this communication are the requirements of the Act on Public Procurement and Concession Contracts, cartels and the significance of competition for procurements. In terms of the Tax Administration, the main themes are the phenomena and practices of the grey economy and financial crime. In addition, the topics include interests and unethical decision-making. In terms of the police, the focus of these meetings is on identifying and preventing corruption and financial crimes.

The main themes in the training for middle management involved in the preparation and execution of procurements, as well as for employees responsible for supplier and contract oversight during the contract period, are the same as for county councillors. The training sessions and meetings will place emphasis on the various forms of misuse, risk assessment and signs of misuse visible to the client. The events will be organised as in-person meetings or online events depending on the situation and needs of each wellbeing services county.

Subject to time availability and the resource situation of the public authorities involved in the project, it may be possible to carry out these tasks, where applicable, through webinars or by creating online materials for use by the regions.

## **Interfaces with the Government Programme**

The Programme of Prime Minister Orpo's Government states that the Government will continue working to combat tax evasion and the grey economy. This project is directly linked to these objectives. As the work is focused on the wellbeing services counties, the project will also not affect the administrative burden for companies.

The Government aims to achieve significant cost savings in public procurement in terms of public service provision in order to ensure high-quality services. One of the objectives of the work aimed at the wellbeing services counties is the success of competitive tendering, which also gives taxpayers value for money. Successful procurements also improve the operating environment for businesses.

## **Responsible parties and timetable**

The FCCA, the Tax Administration and the Police are responsible for implementing the project. The project will be implemented during the executive group's term of office. Due to the nature of the project, it is likely that the work will continue in some form even after the current executive group's term ends.

## **Impact assessment and follow-up monitoring of impacts**

Cartels significantly increase the prices of goods sold, which is detrimental to public buyers and further weakens their finances. Tax evasion reduces tax revenue and the financing base of general government finances. Corruption, abuse of power and other unethical decision-making cause damage to the contracting entity and reduce the credibility of public decision-makers. The work planned is aimed at improving the capacity of wellbeing services counties to identify and prevent misuse. If the project succeeds in increasing competition in the competitive tendering of the wellbeing services counties, they

will make significant savings, which will support the Government Programme's objectives of curbing the growth of costs in the wellbeing services counties.

The impacts of the preventive work to be carried out in the project are difficult to measure directly. This is long-term work, the effects of which will become concrete in the longer term in the procurement activities of the wellbeing services counties. It may be possible to map the effects of the work afterwards, for example through surveys and discussions with the wellbeing services counties. It is a good idea to seek means of monitoring in cooperation with the wellbeing services counties.

### **Resource requirement**

The FCCA estimates that the agency will be able to implement the project in the form presented as part of official duties. However, this may be affected by the reductions in the agency's appropriations caused by its productivity programme.

The Tax Administration will implement the project as part of official duties in accordance with the work situation and the resources available.

The same applies to the participation of the Police in the implementation.

### **Provision of information**

The FCCA, the Tax Administration and the Police are responsible for the provision of information about the project.

## **1.2 Government proposal to amend the Act on Transport Services**

### **Project description**

The implementation of a legislative project concerning taxis is included in the Government Programme. The project's goals are to bolster consumer trust in the taxi industry, improve the availability of taxis, consider different user groups across the nation, as well as enhance the supervision of the taxi industry and tackle the grey economy.

### **Impact assessment**

From the point of view of tackling the grey economy, it is essential that public authorities have at their disposal as standardised and complete comparative information as possible on the taxi journeys made. With the help of comparative information, the Tax Administration can ensure that the necessary taxes and tax-like fees are paid for taxi trips. For the proper delivery of taxation in the taxi industry and the organisation of accounting, the company must be able to provide reliable information on the bases of income and the revenue generated from them, that is, the prices charged to the customer. In order for the data to be reliable, it must be possible to ensure its reliability in such a way that it cannot be manipulated.

Efforts to combat the grey economy will also be strengthened indirectly through other means, such as increasing training and considering certain offences as grounds for refusing a licence. It has been recognised that there are numerous proposed changes, and their combined impact on the sector could be significant. The project will assess the combined effects of the changes proposed on availability, pricing, entry into the industry and, in particular, platform economy operators. The proposals increase

the administrative burden for taxi entrepreneurs and also have an impact on the operations and costs of public authorities.

### **Follow-up monitoring of impacts**

Follow-up monitoring has not yet been specified for the project.

### **Responsible parties**

Ministry of Transport and Communications.

### **Timetable**

The government proposal will be prepared as part of official duties during the autumn and winter, and it is scheduled for circulation for comment in the spring of 2025. The government proposal is due to be submitted to Parliament during the autumn session 2025.

### **Resource requirement**

The project will be implemented as part of official duties at the Ministry of Transport and Communications, and the resources required for the implementation of the measures will be specified during the preparation.

### **Provision of information**

The Ministry of Transport and Communications is responsible for provision of information.

## **2 Prevent the grey economy and economic crime**

### **2.1 Amend VAT registration provisions**

#### **Project description**

It will be examined whether, similar to certain other EU countries, it would be possible and appropriate to introduce provisions into the national VAT legislation for the registration of VAT-registered operators due to abuses of the VAT system. The aim of the amendment would be to prevent intentional and systematic grey economy activities.

The VAT registration of those liable to pay VAT may give their business or contractual partner the impression that they are reliable operators. Registration may also allow for other financial irregularities, such as order fraud. For participants in the grey economy, a business ID and VAT registration are tools for tax and other fraud. The current national legislation on VAT registration examines the conditions for registration from the perspective of fulfilling the substantive requirements of tax law.

Section 172 The persons liable to tax are entered in a register of persons liable to value added tax.

Section 173 The Regional Tax Office enters the person liable to tax in the register from the start of the taxable business. The person liable to tax may, however, be entered in the register as soon as he starts acquiring goods and services for the purposes of taxable business.

Section 174 The Regional Tax Office removes a person liable to tax from the register from the cessation of the taxable business. The taxable business may be regarded as continuing as long as the entrepreneur or his receiver in bankruptcy sells the business assets, which the entrepreneur has acquired.

The reported activities are sometimes completely fictitious and do not even meet the substantive requirements of tax liability. Occasionally, fraudulent activity may be disguised as a normal taxable business.

Tackling the grey economy has been found to be most effective when implemented in a front-loaded manner and as real-time as possible. This means, among other things, keeping the VAT register as clean as possible of fraudulent operators. In connection with this, it will be examined whether the national VAT law, like some other EU countries, could include provisions on the de-registration of VAT-registered operators due to abuses of the VAT system. In addition, it will be examined whether it might be possible to prevent operators liable to pay VAT from entering the VAT register when there are objective grounds to suspect that the business ID will be used fraudulently. In this context, it must also be determined whether such legislative changes would be in line with the VAT Directive and the case law of the EU's Court of Justice (CJEU).

### **Impact assessment**

Register control is the most cost-effective and comprehensive form of control of the Tax Administration. According to a conservative estimate by the Tax Administration, the average damage caused by a single fraudulent operator is EUR 5,000 per month.

### **Instruments used in the impact assessment**

It will be examined whether such legislative changes would be possible and appropriate, and whether they would be in line with the VAT Directive and the case law of the CJEU.

### **Responsible parties**

Ministry of Finance and Tax Administration (Ministry of Economic Affairs and Employment).

### **Timetable**

Over the government term of 2024–2027.

### **Resource requirement**

To be carried out as part of official duties.

### **Provision of information**

Responsible ministry

## 2.2 Develop sanctions for third-party disclosure obligations and enable a negligence penalty for unjustified withholding tax refund applications

### Project description

The sanctions for third-party disclosure obligations will be developed by raising the upper euro-denominated limit of the penalty for non-compliance by third-party reporters and by repealing section 87 of the Act on Assessment Procedure. The development will take into account the impact of EU law on sanctions. In addition, the imposition of a negligence penalty on refunds of withholding tax in accordance with section 11 of the Act on the Taxation of Non-residents' Income and Capital will be assessed when tax refund applications are unjustified and, if necessary, the relevant legislative changes will be implemented.

This is a follow-up project to the projects of previous action plans, where the necessary legislative changes are to be implemented. In Project 3.3 of the previous action plan, the Tax Administration prepared an assessment memorandum on enhancing the effectiveness of the reporting and clarification obligation with a sanction in tax audits and the development of an administrative sanction for the third-party disclosure obligation. The memorandum stated that, in grey economy tax audits, strengthening the reporting and clarification obligation would probably not have a significant impact on influencing behaviour. No improvements were proposed in this regard. However, the memorandum identified challenges related to the third-party disclosure obligation from the point of view of securing access to information. In connection with this, development proposals were presented, the most important of which was the raising of the upper limit for the euro-denominated negligence penalty of third-party reporters. Indeed, the low level of administrative sanctions has made it so that it may be more advantageous to pay the sanction than to fulfil the request for information. At present, the sanctions cannot secure the Tax Administration's access to information. The increase was justified not only by the need for a national update, but also by the fact that the Tax Administration's negligence penalty for third-party reporters partly protects obligations based on EU law. The administrative sanctioning of obligations under EU law and the sanctions system (for example, the DAC 7 and DAC 8 directives) state that administrative sanctions must be proportionate, effective and dissuasive. In addition, the memorandum proposed that, in connection with the development of the regulation on the negligence penalty, Article 87 of the Tax Procedure Act is repealed. Failure to comply with the third-party disclosure obligation is punishable by a fine as laid down in section 87 of the Act on Assessment Procedure.

The memorandum also presented as one of the development needs the possibility of an administrative sanction on refunds of withholding tax in accordance with section 11 of the Act on the Taxation of Non-residents' Income and Capital. If too much withholding tax has been charged on dividend, interest or royalty income, a non-resident income earner can apply for a refund of withholding tax after the year of payment from the Finnish Tax Administration. However, if the application for a withholding tax refund from Finland is unjustified, it is currently not possible to impose an administrative penalty, so unjustified refund applications do not result in any sanctions other than the rejection of the refund application. Refund fraud situations may meet some of the characteristics of a crime but, in practice, applications made by a foreign operator from abroad have led to hardly any criminal proceedings.

If the Tax Administration had the option of imposing a negligence penalty, it would probably reduce both the number of purely unfounded applications and the number of applications made without due care. It can therefore be assumed to have at least some preventive effect. For example, VAT refunds and excise duties are subject to penalty provisions.

In practice, some challenges can be assumed to arise from the fact that collecting a negligence penalty from a foreign operator would be difficult. However, applicants are typically large financial institutions from which, in principle, it should be possible to recover negligence penalties.

The project will assess what legislative changes are justified and will prepare and implement the necessary legislative changes.

### **Impact assessment and instruments used in the impact assessment**

Third-party reporters' responses to requests for information are expected to increase. The negligence penalty will have a preventive effect for unjustified withholding tax refund applications. In general, the development of sanctions would also have a direct fiscal impact. It is possible to estimate the effects on the basis of negligence penalties imposed on third-party reporters and statistics on unjustified refund applications.

### **Responsible parties**

Ministry of Finance, Tax Administration.

### **Timetable**

Over the government term of 2024–2027.

### **Resource requirement**

The measure will be carried out as part of official duties. The Tax Administration is responsible for carrying out impact assessments and the Ministry of Finance for legislation.

### **Provision of information**

Ministry of Finance, Tax Administration.

## **2.3 Professional enablers and facilitators**

### **Project description**

The project will develop proactive prevention of the activities of professional enablers and a set of measures aimed at this in accordance with the OECD recommendations. The project will actively participate in ongoing relevant international development projects. The work of the national cooperation network of public authorities related to professional enablers will be continued. The adequacy and appropriateness of legislation will be assessed, including national information exchange provisions and international exchange of tax information. Efforts will be made at the national level to raise awareness not only among supervisory authorities but also within the private sector about the role of professional enablers. Opportunities for developing information exchange between public authorities and private sector entities will also be assessed in the future.

Professional enablers are individuals with specific expertise who, by leveraging their skills, structures and networks, contribute to facilitating serious financial crime.

Arrangements facilitated by professional enablers have led to some of the most fiscally and socially significant tax and financial crimes of our time, such as the Panama and Paradise Papers and cum/ex fraud schemes. In addition to international examples, significant national investigations are also under way. Examples of harmful phenomena facilitated by professional enablers include asset stripping schemes and other fraudulent arrangements in insolvency, bankruptcy or estate liquidation situations; shelf company trading; withholding tax speculation and dividend laundering; large-scale exploitation of illegal foreign labour; fraudulent exploitation of artificial corporate structures, trusts and offshore companies; fabrication of false financial data and sham transactions; exploitation of virtual currencies and other blockchain assets for fraudulent purposes, as well as the exploitation of the financial sector to facilitate large-scale fraud.

Control and steering measures aimed at professional enablers are a cost-effective way to tackle tax and financial crime, as that will make it more difficult for criminals to access, for example, sophisticated tax fraud structures and thereby reduce financial crime as a whole.

The aim of the project is to increase understanding of the role of professional enablers and to acquire knowledge of the means of identifying professional enablers. Indicators and analytics are to be developed for the identification of professional enablers, and international cooperation is to be utilised in this work. The aim is also to identify possible legislative means, including any gaps in the exchange of information, for intervening in the activities of professional enablers, and to draw up the necessary action plans to complicate and prevent the activities of enablers, both nationally and in cross-border situations. In addition, the aim is to involve private sector operators in the prevention work and, more generally, to raise awareness of the issue, including among public officials.

Different types of professional enablers require different measures, ranging from more robust controls to increasing information and knowledge. Communication and training are key to intervening with professional enablers.

### **Impact assessment**

Significant impacts are expected when intervening in arrangements and operators in the financial sector and other so-called white-collar crime, with the power of examples and also by means of communication. Attitudes will be influenced and operators also identified in the non-conventional grey economy. Increasing information can also affect, for example, the attitudes of students. Cooperation with the private sector can influence the development of the organisational culture of companies. Efforts will be made more effectively to prevent, identify and investigate tax and other financial crimes facilitated by professional enablers.

### **Instruments used in the impact assessment**

- impact on high-risk professional enablers and high-risk industries through analysis
- scope of prevention, development of risk management and target selection as accuracy of strikes
- identification of new phenomena and methods
- cooperation with the private sector
- international comparison.

**Responsible parties**

Tax Administration, Ministry of the Interior, National Bureau of Investigation, Customs, Prosecution Service, Office of Bankruptcy Ombudsman, Financial Supervisory Authority (FIN-FSA), Regional State Administrative Agency, Ministry of Finance.

**Timetable**

2024–2027.

**Resource requirement**

To be carried out as part of official duties; also requires communication measures by different public authorities as a tool to influence stakeholders. A national network of authorities exists under the management of the Tax Administration.

**Provision of information**

The Tax Administration and the other public authorities and ministries involved.

## 2.4 Project on companies removed from the Trade Register

**Project description**

The aim of the study project is to identify the legal provisions and procedures of public authorities that cause key problems related to companies that have been removed from the Trade Register (deregistered), and to draw up concrete proposals for eliminating the problems.

The Finnish Patent and Registration Office removes from the Trade Register companies that have ceased operations or fail to comply with their notification obligations. There are problems with companies deregistered on the initiative of the Finnish Patent and Registration Office and their legal status. A deregistered company has legal capacity but lacks legal competence. The company can, for example, own property, but it cannot, as a rule, take legal action to acquire additional property or to sell existing property. The representatives of a deregistered company may take measures that are necessary for the repayment of the company's debts or the preservation of the value of the company's assets.

While the legal effects of registration in the Trade Register have been regulated comprehensively, the legal effects of deregistration have not been unambiguously regulated, which leads to various problems of interpretation with regard to other obligations, liabilities and rights (such as in regard to taxation) of deregistered companies. According to case law, a deregistered company remains a company and, for example, a shareholder's hidden dividend can also be taxed for the period during which the company was not in the Trade Register. A deregistered company cannot be registered for VAT or in other Tax Administration registers. A operator registered for VAT should be the actual operator that carried out the legal acts.

The inactivity of a company removed from the trade register towards public authorities or the entity maintaining a public register does not always indicate the actual cessation of its operations, and errors or omissions in register entries do not always prevent the continuation of business activities, even though they have legal implications. The Finnish Patent and Registration Office can deregister even an active company if it fails to submit its financial statements or disclose its beneficiaries by the

deadline. However, the Tax Administration cannot terminate the customer relationship of a deregistered company if the customer owns, for example, real estate or housing company shares. There is a risk that the real estate or housing shares continue to be used to generate income but the income is not reported and taxes are not paid. Some companies also continue to do business outside the registers after being deregistered. One challenge also comes from companies returned to the Trade Register after deregistration, which do not apply for re-registration in the Tax Administration's registers on their own initiative.

A study/statistical review being prepared by the Grey Economy Information Unit (GEIU) supports the findings that companies deregistered by the Finnish Patent and Registration Office are associated with grey economy risks and that deregistrations by the Finnish Patent and Registration Office increase work for public authorities, for example, in the registration of the Tax Administration and tax control.

### **Impact assessment**

The proposals produced by the project can be used to implement the necessary amendments to legislation and official procedures. Once implemented, the amendments will correct the problems related to deregistered companies and their legal status: prevent misconduct, enable companies' responsible persons to act correctly and facilitate effective regulatory control. The impact can be assessed with the help of statistics or a survey targeted at public authorities.

### **Responsible parties**

Finnish Patent and Registration Office, Tax Administration, National Enforcement Authority Finland, Employment Fund

### **Timetable**

Implementation 2025–2026

### **Resource requirement**

To be implemented with public authorities' existing resources.

### **Provision of information**

Finnish Patent and Registration Office, Tax Administration, National Enforcement Authority Finland, Employment Fund.

### **3 Ensure the capacity of authorities to tackle the grey economy and economic crime**

#### **3.1 Prevent the grey economy in enforcement evasion situations – investigate the need to amend legislation to respond to changes in the operating environment**

##### **Background**

The provisions of the Enforcement Code have fallen behind, especially in terms of digitalisation and new phenomena. In addition, the internationalisation of operations and the shift of debtors' financial transactions to foreign banks and money transmission services have in recent years become a significant challenge in the enforcement environment, hindering access to information and reducing the effectiveness of enforcement.

In the enforcement analytics project, ambiguities in interpretation have been observed regarding the possibility of using account transaction data for various phenomenon reports.

The current regulation has also proved ambiguous as regards the exchange of information between public authorities, for example the spontaneous disclosure of information to the enforcement authority. In its ruling 2023:24, the Supreme Court considered that the police did not have the power to report to the enforcement authority on their own initiative the funds seized from a person.

##### **Relationship with the Government Programme**

According to the Programme of Prime Minister Petteri Orpo's Government, the Government will step up the fight against the grey economy and economic crime in enforcement proceedings. The Government Programme states that the Government will explore ways to intervene more effectively in situations where enforcement proceedings are being evaded. The investigation work of the National Enforcement Authority Finland is a preliminary study for a government programme project of the Ministry of Justice, which will start in 2025.

##### **Project description**

The aim is to draw up a report that mainly assesses the legislative means by which enforcement evasion could be addressed more effectively. The evaluation will focus on the amendments needed to the Enforcement Code to achieve the objective, such as regulations concerning the enforcement authority's access to information and artificial arrangements. Additionally, it will be examined whether there are any obstacles in legislation to the full utilisation of analytics.

The Ministry of Justice is responsible for promoting the project in accordance with the Government Programme but, if necessary, the investigation carried out by the National Enforcement Authority Finland will support the preparation of the matter.

It is therefore a study project.

##### **Impact assessment**

The project will promote the fairness of the enforcement procedure, the implementation of legal protection and the efforts against the grey economy and economic crime.

**Follow-up monitoring of impacts**

Follow-up monitoring has not yet been specified for the project. This is a study project that may lead to legislative changes later on. After any legislative changes, it is possible to assess the effects, for example through the number of measures taken by the National Enforcement Authority Finland for special implementation and the recovery result.

**Responsible parties**

The responsible party is the National Enforcement Authority Finland, which will be in charge of the project and cooperate the Ministry of Justice in its implementation.

**Timetable**

2024–2025.

**Resource requirement**

The project will be implemented as part of official duties of the National Enforcement Authority Finland, and the resources required for implementation will be specified during the preparation.

**Provision of information**

National Enforcement Authority Finland.

**3.2 Secure the Tax Administration's access to information****Project description**

The Tax Administration's access to information must be secured so as to ensure that the Tax Administration has a sufficient information base to carry out taxation and tax control. In addition to tax revenue, a sufficient knowledge base will also ensure uniform taxation and equal treatment of all persons liable to pay tax.

Securing access to information concerns, in particular, the coverage of third-party disclosure obligations. In addition to the economic environment, the legislative environment has also changed, and the current legislative solutions on disclosure obligations do not guarantee the use of information necessary for taxation, even if it is information on economic activities. This primarily concerns the benchmarking of financial institutions and the opportunity to monitor compliance with reporting and due diligence obligations related to international obligations (FATCA, CRS and DAC2). In addition, the project will assess on a general level the need to strengthen special third-party disclosure obligations so that restrictions on the use of information defined in other legislation do not restrict the use of information on economic activities for tax purposes.

Currently, the implementation of third-party disclosure obligations is limited in particular by national interpretations of data protection regulations. Litigation for contesting disclosure obligations takes years, and this usually means that the tax adjustment period expires before a judgment is given. At the moment, the Tax Administration does not have the opportunity to effectively monitor cross-border economic activities or identify phenomena that pose a risk in terms of taxation. This causes a tax gap of approximately EUR 100 million per annum.

**Impact assessment**

Enhanced tax control, improved tax revenue estimated at EUR 100 million.

**Responsible parties**

Ministry of Finance, Tax Administration.

**Timetable**

Promotion and implementation 2024–2027.

**Resource requirement**

To be carried out as part of official duties.

## Provision of information

Ministry of Finance, Tax Administration.

### 3.3 Develop the powers and inspection rights of the Tax Administration and Customs

#### Project description

The project will prepare the necessary legislative proposals for updating the powers and inspection rights of the Tax Administration and Customs. The draft provisions must be drawn up in such a way as to enable legislation to carry out a digital forensics function in tax audits carried out by Customs and to construct it for the Tax Administration.

This is a follow-up project to the projects of previous action plans, which are primarily intended to prepare the necessary legislative amendments. Changes to legislation and other lower-level norms are based on previous studies and assessment memorandums. Project 3.3 of the previous action plan (2020–2023) carried out an extensive survey on the adequacy of powers of the Tax Administration and Customs in tax audit activities. As part of the project, the Tax Administration and Customs prepared a memorandum that described the current state of the Tax Administration's tax audits and Customs' post clearance audits, identified issues observed in the current state, and made development recommendations. In addition, the project prepared a final report for a study coordinated by the Ministry of Finance, which proposed increasing the powers of the Tax Administration and Customs to investigate activities in the grey economy.

The operating environment in which tax audits are conducted has changed significantly since the regulations governing audits were issued. The challenges in tackling the grey economy are associated in particular with the fast advancement of the digital economy and the ability of authorities to detect and combat the problems it creates. The transition of financial administration materials to a digital format creates its own challenges in terms of access to data when the data can technically be located in very different places and in digitally very different formats (cloud services, servers, various other electronic recordings and storage platforms, smartphones, etc.). Due to the change in the operating environment, the current legislation does not allow for an effective tax audit of the grey economy. The current audit powers do not sufficiently secure the access to information required by the aforementioned public authorities' tax audits in grey economy tax audits, where VAT-registered operators often fail to fulfil their duty to cooperate. Based on previous research, the obligation of VAT-registered operators to submit and clarify information on a purely voluntary basis is outdated and insufficient. Problems in obtaining material for audits are likely to increase, so the powers should also be reviewed. In addition, the powers of the tax audit authorities have lagged behind other national authorities or those in other countries, such as the tax administrations of Sweden and Norway.

In an earlier project, it was proposed to increase the tax audit powers of the Tax Administration and Customs by enacting a separate statute on the authority's right to secure evidence in tax audits. The new powers could become applicable in inspections classified as grey economy tax audits where there is a suspicion of a serious breach of tax or customs legislation. The conditions of the new powers would be strictly laid down by law. The separate statute would include general criteria concerning the scope of the act and the securing of evidence, as well as the new powers available to the Tax Administration and Customs. The powers could only be used in exceptional situations, in practice in risk-

based targeted grey economy tax audits by the Tax Administration and Customs, and could not be used in the basic administrative tax audits carried out by these authorities. As a rule, securing evidence would always be a secondary means for conducting a tax audit, including in grey economy audits.

Securing evidence would mean acquiring tax audit material without the involvement of the VAT-registered operator if certain conditions laid down in law were met. If the conditions for securing evidence are met, the Tax Administration and Customs would be authorised to conduct inspections, search for and copy materials, temporarily seize assets and verify identities. The right to secure evidence would therefore include administrative coercive features in the same way as in Sweden and Norway.

A credible tax control system requires that the competent authority is equipped with effective tools for detecting and investigating grey economy activities and economic crime. Real-time investigations are resource-intensive, and other crimes related to the grey economy, such as environmental crimes, labour discrimination, human trafficking and food fraud, compete for police resources. In practice, the number of real-time cases in the Tax Administration's efforts against the grey economy and the Police's financial investigation has shrunk to one third of previous levels, and there is no improvement in sight – on the contrary, the backlog in financial investigations is increasing and the situation continues to deteriorate. This is also the case with other financial investigation agencies. At the same time, the targets are becoming more fragmented; rather than individual large targets for real-time investigation, the focus is on clusters of targets and networked activities, the full extent of which often only becomes apparent during the investigation. The investigative work is time-consuming and becomes increasingly challenging as matters grow more complex. The aim of the development of powers is to reduce the need for inspections conducted in cooperation between public authorities required for grey economy tax audits. The powers would improve the acquisition of data and the presentation of evidence in investigating cases of the grey economy. Depending on the competent authority, the evidence can be estimated to improve, among other things, when investigating

- the true nature of business arrangements,
- the identification of real operators and the targeting of taxation on the correct VAT-registered operator,
- aspects related to the determination of a permanent establishment,
- documents with false content, including receipt trading,
- investigation of cash flows (including cash, the use of various new payment methods and applications, virtual currencies and neo-banks),
- off-the-books payroll and undocumented workers with potential falsified timekeeping records,
- cash system manipulation,
- professional enablers and facilitators,
- platform economy income,
- the use of AI in tax avoidance arrangements,
- identity misuse,
- actual transactions in international trade, and
- attempts to circumvent sanctions.

Particularly, challenges related to the use of artificial intelligence (such as false or fabricated accounting records and inputting incorrect data), as well as the use of new payment platforms and applications (neo-banks, self-developed money transfer mechanisms), complicate the ability of Customs and the Tax Administration to investigate matters.

In cases involving the grey economy, information would thus be obtained more effectively directly from the person liable to pay tax, which would be a significant improvement over the current situation where taxation may have to rely almost exclusively on information obtained from third parties. On the other hand, the need to use assessment on the basis of estimated income in taxation would decrease if information were more readily available and taxation could be based on more reliable and genuine business transactions. Taxation could also be targeted more towards the right person liable to pay tax. Tax seizure, on the other hand, could be used more often as a tool if activities could be better investigated. In addition, the development of powers could provide better information on new tax avoidance schemes. The data could be utilised, for example, to enhance risk management and control. Improving the quality of tax audits also has spill-over effects on the criminal process.

On the other hand, for those participants in the grey economy who, in the current situation, neglect to contribute to tax audits, the new powers would act as an incentive to submit material to the Tax Administration on their own initiative. This is because the person liable to pay tax may consider it a better option to submit the material to the Tax Administration proactively than to become subject to an administrative coercive measure. Under the current legislation, failure to comply with the duty to cooperate does not result in any consequences for the person liable to pay tax in the administrative process, so they may find it profitable not to submit the material.

The objective of the development of powers is not to change the current tax audit procedure or the starting point that the tax audit must be based on the auditee's duty to cooperate. It is also not intended to change the cooperation with the police and other pre-trial investigation authorities; real-time inspections will still be conducted if the competent pre-trial investigation authority has the resources to do so. The regulation on securing evidence should only apply in exceptional circumstances and is not intended to target those who operate correctly. Securing evidence can therefore be considered to bring an additional procedural step to the tax audit process in certain circumstances, but it does not otherwise change the nature of the tax audit process as an administrative procedure or otherwise alter its course.

The development of powers would make it possible to build a digital forensics function in the Tax Administration. Building the function is critical in order to be able to search for and reproduce the material necessary for the tax audit in electronic form. In addition, the current state of the police's financial crime prevention operations, resources and backlog must be taken into account, as they cannot be sufficiently resolved in a way that would eliminate the need to increase the Tax Administration's powers and audit rights. The need to build digital forensic capability for the Tax Administration is urgent, and it is necessary not only from the perspective of combating the grey economy but also for addressing threats posed by AI, among other concerns. The implementation of the function would require a political decision, legislative amendments and separate funding.

The pre-trial investigation authorities, including the Police Department of the Ministry of the Interior, have expressed their support for updating the powers and inspection rights of the Tax Administration, as well as for building digital forensic capability due to the current heavily backlogged investigation of financial crime and the rapid changes in the operating environment. No other solution is in sight for the matter; instead, the situation continues to deteriorate. This also has an impact on internal security.

The need to increase the resources and know-how of the existing digital forensics function at Customs will be reviewed as the project progresses. Currently, Customs has the opportunity to utilise digital forensics with the powers of a pre-trial investigation authority, but there is an equal need for digital forensics in the administrative tax audit process at Customs and in the Tax Administration.

The project will prepare the necessary legislative proposals for updating the powers and inspection rights of the Tax Administration and Customs. Decisions on the submission of legislative amendments to Parliament and the implementation of the digital forensics function will be made separately.

### **Impact assessment**

Improved quality of grey economy tax audits through the receipt of materials in various forms, reduction of the amount of assessment on the basis of estimated income, increased efficiency of operations and acceleration of the process (in addition, direct effects also on financial investigations, in the form of better quality tax audit reports).

### **Responsible parties**

Ministry of Finance, Tax Administration, Customs, Ministry of Justice.

### **Timetable**

Promotion and implementation 2025–2027.

### **Resource requirement**

Legislative drafting will be carried out as part of official duties (Tax Administration, Customs, Ministry of Finance, Ministry of the Interior, Ministry of Justice).

The establishment of a digital forensics function will require separate funding. According to a preliminary estimate, establishing the function will incur EUR 1,182,000 in preparation and investment costs. After the start of operations, the annual costs have been estimated at EUR 2,773,000. The estimates include personnel costs and other procurement costs, including software, licences and equipment needed in the digital forensics function, the acquisition of a laboratory and related premises, as well as storage capacity.

### **Provision of information**

Ministry of Finance, Tax Administration/Communications, Customs, Ministry of the Interior, Ministry of Justice.

## **3.4 Implement the GEIU legislative amendment**

### **Project description**

The need to change the powers of the GEIU has been mapped in cooperation between the Tax Department of the Ministry of Finance and the Grey Economy Information Unit (GEIU) of the Tax Administration.

The report identified the following need for legislative changes:

1. Expand the scope of the GEIU to include all natural persons (currently, in addition to organisations, the scope includes only so-called organisation-related individuals, such as owners and partners, in addition to organisations).

- In the future, the GEIU could also prepare phenomenon and compliance reports on the activities of natural persons who do not have an organisational link.
  - The aim is to improve and enhance the ability of several public authorities to obtain the information necessary for their tasks, as the GEIU could draw up more extensive phenomenon and compliance reports of natural persons to support the tasks of the authorities.
  - The change would benefit in particular the activities of the Financial Intelligence Unit in detecting and preventing money laundering and terrorist financing, the crime prevention tasks of the Police, Customs and the Border Guard, the handling and monitoring of employment-based residence permits of the Immigration Service, and the tasks of the Security and Intelligence Service in tackling national security threats.
2. Extend the use of information obtained for a phenomenon report to other phenomenon reports
    - In the future, the information obtained for a phenomenon report could be used in more than one phenomenon report.
    - The aim is to enhance the GEIU's access to information and to improve its operating conditions for investigating grey economy phenomena.
  3. Change the intended use of compliance reports
    - The restrictive separate requirements on pre-trial investigation authorities for requesting compliance reports would be waived.
      - A compliance report would also be possible in case of crimes where the maximum sentence is less than a year's imprisonment and the crime is not suspected to have been committed in the activities of the organisation or by misusing it.
    - The detection of crimes would be added as one of the purposes for using compliance reports.
    - The aim is to improve access to information for the pre-trial investigation authorities.
  4. Amend the deletion of information stored in the investigation information system
    - The provision on the deletion of information obtained for the purpose of a phenomenon report would be relaxed so that, in the future, data could be stored for a period of time, such as three to five years, in order to enable later use.
    - The aim is to make the Act on the Grey Economy Information Unit more consistent internally, to promote the implementation of the GEIU's information generation task and, for its part, to enable the expansion of the scope of use of the information obtained for a phenomenon report.

### **Impact assessment**

The amendment would make it possible to draw up phenomenon reports on the currently hidden phenomena of the grey economy, for example on business activities outside the registers of natural persons, on the grey economy investment activities carried out by natural persons, on cryptocurrency transactions not reported for taxation or on business activities carried out with platform economy services without a business ID.

The compliance report service will see wider use in official duties and the use of existing information rights will become more efficient. Centralised collection of data from public authorities will improve the efficiency of data acquisition and save costs. The availability of official registry information will be

improved by using the central compliance report service, which is already in production, and interface solutions more extensively in the exchange of information. The utilisation of data and the automation of data processing will become more efficient in official tasks. Emerging services are estimated to increase public authorities' ability to identify and monitor risk groups in the grey economy, and target them for monitoring. The resources of public authorities are freed up from data collection to carry out their primary tasks. It is estimated that, as a whole, the change will enhance public authorities' efforts to tackle the grey economy and create preconditions for preventing the grey economy.

The legislative amendment concerning the GEIU will increase the demand for the services of the GEIU and the use of official data by various public authorities in their duties. The new powers will enable the development and addition of new services to the centralised services produced by the GEIU.

The change would promote the flow of information between the different information systems in use in public administration (Programme of Prime Minister Orpo's Government, p. 126) and develop digitalisation in the exchange of information between public authorities.

#### **Instruments used in the impact assessment**

Statistics on the increased use of compliance reports in new official duties. Customer satisfaction surveys targeted at public authorities.

#### **Responsible parties**

Ministry of Finance, GEIU, Tax Administration. Stakeholders adopting new services of the GEIU.

#### **Timetable**

To be implemented during 2025.

#### **Resource requirement**

To be carried out as part of official duties.

#### **Provision of information**

Ministry of Finance and GEIU, stakeholders using the services.

### **3.5 Currency and correctness of the information in the register of beneficial owners**

#### **Project description**

Options to improve the currency, correctness and usability of information in the register of beneficial owners will be explored. The most appropriate option will be implemented.

The reliability and usability of the information in the register of beneficial owners in terms of the requirements of anti-money laundering (AML) legislation requires an investigation conducted by multiple public authorities in cooperation. In addition to the information in the register of beneficial owners, other public authorities have information related to beneficial owners, but cross-referencing this information is challenging, and the current legislation does not allow for a comprehensive mass analysis. The use of the register of beneficial owners by public authorities and its usability in the efforts against

the grey economy and economic crime should be enhanced. As a result of the AML package, the Finnish Patent and Registration Office, as the data controller, will have significantly greater responsibilities in verifying data and keeping it up to date. In practice, these requirements will require a comparison of the information in our beneficiary register with both the Tax Administration's information on owners and the information on beneficial owners in the Accounts Register of Customs.

### **Impact assessment**

Improving the correctness and currency of the content of the register of beneficial owners extensively serves public authorities, enhances the efforts against the grey economy and economic crime and the detection of money laundering, as well as substantially improving the ability to identify the real background operators and arrangements.

### **Responsible parties**

Finnish Patent and Registration Office, Tax Administration, Ministry of Economic Affairs and Employment.

### **Timetable**

During 2024 and 2025.

### **Resource requirement**

To be carried out as part of official duties.

### **Provision of information**

Finnish Patent and Registration Office, other responsible parties for their part.

## **3.6 Develop Customs analysis and intelligence analytics**

### **Project description**

The project aims to enhance the analytics capabilities of Customs' Control Department in analysis, intelligence and commercial risk management to improve the effectiveness of combating the grey economy and enforcing sanctions. The aim is to ensure the basic technological preconditions for analytics in order to utilise the necessary data to bring out the operators at the heart of the grey economy and sanction circumvention. It must be possible to quickly identify operators seeking to benefit from crime as targets of crime prevention, and the necessary control and investigation measures must be directed at them without delay. Ensuring the basic technological preconditions secures the availability of data related to operators through the implementation of information system services. The study section of the project package conducted in-house includes an examination of stakeholders' cooperation interests and opportunities, as well as the availability and use of data on international operators, while the implementation section focuses on acquiring and deploying an international business database. The study section refines the scope of the implementation section by clarifying collaboration opportunities related to operations and procurement, as well as the adaptation of the service solution for use. Implementation is therefore dependent on the outputs of the study section and the conclusions drawn therein. The scope of the development measures implemented in the project is also conditional in that

the procurement of software and information system services that require separate financial resources can only be carried out during the project if funding for them is successfully secured.

The project is linked to the continuation of the work against tax evasion and the grey economy mentioned in the Government Programme's section on sustainable public finances and tax policy. The project is also linked to the Government Programme's measures to strengthen national security and society's resilience, which include a reference to ensuring the operating conditions and powers of Customs in measures to strengthen crime prevention. In addition, the project advances the promotion of fair and open competition in accordance with the principle of 'a nation of fairer competition' outlined in the Government Programme, under which, when opening up the market, care is also taken to prevent and tackle the grey economy and illegal trade, which distort competition. Furthermore, the project is linked to sanctions systems operating in support of the Common Foreign and Security Policy of the European Union, in which Customs is responsible for the implementation and control of import and export restrictions arising from sanctions regulation, as well as the pre-trial investigation of related crimes. In this manner, the project also aligns with the Government Programme commitment to advancing and intensifying the implementation of EU sanctions against Russia.

### **Impact assessment**

The objectives of the project are consistent with the strategic objectives of Customs on increasing societal impact, improving information management and knowledge-based management, and developing technological solutions from the point of view of core operations. The project aims not only to combat the tax gap but also to enhance the effectiveness of the prevention of customs crime, which already has an annual impact in the tens of millions of euros. The analytical capabilities developed through the project will also support, in particular, sanctions monitoring and the prevention of related regulation offences, which are expected to significantly increase the workload of Customs in the coming years. When information on operators is at the heart of prevention work, shortcomings in its availability cause significant delays in the surveillance and criminal investigation processes, the effects of which are also reflected in the other public authorities in the prevention chain, as well as in the steering stakeholders.

### **Follow-up monitoring of impacts**

The impact will be reflected in measurable time savings for internal and collaborative processes, accelerated process chains, and enhanced quality in data utilisation and system services. These are assumed to have a beneficial derivative effect in the form of changes in crime statistics, for example as a potential increase in the solve rates of crimes and offences, as well as the value of the recovered proceeds of crime.

### **Responsible parties**

The main and information-provision responsibility for the project lies with Customs. As the preparation proceeds, other government stakeholders and operators will be mapped.

### **Timetable**

The project will be implemented between 2025 and 2027 with a focus on system service procurement and implementation.

### **Resource requirement**

The project will be implemented as part of official duties in terms of the study section and its own technical implementation. The project requires an external resource for the delivery, deployment and maintenance of the system service, with an estimated value of approximately EUR 500,000 to EUR 700,000 during the project's implementation period. The options for financing development activities that require additional financial resources are the subject of a study.

### **Provision of information**

Customs

## **3.7 Partial reform of the Act on Discretionary Government Grants**

### **Project description**

According to the minutes of the spending limits discussion of Prime Minister Orpo's Government on 15–16 April 2024, "Discretionary government grant practices will be reformed and more effective and transparent discretionary government grant activities ensured. At the same time, the aim is to emphasise general grants instead of project grants in government grants, as well as to reduce the administrative burden and the multi-channel nature of government grant activities, and improve the ability of the activities to have an impact. As part of the work, a reform of the Act on Discretionary Government Grants will be launched during 2024."

In recent years, there has been no cross-administrative or aggregate assessment of the proposals to amend the Act on Discretionary Government Grants. The Ministry of Finance is setting up a working group to prepare the partial reform of the act. The task of the working group is to assess the need for amendment of the act as a whole, and, in particular, the need for more comprehensive provisions on the grounds of impediments to the awarding and payment of government grants, in which case an applicant could be rendered ineligible to receive a grant by, for example, tax debts and certain other overdue government claims, bankruptcy, previous failure to repay a government grant, and possibly also certain final criminal convictions of the applicant's managers. The working group will prepare the proposals it considers necessary in the form of a government proposal in such a way that the proposal can be submitted to Parliament by September 2026 at the latest. The nature of the Act on Discretionary Government Grants as a general act will be preserved.

### **Impact assessment**

The amendments proposed to the Act on Discretionary Government Grants would prevent government grants from being directed to companies that have not fulfilled their tax or social security payment obligations. According to a report by the Tax Administration's Grey Economy Information Unit, the effects of enacting restrictions could impact around 3,500 companies and approximately EUR 250 million in grants per annum.

The legislative change will somewhat increase the work of the government grant authorities, but it is not expected to have a significant impact on, for example, their need for resources.

The project will not increase the administrative burden for companies or entities that apply for and receive grants, as the necessary information will be obtained from, for example, other public authorities through the compliance reports of the Tax Administration's Grey Economy Information Unit.

#### **Follow-up monitoring of impacts**

The effects of the project can be monitored through, for example, a follow-up study carried out by the Tax Administration's Grey Economy Information Unit.

#### **Responsible party**

Ministry of Finance

#### **Timetable**

The Government proposal is due to be submitted to Parliament in autumn 2026.

#### **Resource requirement**

The partial reform of the Act on Discretionary Government Grants will be carried out as part of official duties.

#### **Provision of information**

The Ministry of Finance is responsible for information provision about the partial reform of the Act on Discretionary Government Grants.

## **4 Develop measures to combat the grey economy and economic crime and cooperation between public authorities**

### **4.1 Investigate the establishment of a register of estate administrators**

#### **Project description**

Implementation options, benefits and costs of up-to-date registration of those acting as administrators of bankruptcy estates and in corporate reorganisations will be investigated. The aim of the register is to make transparent to the courts, creditors, debtors and other insolvency stakeholders the persons acting and qualified to act as estate administrators. The register will enhance the supervision of the administration and restructuring procedures of bankruptcy estates by including only qualified individuals and allowing entries related to supervisory decisions for each person. The register will also promote the appointment of estate administrators.

The investigation is based on the Programme of Prime Minister Petteri Orpo's Government: "The Government will explore the possibilities to establish a register for estate administrators."

The Office of Bankruptcy Ombudsman will carry out the investigation in cooperation with the Ministry of Justice.

The decision to set up the register will be made and evaluated on the basis of the investigation.

### **Impact assessment**

Desired impacts of the project in the efforts against the grey economy and economic crime: The investigation is the first step towards the establishment of a register. The actual effects will be achieved only if the register is established. The estate administrator's obligation to ascertain the financial situation of the debtor in bankruptcy and their activities preceding the bankruptcy, as well as the obligation to report suspicions of a crime to the police, if necessary, form the basis for the realisation of criminal liability and liability for damages in bankruptcies. This is facilitated by the most competent and effective estate management possible.

Impacts of the project on public authorities: Estate administrator' activities to investigate and enforce criminal liability and liability for damages are part of the supervision of estate administrators' activities by the Office of Bankruptcy Ombudsman. The register will enhance supervision. The register will also allow for more effective intervention in the activities of estate administrators who have deficiencies in making requests for investigations. Estate administrators are appointed by the courts. The register will promote the appointment of qualified and effective estate administrators. The Tax Administration typically makes the majority of bankruptcy filings. The register will promote the presentation of qualified and effective estate administrators in bankruptcy applications.

Impacts of the project on business: The transparency of insolvency proceedings will increase. The register will promote the presentation of qualified and effective estate administrators in bankruptcy applications. The investigation and implementation of criminal liability and liability for damages will be promoted.

The register can be used to monitor and report on the number of bankruptcy proceedings each estate administrator has, whether any estate administrators have been deregistered, and whether the supervisory authority has made any decisions concerning the estate administrator.

### **Follow-up monitoring of impacts**

The effects of the investigation cannot be statistically monitored, but the effects of the register can be statistically monitored as described in the previous section.

### **Responsible parties**

Office of Bankruptcy Ombudsman, Ministry of Justice.

### **Timetable**

2024–2027.

### **Resource requirement**

In the Office of Bankruptcy Ombudsman, the investigation will be carried out by two senior bankruptcy lawyers as part of other duties. The Bankruptcy Ombudsman will be in charge of the work.

The project will be carried out as part of official duties.

## **Provision of information**

The project's information provision will be handled by the Office of Bankruptcy Ombudsman/Terhi Majala.

## **4.2 Finland's preparation for the FATF's fifth evaluation round and the coordination of the FATF's evaluation of Finland in 2027 and 2028**

### **Project description**

The International Financial Action Task Force (FATF), of which Finland is a member, started its fifth evaluation round in 2024. During the fifth evaluation round, Finland will need to engage in the FATF's evaluation process for approximately six years. This will involve contributing expert resources to support the evaluations of other countries, as well as undergoing its own assessment. The practical implementation of the member countries' obligations must be carefully planned, as the fifth evaluation round is significantly shorter than the previous round, and the obligations involve significantly greater investments of resources than before.

In the implementation project, a detailed plan will be drawn up for the Finnish measures during the FATF's fifth evaluation round. The plan would include a timetable for the participation of Finnish experts in mutual assessments and the tasks of various national authorities in the evaluation round. The project will also coordinate the preparation for the evaluation of Finland, including the compilation of a material bank containing the written material to be prepared for the assessment.

Extensive written material must be produced for the evaluation of Finland both before and during the country evaluation. The written material must include not only the description of Finnish regulation against money laundering, terrorist financing and proliferation (AML/CFT/CPF) and the organisation of operations, but also the materials necessary for assessing the effectiveness of operations. The production of these materials may require, among other things, regulatory changes and the preparation and re-evaluation of government guidelines and operating practices. Implementing these changes and demonstrating their effectiveness will not happen quickly, so sufficient time should be allocated for these actions. In addition, the country evaluation will include an approximately three-week visit to Finland by evaluators, whose arrangements are the responsibility of the coordinator. The country evaluation will also include the processing of the report on Finland in the FATF working groups and at the General Assembly after the on-site visit.

The evaluation of Finland's AML/CFT system will take place in the period 2027–2028. Preparatory work for the country evaluation is already under way in those Nordic countries whose fifth-round country evaluations take place in the same years as Finland's evaluation.

The results of the evaluation will have an impact on Finland's reputation, and the failure of the evaluation might lead to Finland being designated as a state with significant strategic deficiencies in AML/CFT.

The project will be coordinated by the Preventing Money Laundering and Terrorist Financing unit of the Financial Markets Department of the Ministry of Finance, but all competent authorities with AML/CFT duties will contribute to the measures of the project. The project would also involve cooperation with the private sector where necessary.

### **Impact assessment**

The project will ensure that Finland implements its international AML/CFT obligations, which will strengthen trust in Finnish systems and operators in the efforts against the grey economy and terrorist financing.

Strong AML/CFT prevention and detection systems are also likely to hamper the activities of criminals and participants in the grey economy.

The project will raise awareness among competent authorities and the private sector of the content of the FATF's Recommendations on AML/CFT and the measures required to implement them effectively.

Coordinated and timely preparation for the evaluation of Finland and evaluator work will enable the contributing parties, including private-sector obliged entities, to organise more long-term AML/CFT planning and operations.

This is a demanding intersectoral project that will cause a significant workload for number of ministries and agencies. Coordination work requires good preparation, so that the work required in ministries and authorities can be carried out as efficiently as possible for the necessary reports and answers. It is beneficial for the smooth implementation of the country evaluation and the overall resources required for it that there is one person with overall responsibility for this work.

### **Follow-up monitoring of impacts**

The effects of the project will be directly visible in the successful implementation of Finland's FATF member obligations and in the results of the evaluation of Finland.

### **Responsible parties**

The project will be coordinated by the Ministry of Finance, but the measures of the project will involve all public authorities involved in AML/CFT efforts.

### **Timetable**

The measures in accordance with the project will be implemented between 2024 and 2028.

### **Resource requirement**

The project cannot be implemented in the Ministry of Finance as part of official duties, so it will require separate resourcing. If separate resourcing is not available, the project should not be included in the Action Plan for Tackling the Grey Economy and Economic Crime. In this case, in accordance with the decision to set up the FATF Steering Group and the FATF Group, the FATF Steering Group would be responsible for preparing Finland for the country evaluation.

If the job title of the person coordinating the activities were Coordinator, the annual cost of this person-year would be approximately EUR 65,000 per annum for 2025–2028. The projected cost level of the data bank and order management software with its environment (enables the processing of confidential material up to security classification level IV) would be EUR 15,000 per annum for the years 2027 and 2028 (the costs for the years 2025 and 2026 have been covered by RRF funding).

In accordance with the principles of on-budget activities, EUR 65,000 is proposed for the implementation of the project for 2025, EUR 65,000 for 2026 and EUR 160,000 for 2027, so the costs for 2028 would also be covered. The total cost estimate for the project is EUR 290,000.

### **Provision of information**

Ministry of Finance and the other public authorities involved.

## **4.3 Harmonise and develop procedures for the registration of foreign persons, as well as ensure the correctness of registry information and enhance supervision**

### **Project description**

Registration procedures for foreigners will be developed and harmonised. The operating conditions of the multi-agency field of identity misuse will be improved. The exchange of information between public authorities will be improved by developing legislation and systems as well as procedures for enabling the exchange of information.

The welfare society is largely based on the idea that the information in the official registers is up to date and correct. This also allows for credible monitoring. Public authorities make significant use of, for example, the data in the Population Information Register in their operations, so its correctness is essential. Any errors in registry information are multiplied across other authorities' internal systems, registers, and decisions that rely on this information. Issues with the reliability of registry information are reflected in an increased risk management workload for the public authorities using the information. For this reason, the reliability of data in different registers must be monitored more extensively and with a more risk-based approach.

The digitalisation of society, projects to change the personal identity number system and electronic identity also create pressure for public authorities to develop the monitoring of registry information. Identity misuse has increased with the digitalisation of society, and this development is likely to continue. The Tax Administration established a special project against identity misuse and refund fraud (ID Project) in the previous action plan (2020–2023). The project noted that access to various registers has been easy in Finland. The task of the Tax Administration has not been so much to monitor, for example, the exploitation of foreign labour or the misuse of identities. While tasks such as the registration duties of the Population Information System have been assigned to the Tax Administration by law, it has not been provided with sufficient oversight and monitoring tools. Not all registration authorities have a supervisory function or the associated ability to identify the related grey economy risks and financial crime.

Loosely managed coordination between the public authorities also poses a security risk. The ID Project observed, for example, that there is no unified view among the public authorities on who is in Finland and whether individuals who registered on the basis of employment have actually worked in Finland at all. In addition, the possibility of identity misuse increases when it is not known when foreigners leave the country and who may be in possession of their identities, bank accounts and bank cards. Identity misuse lays the foundation for fraudulent crime. Companies are also used as means of the commission of an offence in financial crime, and the law does not allow the removal of Business IDs even if the company was established solely for the purpose of committing fraud.

The Tax Administration and some other public authorities also register foreigners in their systems with their own artificial identifiers. The data of a person registered with an artificial identifier is not transmitted to the Population Information System but remains only with the registering authority. In the current global situation, that the information is not transmitted specifically to the security authority is a significant risk.

In the Tax Administration, most persons with artificial identifiers are registered on the basis of employment, and the registered person receives from the Tax Administration the same tools for working or running a business regardless of the type of identifier. The Tax Administration is legally required to register foreign persons without the right to work with at least an artificial identifier and to give them tax cards and tax numbers.

The Tax Administration also registers foreign persons who acquire real estate or a housing company share in Finland with an artificial identifier. Registration can be requested, for example, by an authorised representative with a power of attorney on the basis of a free-form application sent by post and a paper copy of the passport. The problematic nature of artificial identifiers is highlighted by the fact that individuals are often not properly identified, creating a clear risk for identity misuse. The actual ownership of both real estate and housing shares can be masked, for example, for the purpose of money laundering or sanctions circumvention or to put the property out of the reach of creditors.

With regard to registry information, issues related to information exchange have been identified as a particular problem. Overall, the legislative framework for the exchange of information in the monitoring of foreign labour and identity misuse is quite fragmented. Legislation related to the exchange of information has not been developed to support the cooperation among multiple authorities necessary for control of foreign labour and identity misuse. For example, the harm caused by identity misuse is very likely to become apparent under the supervision of another public authority, even if the Tax Administration or Digital and Population Data Services Agency were the authority that issued the ID. Problems related to the exchange of information concern, in particular, the ability of public authorities to disclose information related to foreign national oversight (Tax Administration – Regional State Administrative Agency) or identity misuse to other competent authorities on their own initiative. The assessment memorandum of the Tax Administration's project against identity misuse and refund fraud implemented under the 2020–2023 action plan and the subsequent final report of the intersectoral ID Project extensively highlighted various problems and challenges in the activities of public authorities and in the exchange of information. The cross-administrative follow-up ID Project had a broad representation of public authorities and ministries, with a very uniform view of the problems.

At the moment, the public authorities do not have a clear understanding of each other's powers and rights. It is currently not possible to share enough information between public authorities about identities that have been misused or wrongly acquired, which allows the misuse of identities to continue. Essential information may not be proactively communicated, or legislation may not accommodate it. In terms of registry information oversight, there is a lack of overall coordination. Further, the information needs of an individual public authority or the related information already in their possession are not known to other public authorities. Deficiencies in registry information and identity misuse are detected by several information users, in which case it should be ensured that legislation comprehensively enables public authorities' proactive disclosure of information about misuses.

Public authorities should be able to check the data used in control activities in real time, so real-time mass data exchange is required. This could also partially include so-called alert-level information. In terms of legislative changes, this means enabling proactive, low-threshold information exchange. For

example, in the case of the Tax Administration, legislation currently hinders this type of information exchange.

In Finland, personal identity codes are issued by the Tax Administration, the Finnish Immigration Service (Migri) and the Digital and Population Data Services Agency. In addition, some other public authorities (such as Traficom) issue artificial identifiers to enable customer registration. Cooperation and joint procedures between public authorities regarding registration require reforms. Standardised procedures ensure legal protection while also improving the reliability of registry information, as registrations are carried out using the same criteria and processes. Public authorities must also develop analytical activities and the use of analytical information. In addition, training for in-depth competence must be planned and implemented for the public authorities working in the field.

Both identity misuse and the control of foreign labour and employment-based immigration are largely linked to the reliable identification of individuals and companies. The proposal presented in the IDEFIX project (Identification Finland – Preparatory project for the establishment of an ID centre in Finland) on establishing an ID centre is a worthy alternative from the point of view of improving the efficiency of regulatory control. However, these proposals will only solve some of the current challenges, not all of the problems and challenges raised by the ID Project in the current foreign national registration process. This also fundamentally involves defining a clear shared vision. A recent example highlighting the need for collaboration is that some of the employers certified by Migri (expedited processing) are listed by the Tax Administration as entities involved in the grey economy. The Police Department of the Ministry of the Interior has given its support to the promotion of the project, as the matter also has an impact on internal security.

### **Impact assessment**

As the project will intensify the efforts against identity misuse and improve the reliability of registers, it is likely to reduce misuse. Efforts will be made to prevent the damage caused to society by identity misuse, and clarify a common will.

### **Instruments used in the impact assessment**

- monitoring of the quality of registrations, identifying cases of misuse
- information reports proactively submitted by authorities to one another, exchange of information on cases of identity misuse
- coverage of prevention
- identification of new phenomena and methods
- international comparison.

### **Responsible parties**

Tax Administration, Immigration Service, National Police Board, Ministry of the Interior, Digital and Population Data Services Agency, Ministry of Finance, Ministry of Economic Affairs and Employment, Ministry of Justice.

### **Timetable**

2025–2027

### **Resource requirement**

The development of processes and procedures as well as the promotion of the necessary legislative changes will be carried out as part of official duties. If the aim is to also plan and implement the development of interfaces between public authorities (Tax Administration, Immigration Service, Digital and Population Data Services Agency) for information exchange, the cost estimate is EUR 200,000 and the Tax Administration's resource requirement is two person-years.

### **Provision of information**

The responsible ministries

## **4.4 Develop international cooperation between public authorities in the field of occupational safety and health**

### **Project description**

- International cooperation in occupational safety and health enforcement will be increased, thereby increasing the impact of control to tackle the grey economy, work-related crime and undeclared work.
- Efforts against undeclared work at EU level will be promoted by developing operational cooperation between public authorities.
- Government programme: balance the grey economy > combat tax evasion and the grey economy.

Aims of the project:

- Intensify cooperation, in particular with the occupational safety and health authorities of countries posting workers to Finland, in order to increase the effectiveness of controls.
- Establish a framework for the exchange of information between public authorities carrying out labour inspections and for the conduct of cross-border inspections.

### **Impact assessment**

- Improve the effectiveness of control by cross-border exchange of information and control activities (control does not end at the border).
- Increase the effectiveness of control in the EU/EEA area through exchange of information.
- Impact assessment to be planned in the project plan.

### **Follow-up monitoring of impacts**

- Information on cross-border follow-up measures may be collected in operational cooperation between public authorities.
- Impacts will be assessed during and after the project by means of a survey.
- Final report.

### **Responsible parties**

Occupational Safety and Health Administration:

- Preparation and coordination Regional State Administrative Agency for Southwestern Finland/posting specialisation task
- Implementation: Oversight of foreign nationals and posting (project group) and the fair working life phenomenon group

### **Timetable**

2025–2027.

### **Resource requirement**

- Preparation and coordination will be done within the framework of the resourcing of the specialisation task.
- The implementation project will define the resource for the exchange of information and the cross-border audit resource.
- To be carried out as part of official duties.

### **Provision of information**

National communication of the Occupational Safety and Health Administration, posting specialisation task/Regional State Administrative Agency for Southwestern Finland & project group.

## **4.5 Project to develop cooperation between public authorities**

### **Project description**

Effective action against the grey economy, undeclared work and the exploitation of workers requires effective and close cooperation between public authorities. The objective of the project to develop cooperation between public authorities is to further enhance collaboration between public authorities in monitoring and information exchange both regionally and nationwide.

Aims of the project:

- develop cooperation between public authorities at regional level
  - increase risk-based control through joint analysis of data by public authorities and the selection of control targets
  - utilise models created in cooperation between public authorities for supervision
  - increase and deepen cooperation between public authorities, for example by working in shared premises
- develop nationwide cooperation between public authorities
  - improve dialogue between regional inter-authority cooperation forums at national level
  - develop the coordination of national control drives and national control in cooperation with other public authorities.
- Increase the Occupational Safety and Health Administration's proactive exchange of information with other authorities and promote the flow of information from other public authorities to the Occupational Safety and Health Administration

- increase the proactive passing of information from the Occupational Safety and Health Administration to already identified cooperation authorities already identified
- identify new cooperation authorities for the exchange of information.

The project responds, in particular, to the objective stated in the Government Programme that, in order to prevent labour exploitation and combat human trafficking, risk analyses will be used to target occupational safety and health inspections in sectors where the need for protection is greatest. At the same time, the cooperation opportunities of public authorities will be improved by developing the exchange of information between different public authorities.

### **Impact assessment**

The impact and progress of the project will be assessed through regular monitoring throughout the duration of the project.

The project will collect quantitative data on the exchange of information between public authorities, cooperation between public authorities and the impact of cooperation under the supervision of the Occupational Safety and Health Administration. In addition, a qualitative assessment of the project will be carried out by means of a survey.

### **Responsible parties**

The responsibilities of the Occupational Safety and Health Divisions are independently responsible for leading, monitoring and reporting on the project.

The project will be carried out with established cooperation authorities, such as the police departments, the Border Guard and the Finnish Centre for Pensions. In addition, the project will also identify new partner authorities for information exchange. Development activities carried out in the project will always be agreed on a case-by-case basis with each cooperation authority.

### **Timetable**

The project will be implemented in the period 2025–2027.

A more detailed project plan will be prepared for the project before it begins.

### **Resource requirement**

The project will be implemented as part of official duties, and the administrative sector will be able to arrange the financing of the project independently.

### **Provision of information**

The Occupational Safety and Health Administration's national communications unit will be responsible for the implementation of the project's communications.

## 4.6 Enhance the recovery of the proceeds of gang crime prevention – Al Capone

### Project description

The purpose of the project is to introduce economic crime investigation methods into gang crime and organised crime prevention, focusing on the concept of criminal proceeds (tactical measures related to money and assets), and to enhance understanding of the phenomenon within law enforcement, thereby facilitating more effective identification of organised crime and gang-related activities. The additional effectiveness of the prevention measures is sought precisely from the tracing and seizure of the proceeds of crime, that is, property.

- The project will utilise scientific research methods to generate information and a handbook for investigating gang crime and organised crime, including procedures and a process description for the seizure of the proceeds of crime from the perspective of policing. Information on the operating model will be collected through interviews covering all police units. The information obtained in the interviews and the best practices will be collected in a handbook.
- As a preliminary development measure, there is a need to create operating principles linking the role of operational field activities to continuous data collection and the making of observations and recording of this data.

### Impact assessment

The project will intensify the identification of gang members in different parts of Finland and harmonise police measures to seize assets and proceeds of crime in pre-trial investigation. The updated handbook will enable the sharing of information about gang members' learned methods for dealing with money and property. The sharing of information will make the measures taken by the pre-trial investigation authorities more effective.

The project may generate research needs for further projects, such as exploring the possibilities of administrative prevention (multi-authority activities).

### Instruments used in the impact assessment

Follow-up of investigated post-project cases related to the seizure of proceeds of crime and property.

### Responsible parties

Ministry of the Interior, National Police Board and Police University College (Kari Laitinen, Senior Researcher, as Project Manager)

Terhi Kankaanranta, Senior Researcher

### Timetable

The project will be implemented from 1 July 2024 to 30 June 2025.

**Resource requirement**

The total cost of the project is estimated at EUR 71,300. The funding comes from the RDI activities of the Ministry of the Interior.

**Provision of information**

Provision of information about the project will be agreed separately between the Ministry of the Interior, the National Police Board and the Police University College.

## Appendix 1. Financial summary

Strategic objectives and projects of the Action Plan for Tackling the Grey Economy and Economic Crime			
<b>1) Promote healthy competition between companies and a fair labour market</b>			
	<b>Project name</b>	<b>Implementation/study project</b>	<b>Responsible parties</b>
1	Prevent financial irregularities and effective procurement in wellbeing services coun	Implementation project	FCCA, Tax Administration, Police
2	Government proposal to amend the Act on Transport Services	Implementation project	Ministry of Transport and Communications
<b>2) Prevent the grey economy and economic crime</b>			
3	Amend VAT registration provisions	Study project	Ministry of Finance, Tax Administration, (Ministry of Economic Affairs and Communications)
4	Develop sanctions for third-party disclosure obligations and enable a negligence penalty for unjustified withholding tax refund applications	Implementation project	Ministry of Finance, Tax Administration Tax Administration, Ministry of the Interior, National Bureau of Investigation, Customs, Prosecution Service, Bankruptcy Ombudsman, FN-FSA, Regional State Administrative Agency, Ministry of Finance
5	Professional enablers and facilitators	Implementation project	Finnish Patent and Registration Office, Tax Administration, National Enforcement Authority Finland, Employment Fund
6	Study of deregistered companies	Study project	
<b>3) Ensure the capacity of authorities to tackle the grey economy and economic crime</b>			
7	Prevent the grey economy in enforcement evasion situations – investigate the need to amend legislation to respond to changes in the operating environment	Study project	National Enforcement Authority Finland, (Ministry of Justice)
8	Secure the Tax Administration's access to information	Implementation project	Ministry of Finance, Tax Administration
9	Develop the powers and inspection rights of the Tax Administration and Customs	Implementation project	Ministry of Finance, Tax Administration, Customs, Ministry of Justice
10	Preparation of legislative amendments		
11	Establishment of a digital forensics function in the Tax Administration (possible follow-up project)	Implementation project	Ministry of Finance, GEJU, Tax Administration, Stakeholders (new services).
12	Implement the GEJU legislative amendment	Implementation project	Finnish Patent and Registration Office, Tax Administration, Ministry of Economic Affairs and Employment
13	Develop Customs analysis and intelligence analytics	Implementation project	Customs
	Study section		
	Provision, commissioning and maintenance of system services		
	Partial reform of the Act on Discretionary Government Grants	Implementation project	Ministry of Finance
<b>4) Develop measures to combat the grey economy and economic crime and improve cooperation between public authorities</b>			
14	Investigate the establishment of a register of estate administrators	Study project	
15	Finland's preparation for the FATF's fifth evaluation round and the coordination of the evaluation of Finland in 2027 and 2028	Implementation project	Bankruptcy Ombudsman, Ministry of Justice Ministry of Finance, other AML/CFT authorities (2025 = EUR 65,000, 2026 = EUR 65,000, 2027 = EUR 160,000)
16	Harmonise and develop procedures for the registration of foreign persons, as well as ensure the correctness of registry information and enhance supervision	Implementation project	Tax Administration, Immigration Service, Ministry of the Interior, Digital and Population Data Services Agency, Ministry of Finance, Ministry of Economic Affairs and Employment, Ministry of Justice, National Police Board
	Improving processes and procedures and promoting the necessary legislative changes		
	Development of interfaces between public authorities		
17	Develop international cooperation between public authorities in the field of occupat	Implementation project	Regional State Administrative Agency's Occupational Safety and Health Administration
18	Project to develop cooperation between public authorities	Implementation project	Regional State Administrative Agency's Occupational Safety and Health Administration
19	Enhance the recovery of the proceeds of gang crime prevention – AI Capone	Implementation project	Ministry of the Interior, National Police Board, Police University College

200 000