

**GOVERNMENT RESOLUTION ON A  
STRATEGY FOR TACKLING THE GREY  
ECONOMY AND ECONOMIC CRIME FOR  
2024–2027**

## **Executive summary**

In May 2024, the Ministry of Economic Affairs and Employment set up a preparatory group to update the Strategy and Action Plan for Tackling the Grey Economy and Economic Crime. The strategy promotes a comprehensive, consistent and effective approach to tackling the grey economy and economic crime. The strategy and the action plan published at the same time were prepared by a cross-administrative preparatory group led by the Ministry of Economic Affairs and Employment, which took into account other action plans related to the grey economy or economic crime in its work.

The grey economy and economic crime cause significant annual losses in taxes and other fees, as well as criminal damage, to Finnish society. Moreover, the grey economy undermines the position of legally and ethically operating companies and their employees by placing them in an unfair competitive situation. In developing the strategy, the key objectives were defined as: promoting healthy competition and fair labour markets, preventing the grey economy and economic crime, ensuring the operational capacity of authorities and enhancing efforts to combat the grey economy through improved cooperation between public authorities.

The Strategy for Tackling the Grey Economy and Economic Crime will be valid for a fixed term until 31 December 2027. The action plan sets out concrete measures to achieve the strategic objectives. The steering group on tackling the grey economy led by Minister of Employment Arto Satonen will be responsible for implementing and updating the strategy and monitoring the implementation of the action plan. Each ministry and agency will be responsible for implementing individual projects within its area of expertise or the remit of its administrative branch.

## **GOVERNMENT RESOLUTION ON A STRATEGY FOR TACKLING THE GREY ECONOMY AND ECONOMIC CRIME FOR 2024–2027**

### **The strategic objectives of the action against the grey economy and economic crime are to:**

- 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 tackle the grey economy and economic crime; and
- 4) develop measures to tackle the grey economy and economic crime and improve cooperation between public authorities.

### **General objectives of the strategy**

The national Strategy for Tackling the Grey Economy and Economic Crime Strategy for 2024–2027 and the Action Plan for its implementation continue earlier work to tackle the grey economy and economic crime. The action plan is already the ninth of its kind. The new strategy has been drafted using, where applicable, the Strategy for Tackling the Grey Economy and Economic Crime 2020–2023 drawn up by the financial crime management team appointed by the Ministry of the Interior.

The strategy promotes a comprehensive, consistent and effective approach to tackling the grey economy and economic crime. It also helps prevent the grey economy and economic crime occurring in business activities. The strategy and the projects of the related action plan also support healthy competition between companies and a fair labour market. Achieving the objectives requires developing legislation to support the operating conditions of public authorities, as well as ensuring adequate resources for operational work and their proper allocation. Cooperation among multiple authorities and its active development will continue on the basis of the models created.

The Strategy and Action Plan for Tackling the Grey Economy and Economic Crime indicate the priority areas for the strategic development of prevention for the next few years and allocate responsibility for measures. In coordinated collaboration, the expertise of all key stakeholders can be utilised effectively. Joint projects enable the effective identification and removal of barriers to cooperation between public authorities.

The grey economy and economic crime cause significant annual losses in taxes and other fees, as well as criminal damage, to Finnish society. This not only undermines the status of lawful and ethically sound business operations and their staff by subjecting them to unfair competition. It may further undermine tax morale and the credibility of the justice system. Due to the grey economy, society's expenditure must be financed by collecting more taxes and fees from other sources.

## **Programme of Prime Minister Petteri Orpo's Government**

According to the Government Programme, the Government will continue working to combat tax evasion, grey economy, and economic crime. In this way, the Government aims to promote fair and open competition. The Strategy for Tackling the Grey Economy and Economic Crime aims at these goals and implements the projects and other prevention measures listed in the Government Programme. Some projects related to the efforts against the grey economy and economic crime mentioned in the Government Programme have been included as part of other previously launched action plans, such as the Action Plan against Labour Exploitation and the Strategy for Preventing Environmental Offences, as well as documents under preparation, namely the strategy and action plan against organised crime and the anti-corruption strategy and action plan. In the long term, the ongoing Real Time Economy project will also contribute to the objectives of tackling the grey economy.

The Government Programme highlights, among other things, the need to eradicate the grey economy in the taxi industry, to step up the efforts against the grey economy and economic crime in enforcement proceedings, and to promote the realisation of criminal liability and liability for damages in bankruptcy cases. The government's aim is also to enhance information exchange between public authorities and combat money laundering. Moreover, the programme mentions several measures against labour exploitation.

The tackling of the grey economy consists of legislation and actions by public authorities, as well as the choices made by companies and individuals. Legislation and the actions of authorities create a societal framework for preventing the grey economy and economic crime with the aim of hampering or thwarting the activities of those who neglect their obligations or perpetrate offences. This also enables healthy competition between companies, creates a fair labour market, and supports those who wish to be honest and fulfil their societal obligations.

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 Ministry of Economic Affairs and Employment bears the main responsibility for the preparation of the action plan. 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. In order to implement the strategy and action plan, the Ministry of Economic Affairs and Employment will appoint a steering group on tackling the grey economy, chaired by Minister of Employment Arto Satonen, as well as an executive group.

## **Scope of the grey economy and economic crime, and resources for prevention**

The grey economy and economic crime is largely concealed crimes, only a portion of which comes to the attention of public authorities. Using different methods, several estimates of the tax gap resulting from the grey economy have been produced, which put this figure at several billion euros in Finland. The Tax Administration's Grey Economy Information Unit (GEIU) published a report on undeclared work in Finland in November 2022. According to the estimates made, approximately from EUR 900 million to EUR 1,400 million worth of undeclared work was done annually in Finland, which resulted in an estimated annual loss of EUR 300 million to EUR 480 million in taxes and social insurance contributions. In 2023, the tax gap caused by domestic companies' business activities outside the official

registers was estimated at approximately EUR 90 million to EUR 120 million, and these companies accounted for approximately 1–2% of all companies in Finland.

According to a report published by the GEIU in 2024, about a third of all short lifecycle companies operating at the time were at risk from the point of view of the grey economy. The annual grey economy tax gap caused by short lifecycle companies was estimated at approximately EUR 40 million. Moreover, according to a study published in 2021, companies reporting VAT on their business were estimated to underpay VAT by around EUR 280 million to EUR 340 million per annum.

Up-to-date information on the scale of the grey economy and financial crime, the efforts to combat it, and the phenomena associated with it is available in the public authorities' shared situation awareness service, the Grey Economy & Economic Crime ([www.vero.fi/en/grey-economy-crime/](http://www.vero.fi/en/grey-economy-crime/)). The latest situation awareness of grey economy phenomena produced by various public authorities is compiled in the web service for the use of citizens and decision-makers. Understanding the big picture also contributes to supporting the decision-making of authorities and cooperation.

The resource monitoring tool published on the Grey Economy & Economic Crime website can be used to quickly form an overview of the resources available to the closely linked public authorities as well as the development and possible deficiencies of the resources. The resource monitoring tool can be used to produce an informed forecast on how any increases or decreases in resources can be expected to affect the workloads of other public authorities. Resource monitoring shows, for example, that the financial investigation by the police is seriously backlogged. The number of ongoing financial crime cases is at the highest level in recorded history, exceeding 4,200 cases. In addition, the prevailing economic situation and the high number of bankruptcies increase the risk of bankruptcy offences, which may have a significant impact on the financial investigations of the police and the entire prevention chain. The projects of the strategy and action plan will respond to the resource challenges by, among other things, developing the powers and operating conditions of the authorities and securing access to information. Moreover, they will develop analytical capabilities, information exchange and forms of cooperation among multiple authorities, and invest in improving the quality of official registers.

## **Situational picture and changing phenomena of the grey economy**

The forms of grey economy and economic crime are in constant flux. Traditionally, the grey economy has been prevalent in labour-intensive sectors, the common feature of which is using undeclared labour. The increasing number of foreign companies and the use of foreign labour make it challenging for public authorities to access information in many sectors. Labour exploitation and human trafficking are prevented through international cooperation among multiple authorities. The prevention of labour abuses requires a wide range of cooperation and exchange of information between the competent national authorities in the member countries.

The authorities combatting the grey economy and economic crime conducted a survey mapping changes in the operating environment at the beginning of 2024. According to the survey results, the transformation of work has impacted oversight practices. In the labour market, the transition from work carried out in an employment relationship to entrepreneurial work organised in various ways continues to intensify. The landscape of entrepreneurship and salaried work has become fragmented, and the legal relationship concerning work has become blurred due to the increased use of invoicing services and entrepreneurial activities without formally establishing a company. The authorities also estimated

that the failure of companies to comply with their legal obligations has increased. The new forms of work have increased various abuses, such as negligence in bookkeeping, failure to report income, lack of statutory insurance and misuse of social benefits.

The survey indicates that challenges related to the reliability of digitalisation, automation and electronic identification have intensified, thereby increasing the potential for misuse in both private and public services. Changes in payment methods and logistics, as well as the growth of e-commerce, require constant response from public authorities. The use of international online banks, payment cards and virtual currencies has also increased further. Moreover, the role of international organised and professional crime operating in networks is growing in Finland. Various types of food fraud are also a growing problem, where participants in the grey economy often operate outside official registers or use short lifecycle companies.

In recent years, sanctions control has created a great deal of work for public authorities. Ownership and business arrangements related to the circumvention of sanctions are time-consuming and challenging to investigate due to their cross-border nature and the use of front companies. The authorities combatting the grey economy and economic crime estimate that the precarious economic situation and the rise in costs have increased the risks of the grey economy, and the weakened security situation in Europe has also been reflected in the operating environment of public authorities.

Due to limitations on third-party disclosure obligations and strict interpretations of data protection, the Tax Administration has limited capabilities to effectively monitor cross-border economic activities and identify phenomena that pose tax risks. This results in an estimated annual tax gap of approximately EUR 100 million.

## **Strategic objectives for tackling the grey economy and economic crime and the actions associated with these objectives**

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

The grey economy, including undeclared work, distorts fair competition among businesses and can subject employees to unlawful treatment. Reducing its prevalence in Finland would not only enhance competitiveness but also strengthen the country's appeal as an attractive investment destination. The aim is to promote a level playing field for companies by preventing the activities of companies operating in an illegal manner and unjustified competitive advantage.

During the strategy period, efforts initiated in 2023 to combat financial misconduct and promote responsible procurement within wellbeing services counties will be sustained. The FCCA, the Tax Administration and the Police will conduct training sessions for newly appointed county councillors. These sessions will focus on enhancing awareness in wellbeing services counties regarding grey economy practices and economic crime, including cartels, corruption, fraudulent invoicing and the use of undeclared labour.

During the strategic period, efforts to combat the grey economy in the taxi industry will be intensified, and the necessary legislative changes will be prepared to address identified issues. The main objective of the project is to increase citizens' trust in taxis.

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

Preventing grey economy activities and economic crime is more cost-effective than addressing them retrospectively after they have occurred. The resources dedicated to addressing these activities are limited, while investigations and related court proceedings are often demanding and time-consuming. The objective of prevention is therefore to establish conditions that incentivise honest conduct. In practice, this involves enabling the operations of compliant companies while creating obstacles for dishonest practices. The grey economy will be prevented and tackled by increasing the risk of being caught and by minimising the benefits gained from the grey economy.

During the strategy period, indicators will be developed in a cooperation project between several authorities to identify professional enablers who enable financial crime. Moreover, the effectiveness of current legislation and the possibilities for information exchange to address the issue will be investigated, and active cooperation will be carried out, including with the financial sector.

During the strategy period, a research project will be implemented with the aim of identifying and eliminating problematic legal issues and public authorities' procedures related to companies that have been removed from the Trade Register. Moreover, the possibilities of preventing VAT fraud through legislative changes will be explored. The changes primarily concern the deregistration of VAT-registered operators and preventing fraudsters from gaining entry into the register. The sanctioning of third-party disclosure obligations will also be developed and a negligence penalty for unjustified withholding tax refund applications will be made possible.

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

A key prerequisite for effective enforcement by public authorities is the ability to identify, as part of their core responsibilities, entities among their clientele that fail to meet public obligations. Strengthening identification and monitoring efforts is facilitated by ensuring access to company data, robust data availability, and efficient electronic systems for information exchange between authorities. It is recommended to amend the Act on Discretionary Government Grants to include provisions restricting the awarding and disbursement of grants. The information access rights of public authorities overseeing government grants will be expanded, ensuring that grants are not awarded to companies that fail to meet their public obligations.

During the strategy period, measures will be implemented to ensure that the Tax Administration has sufficient access to information, thereby establishing a robust data foundation for effective taxation and tax supervision. Particular emphasis will be placed on enhancing information access in relation to third-party disclosure obligations and the utilisation of such information. Moreover, the project to develop the information content of the register of beneficial owners supports the efforts against money laundering. Expanding the use of the compliance report service broadly supports the public authorities in combating the grey economy and economic crime.

The necessary legislative proposals will be prepared to update the powers and inspection rights of the Tax Administration and Customs. The capabilities of Customs in sanctions enforcement and combating the grey economy will also be improved by developing analytics for analysis and intelligence. In accordance with the Government Programme, legislative measures will be explored to more effectively address enforcement evasion.

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

One of the most effective means of tackling the grey economy and economic crime is investing in co-ordinated multi-authority cooperation, in which public authorities combine their information for the purpose of risk-based targeting and conduct of audits, using harmonised practices. The grey economy phenomena often concern many different authorities simultaneously, which is why cooperation models need to be developed to put harmonised practices on a permanent footing. During the strategy period, efforts to combat identity misuse will be reinforced by enhancing and standardising registration procedures for foreign individuals, thereby preventing the exploitation of companies as instruments for criminal activities. Furthermore, international collaboration on occupational health and safety inspections will be strengthened, and cooperation between public authorities will be enhanced in the areas of monitoring and information exchange.

During the strategy period, efforts will also be intensified to identify organised crime and gang-related crime, with a focus on increasing the effectiveness of countermeasures, particularly by improving the tracing and seizure of the proceeds of crime. Additionally, a study will be conducted on the establishment of an estate administrator registry to enhance oversight.

#### **Implementation costs of the strategy**

Public authorities must have sufficient resources for tackling the grey economy and economic crime. However, in the current economic situation, projects are mainly carried out as part of official duties in accordance with the work situation and the available resources. 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. Moreover, the Action Plan for Tackling the Grey Economy and Economic Crime includes some projects whose implementation is contingent, either wholly or partially, on the availability of funding. The cost impacts of the projects are described in more detail in the action plan.

#### **Term of the strategy**

The Strategy for Tackling the Grey Economy and Economic Crime will be valid for a fixed term until 31 December 2027.

#### **Implementation, updates and monitoring of the strategy**

The steering group on tackling the grey economy led by Minister of Employment Arto Satonen will be responsible for implementing and updating the strategy and 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 action plan sets out concrete actions and their goals, the responsible parties, a schedule for the actions, and means for assessing their impacts. If necessary, the strategy and action plan may also be updated during their periods of validity. The executive group on tackling the grey economy and economic crime will report on progress made with implementing the action plan to the steering group and, if necessary, propose changes to the strategy or action plan.

The implementation of the strategy and action plan can be monitored, for example, by assessing the effects of legislative changes and the operational efficiency of the public authorities, as well as by utilising the situational awareness function, phenomenon analyses and surveys. Impact assessments will be carried out with existing resources.