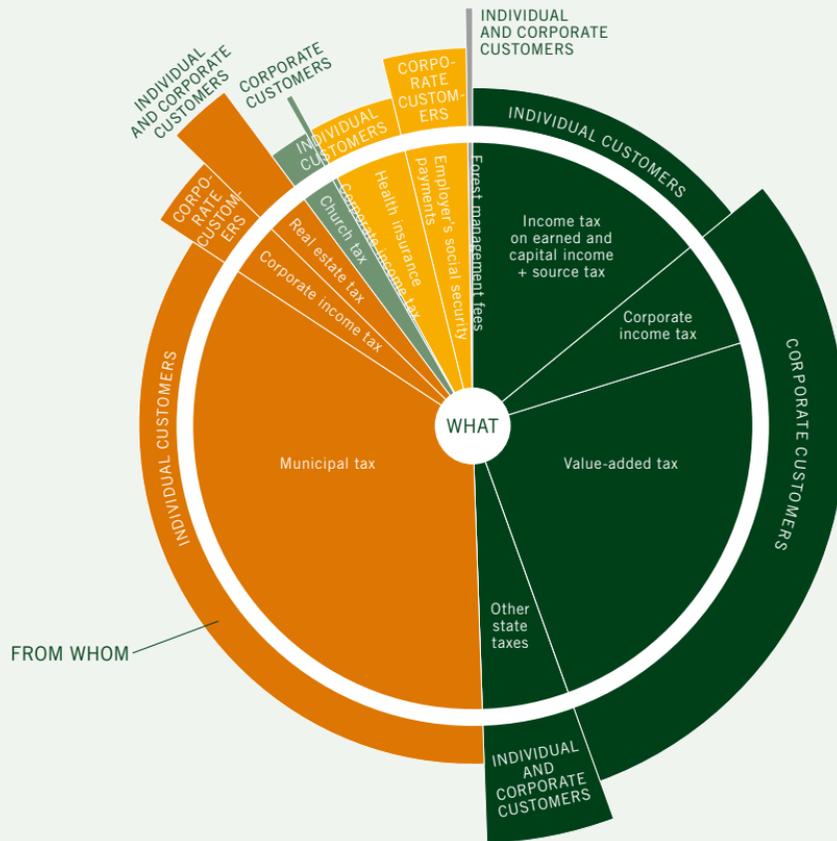


Taxes collected by the Tax Administration (2010)



TO WHOM

EUR million

STATE

22,517

Income tax on earned and capital income + source tax
 Corporate income tax
 Value-added tax
 Other state taxes

6,533
 2,756
 11,035
 2,192

MUNICIPALITIES

18,350

Municipal tax
 Corporate income tax
 Real estate tax

15,768
 1,413
 1,169

PARISHES

968

Church tax
 Corporate income tax

85
 113

SOCIAL INSURANCE INSTITUTION

3,598

Health insurance
 Employer's social security payments

1,979
 1,619

FOREST MANAGEMENT ASSOCIATIONS

30

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GENUINELY CUSTOMER-ORIENTED SERVICE

Tax revenue collected by the Tax Administration is the most important source of revenue for the public economy. The Tax Administration's core task is to secure the accrual of tax revenue and to reduce the tax gap. In order to be successful, we must be able to guarantee that our tax system is reliable, credible and efficient.

However, not even the most efficient tax system alone is enough. Taxpayers, too, must be prepared to meet their obligations. Maintaining tax compliance among citizens and companies is thus at the centre of the Tax Administration's operations.

Efficient tax control and genuinely customer-oriented services will help to reinforce tax compliance. The Tax Administration's services and processes must be so advanced that taxpayers can, know how to and actually

want to act correctly and at the right time in their tax matters. By listening to taxpayers and anticipating their needs, the Tax Administration can respond to them efficiently. Tax compliance is also reinforced by fair treatment of taxpayers, just and lawful distribution of the tax burden, and streamlined and user-friendly procedures.

As a service and expert organisation, the Tax Administration is committed to continuous development. A prerequisite for this is strong competence of our personnel and our management's ability to fully draw on this expertise.

Mirjami Laitinen

Tax Administration Director-General

OUR ROLE IN SOCIETY

PART OF THE TAX SYSTEM

Decisions on taxation in Finland are made by the Parliament and the European Union. The municipalities and parishes make decisions about their own tax rates. Additionally, certain tax regulations that differ from those on mainland Finland apply in the Åland Islands. Tax laws are drafted by the Ministry of Finance and passed by the Parliament.

We in the Tax Administration collect some two-thirds of taxes and similar payments in Finland. Taxes are also collected by the Customs and the Finnish Transport Safety Agency Trafi.

We collect more than 80% of tax debts (in 2010 some EUR 1 billion). The remainder are passed on to enforcement authorities for collection. We also work together with the police to investigate tax offences.

COLLECTOR OF TAX REVENUE

Tax revenue collected by us is remitted to the tax recipients that maintain the services of society: the state, municipalities, the Social Insurance Institution (Kela), parishes and Forest Management Associations.

State taxes

Value-added tax is a tax on consumption which the consumer pays when purchasing goods or services. Value-added tax on their sales is remitted to the state by entrepreneurs on a monthly basis.

Gift tax is paid on a gift or an inheritance advance exceeding a certain value. Gift tax is determined based on the value of the property received as a gift and the family relationship between the giver and the recipient.

Source tax is withheld from an income received in Finland by a foreigner who is staying in the country for no more than six months. A source tax at a flat rate is also levied on interest income.

Inheritance tax is paid on an inheritance exceeding a certain value. Inheritance tax is determined based on the value of the property inherited and the family relationship.

Capital income tax is paid on capital income, such as rent and interest. The capital income tax rate is fixed.

State income tax is paid on earned income. A decision on the income tax scale is made by the Parliament annually. The tax rate is progressive, increasing as the level of income increases.

Transfer tax is paid on the sales of real estate or securities.

Corporate income tax is paid by limited companies and other organisations on their income. Part of the corporate income tax revenue is remitted to the state.

Local government taxes

Real estate tax is an annual tax based on the value of property. Real estate tax rates are set by the municipal council.

Municipal tax is paid on earned income. The municipalities confirm their income tax rates for each year.

Corporate income tax is paid by limited companies and other organisations on their income. Part of the corporate income tax revenue is remitted to municipalities.

Payments to the Social Insurance Institution

Health insurance and employer's social security payments are remitted to the Social Insurance Institution.

Parish taxes

Church tax is paid by members of the Evangelical Lutheran Church and Orthodox Church on their income. This tax is remitted to the parishes.

Corporate income tax is paid by limited companies and other organisations on their income. Part of the corporate income tax revenue is remitted to parishes.

Payments to Forest Management Associations

The forest management fee is a tax-like fee collected from forest owners and remitted to Forest Management Associations.

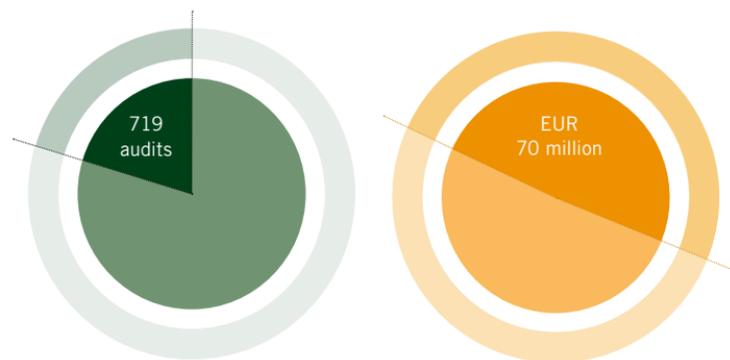
PREVENTER OF TAX GAP

We wish to contribute to reducing the amount of tax revenue that remains uncollected for various reasons, thus decreasing the tax gap. By guiding and serving our customers well and by means of the efficient control of taxation, tax revenue can be accumulated as fully as possible for the benefit of society.

The majority of tax control is carried out in connection with taxation by combining and comparing information provided by the customers themselves and other data affecting tax assessment collected from various sources. Based on these activities, some EUR 1.7–2 billion in taxes are collected every year. Taxes collected as a result of tax audits amount to some EUR 300 million.

Grey economy audits 2010

We have a strong focus on combating the grey economy. For example, one-third of the tax inspectors' working time is spent on the area of the grey economy.



Total number of tax audits
3,552

Number of grey businesses
among those audited

Grey economy uncovered
EUR 143 million*

Taxes collected

* includes undeclared salaries, sales and dividends

Grey economy – a black future

Our everyday choices are many times more efficient in undermining the foundations of the grey economy than actions intervening in offences that have already been committed. This is why we are involved in the Grey economy – a black future campaign of the police, which encourages young people to think about the grey economy and how it affects their lives.

“A large share of my work currently involves combating the grey economy. When your job is to investigate illegal actions and negligence aimed at financial gain in business activities, the cases, without exception, involve the grey economy in its various forms. Ideally, we should fight financial crime by means of more effective inter-authority cooperation and dissemination of information. The grey economy extends its

tentacles into all areas of society. This is why it is particularly important to combat it with a front that includes not only authorities but also the representatives of as many fields as possible, organisations and trade unions alike. A joint front sends the message that we are serious about this, that we will take concrete action and not just talk about it. Young people are smart, and they compare and weigh matters that have an impact on their lives. The grey economy is deeply embedded in our everyday lives – it is associated with such areas as housing, shopping and transport. When you have more information, it is easier to make choices.”

Minna Immonen, Detective Inspector, Police, Financial Crimes Unit

THINKING OF OUR CUSTOMERS

SERVICES FOR ALL

Our taxpayer customers comprise all individuals, companies and organisations.

Income tax is paid by wage-earners and recipients of pensions and other income, as well as by companies and organisations. Companies, organisations and primary producers are liable for value-added tax. Taxes are also paid by estates and real estate tax customers.

Corporate customers play a key role in our operations. Companies pay income and value-added tax, and they remit taxes and fees withheld from the salaries of their employees to the Tax Administration. Companies are also significant providers of information: information obtained from the business sector is used in individual taxation.

FOCUS ON CUSTOMER INITIATIVE

Our aim is to help our customers to contribute to their tax issues correctly and on their own initiative. In this way, they can save time and money.

Anticipating customer needs

As part of our proactive guidance, we made a series of outbound calls in spring 2011. This means that we contacted our customers directly to help them in managing their tax affairs.

"When you get a call from the tax authorities, your first thought is that you are in trouble. In this case, the caller explained to me straight away what the call was about, and I was very happy about it. The person at the other end knew what she was talking about, and the problem was solved. Otherwise, I would have repeated the same mistake in my tax return for next year, too. I think it's great that they remind you of the risk in advance. By a small corrective manoeuvre, requests for further information can be avoided and everybody saves time. All in all, this was a positive experience and it showed that the Tax Administration is able to anticipate the customers' needs."

Ari Jaatinen, Suunnittelukymppi Oy

Happy customers

Our most recent customer survey (2010) indicated that regardless of the way they contact us, our private and business customers are satisfied with their transactions with us and the services we offer. We have a good image. The citizens are positive about paying tax, and they have confidence in our professional competence.

SATISFACTION OF INDIVIDUAL CUSTOMERS WITH THE SERVICE THEY RECEIVED, N=1002



Personal
visit

By
telephone

Finding
information at
the tax.fi site

Conducting
transactions via
the e-services

VERY SATISFIED

FAIRLY SATISFIED

SATISFACTION OF BUSINESS CUSTOMERS WITH THE SERVICE THEY RECEIVED, N=301



By telephone/
personal visit

Finding
information at
the tax.fi site

Conducting
transactions via
the e-services

VERY SATISFIED

FAIRLY SATISFIED

NATIONAL OPERATION

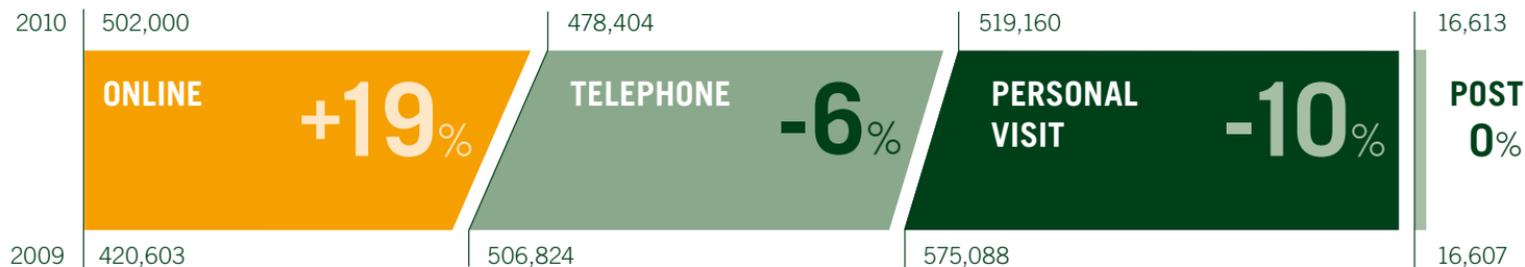
One of our aims is to reduce the customers' need to visit our offices. For this reason, we are developing our telephone and online services, which can be used regardless of the number and geographical location of our offices. The e-service channels also allow us to distribute our workload nationally.

Our customers are offered tax advice at national helpline numbers. We have set up helplines for various customer groups, types of tax and transactions.

The volume of users as well as the number of tax returns filed and data transmitted through our e-services have increased year by year.

- > [Tax.fi](#) (information about taxation and the Tax Administration, publications and forms)
- > [Tax return online](#) (the service allows you to view, correct and update your income tax return)
- > [Tax card online](#) (online requests for tax cards)
- > [Tax account service](#) (you can use this service to file a periodic tax return, browse your account transactions and statements and calculate the required payments)
- > [Request for statements of tax debt](#) (you can order a statement of tax payment or tax debt)
- > [ALVEU service](#) (applications for value-added tax refunds)
- > [Ytj.fi](#) (Business information System BIS for companies and organisations jointly operated by the Tax Administration and the National Board of Patents and Registration)
- > [Palkka.fi](#) (a free payroll calculation program for micro-employers and households)
- > [Suomi.fi](#) (public administration instructions, forms and e-services for private customers)
- > [Yrityssuomi.fi](#) (public administration instructions, forms and services for business customers)

Number of tax card changes requested through various channels 2009–2010



FROM THE COUNTER TO THE WEB

Web-based services are being introduced for the most typical transactions of a private customer: for requesting for a tax card and filing a tax return. We also advise our customers online and are involved in social media: in the chat room Suomi24, tax experts answer questions about taxation. In this way, we reached more than 14,000 customers in one month as tax returns were being filed in spring 2011.

THIS IS HOW WE DO IT

WITH DETERMINATION

Our core task

Our core task is to carry out the duties assigned to us by society consistently and successfully. We operate in such a way that our customers can and are willing to contribute to their tax issues correctly and on their own initiative. We provide targeted and convenient services that make it easy for our customers to deal with us and that minimise their costs. The systematic management of tax risks enhances the accrual of tax revenue.

Our business idea

The right tax at the right time.

Our values

Fairness

Reliability

High standard of professionalism

Our strategic objectives

- * We will ensure the tax revenue by providing proactive guidance and good service as well as by conducting credible tax control.
- * Our customers can contribute to their tax issues with as little cost and inconvenience as possible.
- * Our operations are both productive and economic.
- * Our organisation has innovative potential.

Tax Administration performance 2009–2010



HIGH PERFORMANCE

In the years 2005–2010, our personnel numbers were reduced by nearly 840 person-years. At the same time, we have been assigned new duties, and the number of our customers has gone up. The increase in productivity and cost-effectiveness has been facilitated by the introduction of electronic operations and process automation.

NATIONALLY

We are a national authority whose functions are arranged around the main national units in charge of taxation and the shared units responsible for corporate steering and support services. The national units support consistent operating models based on customer groupings and make it easier to develop our operations. The national organisation permits a more efficient use of resources and allows us to put our skills to optimal use.

Units dealing with taxation

The Individual Taxation Unit guides and serves private customers as well as business owners and self-employed persons. It also manages customer information, income taxation and withholding, tax control in connection with taxation as well as inheritance, gift, asset transfer and real estate taxation.

The Corporate Taxation Unit is responsible for providing guidance and services for limited companies and other corporate customers, customer information and tax control in connection with taxation.

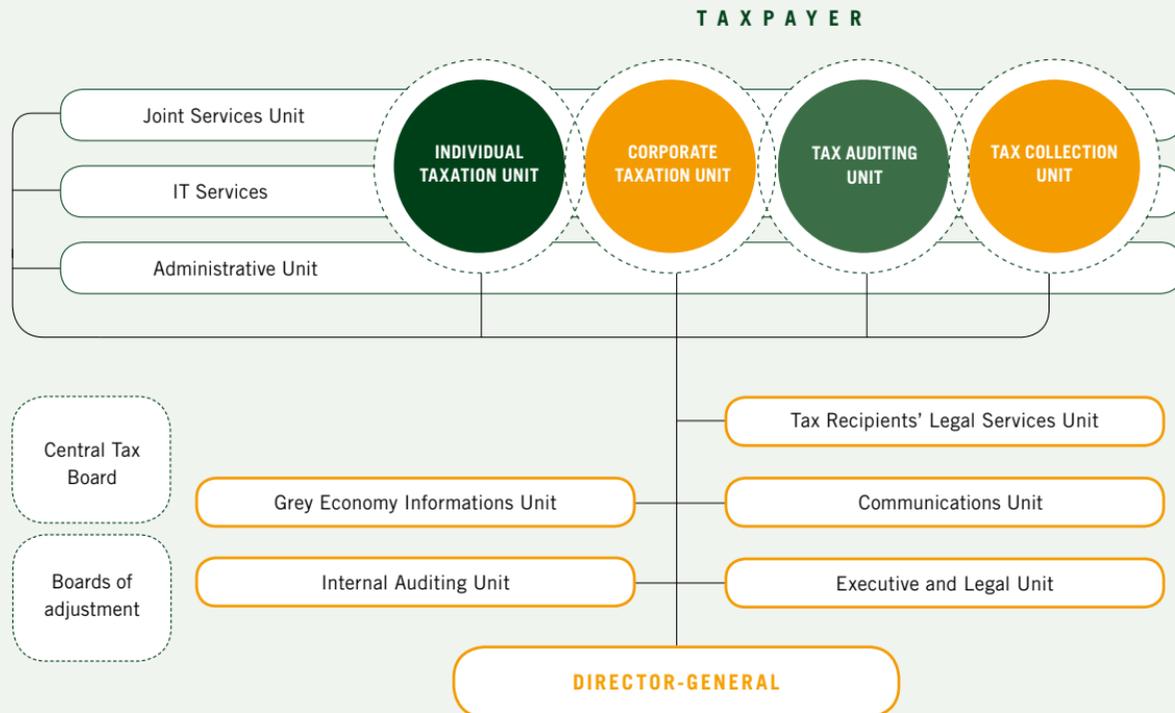
The Tax Collection Unit carries out tasks related to the payment, collection, recovery and remittance of taxes and the tax account procedure.

The Tax Auditing Unit directs tax auditing activities as a part of tax control and performs tax audits, supervises internal EU trade and performs other tax control duties.

Each unit involved in taxation has a steering and development unit in Helsinki, which is in charge of the planning, management and oversight of the unit's operations, information systems, cooperation with domestic and international stakeholders, and projects. The actual taxation tasks are carried out in offices located around Finland.

Furthermore, the Finnish Tax Administration has an entity for the preparation of advance rulings – the Central Tax Board, and boards that process appeals against tax decisions – the Boards of adjustment. They are bodies that have autonomy, providing for an independent review of decisions.

Tax Administration organisation



Other units

The Joint Services Unit is responsible for the Tax Administration's contact channels and language services, and it maintains, develops and directs the tax risk management process and coordinates development projects, quality work and cooperation with international stakeholders.

The IT Services Unit is responsible for our shared application-, production- and ICT services and supports, directs and oversees the use of ICT in our administration.

The Administrative Unit manages HR, financial and general administration tasks, employer's duties and personnel development and training services.

The Executive and Legal Unit is responsible for the Tax Administration's steering and management system, its strategic process and security. The unit drafts regulations and taxation harmonisation guidelines, takes part in drafting legislation and prepares reports and statements requiring special legal expertise in information and other matters.

The Internal Auditing Unit is responsible for internal audits, and it prepares replies to administrative complaints that are decided by the Director-General.

The Communications Unit directs communications and marketing and helps the management and units in planning, executing and monitoring communications.

The Grey Economy Investigation Unit contributes to tackling the grey economy by producing and distributing information on the grey economy and action against it. The unit also prepares reports concerning business entities to other authorities for purposes laid down in the Act.

The Tax Recipients' Legal Services Unit oversees the rights of tax recipients in taxation matters and appeals concerning taxation.

Tax Administration

CO₂ emissions 2009–2010,

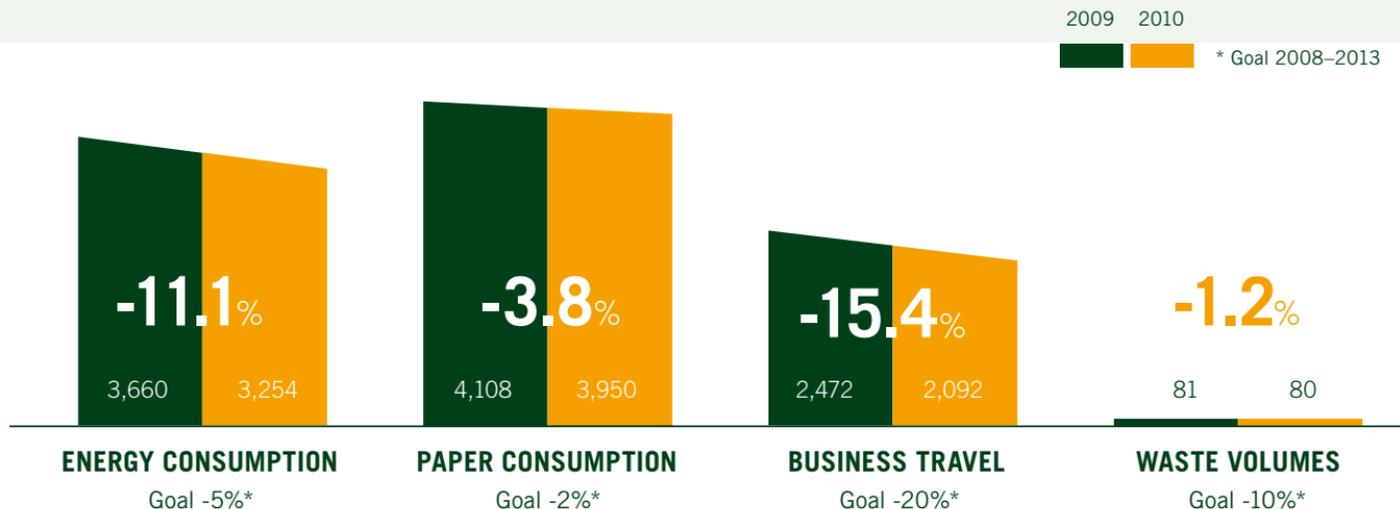
tons of carbon dioxide

GREEN OFFICE SAVES MONEY AND THE ENVIRONMENT

To help us meet our environmental obligations, we follow the Green Office system developed by the WWF. We have set goals for reducing our carbon dioxide emissions in the years 2008–2013. In the consumption of energy and paper, our targets have already been reached.

"The greatest part of travel at Päijät-Häme tax office has been replaced by video-conferencing. We used to travel to Helsinki for training. Now all training takes place in our video-conferencing room."

Kirsi Myllyneva, Päijät-Häme Tax Office



LOOK TO THE FUTURE

In the years to come...

"Our operating environment will become ever more challenging. The operations of companies will be increasingly global, emphasising the international dimension of taxation. The fast and continuous change of our operating environment will require from us an ability to detect and control risks and phenomena of quite a new type. Ensuring and developing access to information that has a bearing on taxation in cooperation with international organisations and the tax administrations of various other countries will be a particular challenge.

National economy trends in the EU area and Finland will be unstable. Competitiveness of our national economy, requirements of the welfare society and the limited resources of public administration will draw attention to our performance, including productivity and cost-effectiveness. At the same time, however, an increasing impact and social responsibility, not forgetting consideration for the environment, will be expected of us.

Demands for productivity will be countermanded by more complex tax legislation, requiring us to acquire more in-depth and specialised expertise. As the labour market shrinks, we will need a stronger focus on our employer image to be able to recruit the best experts. At the same time, we must keep our existing employees motivated, ensuring that their competence is up to date and that they can utilise it.

Our customers will expect more and more of us. Digitalisation of service provision will continue in all sectors, and demands placed on online services will increase. Our customers will expect of us transparency, services that can be adapted to individual needs and possibilities of interaction.

In other words, changes in the operating environment and productivity targets will pose challenges to the credibility of the tax system and to securing the accrual of tax revenue. We are ready: we will respond to these challenges by means of good service, guidance that supports the customer and efficient tax control."

Mirjami Laitinen, Tax Administration Director-General

Future in the tax collector's eyes

"I think the future we are facing will be very interesting. At the moment, for example, I am wondering about how the management systems will work at the national and regional level. How will entire processes and our everyday work go in reality? Using a streamlined software package instead of a variety of tax applications would make it easier for us to get an overall picture of the customer's situation, in addition to learning how to use the systems and functionalities. On the other hand, as long as the customers submit information on paper, managing and archiving documents will be one of our challenges. It is great that the organisation, functions and services of the Tax Administration are continuously being developed. It is natural to be a bit worried about the unknown, but we should always see the future as full of new possibilities. Constructive criticism is a healthy feature, and a positive basic attitude will make it easier for everybody to adjust."

Anne-Mari Markkanen, Tax Secretary, Tax Administration, Individual Taxation Unit



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