



FINNISH TAX ADMINISTRATION
Annual report 2010

ANNUAL REPORT 2010

CONTENTS

Director general's review	2
We secure the accrual of tax revenue	4
Our customers can contribute to their tax issues conveniently and at low cost	14
We operate productively and economically	22
Our organisation has innovative potential	30
Management groups and the Advisory Board	36
Finnish Tax Administration granted the right to use the Green Office label	39

DIRECTOR GENERAL'S REVIEW



Tax revenue is the most important source of public income. This means that the reliability and effectiveness of the Tax Administration are critical to Finnish society. In order to succeed in this task, the Tax Administration must provide high-quality services and carry out tax control in a credible manner.

Securing tax revenue

Credible control is one way to improve tax compliance because it makes customers more law-abiding and more willing to fulfil their tax obligations. In Finland, almost all taxpayers fulfil their tax obligations as required. The purpose of control measures is to ensure that those neglecting their obligations will ultimately pay their taxes.

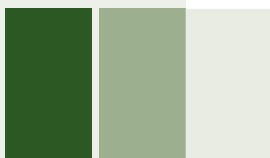
The range of control methods is extensive and includes such instruments as the collection of comparative data and tax audits. Most of the tax control is carried out in connection with taxation by combining information supplied by customers with information affecting taxation received from a variety of sources, and by comparing these two types of information. The amount of taxes debited as a result of this type of control is between EUR 1.7 and 2 billion each year.

The grey economy has been a major issue in the public debate on the securing of tax revenue. Combating the grey economy was a focus area for the Tax Administration in 2010. For example, tax auditing units spent one-third of their working hours on cases involving the grey economy. The Raksa project, part of the efforts to combat the grey economy, continued in 2010. As part of the project, 748 construction companies were audited and 30 per cent of them were found to be involved in the grey economy. In all sectors, a total of 3,552 companies were audited in 2010 and 719 of them were found to be involved in grey economy operations. This cost tax recipients EUR 70 million in lost tax revenue.

International taxation issues are becoming increasingly important. In 2010, issues with an international dimension included the control of foreign labour and the tax control project focusing on the capital income of individual taxpayers. The latter project concerned such matters as the control of foreign investments. At the same time, guidance and control in matters concerning the taxation of foreign employees brought good results at the Olkiluoto nuclear power plant construction site.

However, from the perspective of the total benefit, the main aim is to ensure that the total amount of uncollected taxes can

"From the perspective of the total benefit, the main aim is to ensure that the overall tax gap can be cut."



be reduced and the overall tax gap can be cut. This should be achieved by relying upon a variety of measures, not all of which are connected with combating the grey economy.

The fact that the rate of growth in tax arrears (unpaid taxes) slowed down in 2010 was, therefore, a positive development. Likewise, the substantial reduction in tax revenue in 2009, a year characterised by an economic crisis, proved to be a one-year phenomenon. In 2010, the tax revenue increased by about one billion euros.

Customer-friendly service

Easy-to-use procedures and customer-oriented services, for which the Tax Administration has been working for years, are also important factors helping to make attitudes more favourable towards taxation. The tax account system, introduced at the start of 2010, changed the way in which unprompted taxes (such as value-added tax and employer's contributions) are declared and paid. Using the Tax Account Online Service, one can, for example, check the balance and transactions of one's own tax account and submit the required notifications. Despite initial problems, the introduction of the new system went rea-

sonably smoothly and, at the end of the year, already more than 510,000 customers had a tax account.

The Tax Administration received positive feedback on its electronic services. According to the 2010 customer satisfaction survey, both individual and corporate customers are quite satisfied with the services provided by the Tax Administration. However, the proportion of extremely satisfied respondents was lower among corporate customers than among individual customers.

The degree of satisfaction was also reflected in the number of users. Households discovered the updated Palkka.fi service, which attracted twice as many users as in 2009. One out of three tax cards were calculated online. The upgrading of Vero.fi (Tax.fi), one of Finland's most widely used websites, continued with the preparations for its introduction. The Tax Administration also piloted social media (discussion forum Suomi24) as a tool for advice and guidance. This pilot project will continue in 2011.

In a productive and cost-effective manner

The Tax Administration has continued its efforts to make its operations more effective during the past few years. Between 2007 and 2010, the Tax Administration cut its staff by almost 730 full-time equivalent employees, even though at the same time it was given new tasks and the number of customers increased. Electronic operations and automated processes have helped to increase productivity and cost-effectiveness.

Even though the number of personnel has been reduced, the level of services and tax control has not been affected. In order to ensure the continuation of this trend, the Tax Administration must introduce more automated tax control and target its control resources correctly. In 2010, control was strengthened on the basis of risk assessment and analyses. In the same connection, the Tax Administration began shifting its focus from ensuring that taxes have been paid to pre-emptive guidance and real-time control.

It also introduced organisational changes. The main functions are now organised around national business lines catering to the needs of specific customer groups. The introduction of national units makes it easier for the Tax Administration to develop its processes and operations and to serve custom-

ers in a more focused manner. The new organisation also supports unified national operating models based on customer segments. It facilitates cooperation within and between business lines and puts the use of resources and expertise on a more effective basis.

In an innovative manner

In 2010, the Tax Administration continued the implementation of the Green Office programme. The aim of the programme, initiated by the WWF (World Wide Fund for Nature), is to help organisations reduce their environmental loading and to slow down climate change. The measures adopted by the Tax Administration were so successful that the WWF granted it the right to use the Green Office label.

Productivity requirements, the closure of small tax offices, the new national operating model and the reorganisation have posed significant challenges to the Tax Administration in its personnel policy. The results of the VMBaro job satisfaction survey carried out within the Tax Administration indicate, however, that workplace well-being remains high. A total of 65% of all respondents were satisfied or extremely satisfied with the working conditions, the workplace atmosphere and opportunities for cooperation within the Tax Administration. According to the results, there have been clear improvements in such areas as supervisory work, the possibilities of reconciling work and family life and the overall employer image of the Tax Administration.

These are important factors. For an expert organisation like the Tax Administration, personnel expertise is the most important asset. Without a competent, motivated and innovative personnel, the Tax Administration would not be able to secure tax revenue for the use of Finnish society.

The Tax Administration is a good place to work. The personnel, the elected officials and the partners and customers of the Tax Administration have all made it possible.

A handwritten signature in green ink, appearing to read 'Mirjami Laitinen'.

Mirjami Laitinen



WE SECURE THE ACCRUAL OF TAX REVENUE

The Tax Administration collects funds for society

We eliminate and reduce the risks that threaten the tax revenue by affecting customers so that as few of them as possible are not paying their taxes. We provide our customers with proactive guidance and good service and guarantee consistency of taxation. This way we promote a positive attitude towards tax obligations. The non-compliant customers are more likely to be selected as targets of control measures.

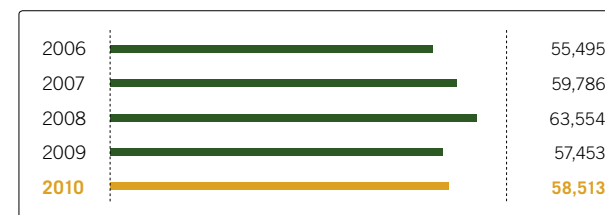
The amount of taxes collected by the Tax Administration only declined during 2009. However, in 2010 the revenue still remained below the levels achieved before the 2009 downturn. The increase did not benefit all tax recipient groups in the same way. Municipalities were the biggest beneficiaries, whereas there was a further reduction in the revenue received by the state, which was mainly due to changes in tax bases. The tax type that reacted first to the economic upturn was corporate income tax. In fact, corporate income taxes passed on to tax recipients increased by more than EUR 600 million.

GROSS REVENUE SHOWED SIGNS OF RECOVERY

Gross revenue is the amount of taxes paid to the bank accounts of the Tax Administration. The tax account system was introduced in 2010. It had an impact on gross revenue because the customers can now, at their own initiative, deduct the negative value added tax from other taxes processed in the tax account system. Previously, negative value added taxes could only be deducted in the following months or they were, on certain conditions, refunded to the customers. Thus, negative value added taxes did not reduce such revenue as employers' contributions (withholding taxes and employers' social security contributions).

As a result of the new procedure, the statistics are no longer directly comparable with previous years' figures if the only criterion is the amount of money paid to the bank accounts. The difference with the former system is substantial: using the old statistical method, the gross revenue is now almost EUR 1.3 billion lower. However, the comparable gross revenue, calculated in accordance with the new procedure, is one billion euros higher (an increase of 1.8%).

GROSS TAX REVENUE 2006–2010, EUR million



The gross revenue of value added tax totalled EUR 20.6 billion, which was EUR 1.3 billion more than in the previous year. Traditionally, changes in the revenue have closely followed fluctuations in private consumption. However, last year, as a result of the improved economic situation, the revenue increased more than did private expenditure.

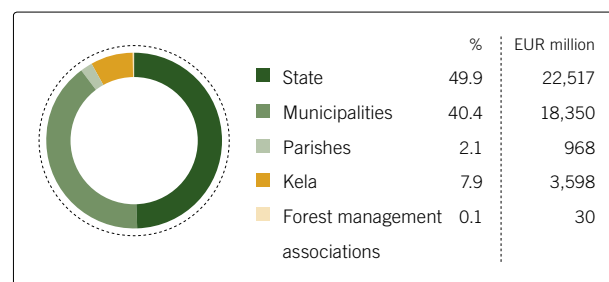
The new value added tax rates were introduced at the start of July. In its proposal, the Government estimated that the changes would, in calculated terms, result in an increase of about EUR 133 million in 2010. The impact on the revenue received by the Tax Administration during a period of six months would be approximately EUR 50 million. The fact that under the tax account system, debited value added taxes and employers' contributions are no longer entered as debited taxes, but, rather, classified as a separate tax type, also caused a slight increase in the revenue.

Employers' contributions totalled EUR 25.6 billion, which was 0.4% less than in the previous year. The main reason for the decrease was a 22.9% drop in the amount of social security contributions paid, a result of the abolishment of the national

REMITTANCES OF TAX REVENUES 2006–2010, EUR million

2006		43,693
2007		46,836
2008		48,487
2009		45,136
2010		45,463

BREAKDOWN OF TAX REMITTANCES BY TAX RECIPIENT, 2010



pension contribution. Withholding tax revenue increased by 1.6 per cent, which was more or less in accordance with the growth in the wages and salaries paid (they increased by 1.7 per cent in January–November 2010).

Debited taxes totalled EUR 8.9 billion in 2010. This was approximately EUR 600 million less than in the previous year. The decrease in revenue is partly explained by the fact that deb-

ited value added taxes and withholding taxes were entered as a separate tax type and were no longer classified as debited taxes. A reduction in recovered tax arrears also had an impact on the total amount of debited taxes.

The amounts remitted to tax recipients increased

In 2010, a total of EUR 45.5 billion in tax revenues was remitted to tax recipients. In 2009, the amounts had decreased by almost seven per cent compared with 2008, but now the totals increased by EUR 327 million (0.7%).

The central government took EUR 22.5 billion, which was EUR 300 million less than in the previous year. The decrease in the central government's share is largely explained by cuts in income tax rates and the loosening of other tax bases. The income taxes on earned and capital income paid to the state decreased by approximately EUR 750 million. The decrease was so substantial that it was not entirely offset by an increase in corporate income tax and value added tax revenue.

Corporate income tax revenue, which had reached its lowest point in 2009, made a strong recovery. The revenue totalled almost EUR 2.8 billion, which was EUR 370 million, or 15.7 per cent, more than in the previous year. When these figures are examined, it should be remembered, however, that the central government's share of the overall corporate income tax revenue has been reduced by 10 percentage points for the tax years 2009–2011.

Value added tax revenue increased by more than EUR 300 million, reaching approximately EUR 11 billion. There was also an increase in value added tax refunds. They totalled EUR 9.6 billion, which was EUR 1 billion more than in the previous year. The increase in refunds is a result of growing exports. According to the preliminary figures of the National Board of Customs,

AMOUNTS REMITTED TO TAX RECIPIENTS 2010

Tax recipient	EUR million	Change (%)
State	22,517	-1.3
Income tax on earned and capital income + tax at source	6,533	-10.3
Corporate income tax	2,756	+15.7
Value added tax	11,035	+2.8
Other state taxes	2,192	-9.4
Municipalities	18,350	+4.2
Municipal tax	15,768	+2.2
Corporate income tax	1,413	+18.0
Real estate tax	1,169	+20.0
Parishes	968	+0.0
Church tax	855	-2.0
Corporate income tax	113	+18.1
Kela	3,598	-3.2
Health insurance	1,979	+21.9
Employers' social security	1,619	-22.6
Forestry fees	30	+6.5
Total taxes and tax-like charges	45,463	+0.7

Finnish exports increased by about 15 per cent in January–November 2010. Negative value added taxes are also included in the statistics on VAT refunds.

A total of EUR 18.4 billion in taxes was passed on to municipalities. This was almost EUR 750 million (4.2 per cent) more than in the previous year, and there was an increase in all tax types. In euro terms, the largest increases were in municipal taxes: their amounts increased by EUR 336 million. There was also growth in corporate income tax revenues. They increased by EUR 216 million. Remittances of real estate taxes grew by EUR 195 million, an increase of 20 per cent.

The increase in municipal tax revenue in 2009 was due to growth during the last months of the year. During the early months of 2009, the amounts remitted were substantially below the previous year's levels. For example, in January–March the revenue was 5.5% lower than a year earlier. During the latter half of 2009, monthly increases in the municipal tax revenue varied between 5.6 and more than 7 per cent. The changes reflected the drop in the number of unemployed persons. According to the statistics of the Ministry of Employment and the Economy, the number of unemployed persons in January was 50,000 more than a year earlier, whereas in December the figure was 31,000 lower than a year earlier.

The growth in real estate tax revenue was a result of an increase in real estate tax rates. For example, the minimum rate for permanently used residential buildings was raised from 0.22 per cent in 2008 to 0.32 per cent in 2009, while the maximum rate was raised from 0.50 per cent to 0.75 per cent. As a result, the tax revenue from permanently used residential buildings increased by almost 29 per cent, or about EUR 80 million. There were no significant changes in the taxable values of properties.

Parishes received a total of EUR 968 million in tax revenue. This is more or less the same amount as in 2009. Church tax revenue decreased by 2.0 per cent and corporate income tax revenue increased by the same amount.

Tax-like charges paid to the Social Insurance Institution amounted to EUR 3.6 billion, which was approximately EUR 120 million less than in the previous year. Employers' social security contributions decreased by EUR 474 million, which was mainly due to the abolishment of the national pension contribution. At the same time, remittances of health insurance contributions increased by EUR 355 million.

No changes in the amount of tax refunds

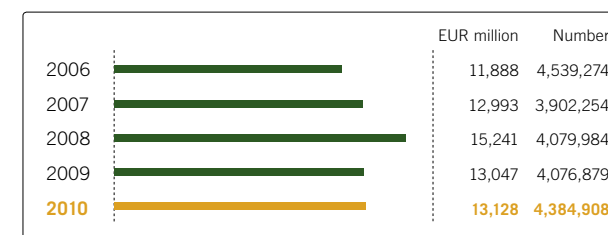
The Tax Administration pays almost a quarter of all taxes and charges paid to its bank accounts as refunds to its customers. In numerical terms, withholding tax refunds paid to individual customers were the largest group, while in euro terms, value added taxes were the largest group.

In 2010, the total amount of tax refunds was more or less the same as in the previous year: the growth from 2009 was only 0.6 per cent. Refunds totalled EUR 13.1 billion.

However, there were substantial changes between different tax types, particularly in business-related taxes. Refunds of prepaid taxes by corporations, which reached a record total of almost EUR 1.6 billion in 2009, were back to their normal levels (about EUR 700 million). This was a drop of 54 per cent, or EUR 850 million. The drop in refunds also had an impact on the amounts remitted to tax recipients.

Corporations receive the refunds of taxes approximately 11 months after the end of the financial year. In 2010, a total of EUR 470 million in such refunds were paid to corporations, which was EUR 60 million less than in the previous year.

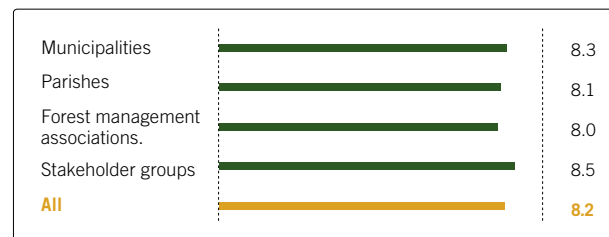
TAX REFUNDS, 2006–2010



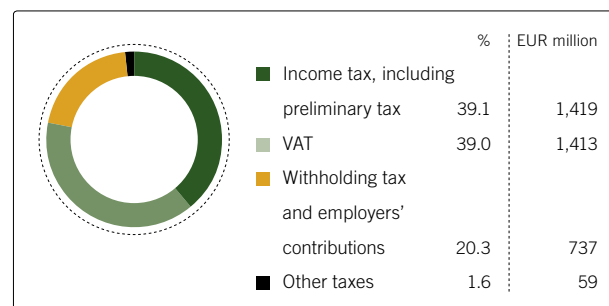
Most of the refunds are value added tax refunds. Normally, almost half of the gross VAT revenue is paid back as refunds. VAT refunds increased by EUR 1 billion, totalling EUR 9.6 billion (+11.7%). The increase in VAT refunds is also a sign of an upturn in the economy, particularly in exports. This is because companies in the export business can claim value added taxes incorporated within taxable purchases as refunds. For reasons of comparability, negative value added taxes are also entered as refunds in the statistics, even though, after the introduction of the tax account system, customers have deducted some of them directly from other taxes declared on Periodic tax returns.

The largest refund category concerning individual customers are withholding tax refunds. Approximately EUR 2.2 billion in withholding tax refunds were paid to almost 3.4 million customers during the year in review. In euro terms, the amounts were more or less the same as in 2009. The increase was only 0.4 per cent. At the same time, a total of 692,000 individuals were ordered to pay about EUR 856 million in back taxes.

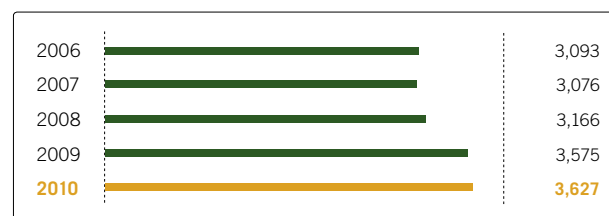
GRADES GIVEN BY TAX RECIPIENT GROUPS TO TAX ADMINISTRATION SERVICES



TAX ARREARS BY TAX TYPE 2010



TAX ARREARS 2006–2010, EUR million



Tax recipients satisfied

The customer satisfaction survey for tax recipients was carried out for the fourth time in 2010. It examined the satisfaction of tax recipients with the services provided by the Tax Administration. The survey was carried out as telephone interviews. A total of 443 tax recipients submitted responses, which means that more than half of all tax recipients took part in the survey.

Tax recipients were particularly satisfied with the Online Service for Tax Recipients introduced in 2009 and the correctness of remittances to tax recipients. Both received a grade of 8.4 on a 4–10 point scale. According to the respondents, the largest improvements were needed in the provision of information (grade 7.7), while the training events organised by the Tax Administration received a grade of 8.0. The overall grade was 8.2, a good achievement for a public-administration operator. The overall grade was the same as in the previous survey conducted in 2007.

Of the respondents, 15 per cent were very satisfied, while 79 per cent were satisfied. Five per cent announced that they were not very satisfied, while only one per cent was dissatisfied. Less than one per cent of the respondents were extremely dissatisfied.

Even though the grades provide information about general satisfaction levels, the open feedback on different topics is the most useful part of the survey when improvements in services are considered. The most popular feedback topics were the provision of information about topical matters and changes and the willingness to know more about remittance grounds and about such matters as the calculation of taxation costs. The results allow the Tax Administration to focus on the areas of tax recipient services where the most improvements are needed.

Tax arrears totalled EUR 3.6 billion at the end of 2010

The total amount of unpaid taxes – tax arrears – was EUR 3.6 billion at the end of 2010. This was 1.4%, or EUR 52 million, more than in the previous year. The growth in the amount of tax arrears has slowed down substantially. Arrears for back taxes and pre-paid taxes decreased by EUR 28 million. Arrears for value added taxes increased by EUR 46 million and those for withholding taxes and social security contributions by EUR 33 million.

Individual taxpayers accounted for 31% of all tax arrears. Most of these arrears consisted of back taxes, which amounted to EUR 710 million. Correspondingly, two-thirds of the unpaid amounts owed by corporate and business taxpayers consisted of VAT and employers' contributions. These arrears totalled EUR 1,791 million.

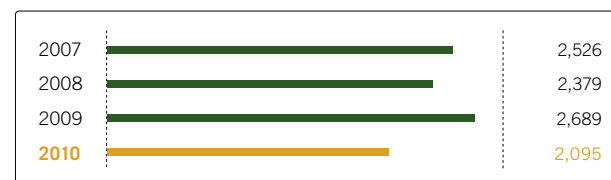
A total of EUR 1,300 million in tax arrears was collected in 2010. This was EUR 176 million less than in the previous year. Of this amount, EUR 1,008 million, or 78%, was recovered as a result of efforts by the Tax Administration. Enforcement authorities recovered a further EUR 292 million.

In 2010, a total of 26,886 tax payment arrangements were drawn up and the total sum involved was EUR 203 million. A total of EUR 150 million was collected through payment arrangements, which was the same amount as in the previous year.

AUTOMATED PROCESSES AND CASE-SPECIFIC CONTROL

Automation of operations and case selection mean that the Tax Administration can focus its resources on those issues that help to ensure the fairness of tax assessment and the accrual of tax revenue.

NUMBER OF TAX APPEALS CONCERNING INCOME TAX AND VAT RECEIVED BY ADMINISTRATIVE COURTS 2007–2010



One of the measures of the quality of the tax assessment is the number of tax appeals to administrative courts. In 2010, administrative courts received 1,718 appeals concerning income taxation and 377 appeals regarding VAT.

More detailed individual taxation on pre-completed tax returns

Individual taxation is primarily based on information that the Tax Administration collects electronically from third party declarations, such as from employers and banks. Employers handle the payment of taxes by withholding tax from employees' wages and passing them on to the Tax Administration.

The Tax Administration sends pre-completed tax returns based on third party declarations to individual customers. The customers check the information and make the necessary changes to them.

The collection of information is continuously developed and the aim is to make it more customer-friendly. Beginning in 2010, the pensions received by customers from Sweden have been shown on the pre-completed tax returns. This improvement concerned 40,000 Finns. Calculations on securities trading were made for almost 400,000 customers.

Towards paperless corporate income taxation

Corporate taxpayers still file their tax returns, which form the basis for the taxation carried out by the Tax Administration. The Tax Administration also receives comparative information from third parties for corporate taxation and uses it as a basis for taxation decisions.

The processing of corporate income tax returns is gradually becoming a paperless process.

Electronic tax returns can be sent quickly and contain fewer errors than returns submitted on paper. The information on electronic tax returns is checked automatically and customers are notified of any deficiencies or errors. The customer can then send the tax return after making the necessary corrections.

Control through combining and comparing information

Tax control carried out in connection with taxation is based on combining information supplied by the customer with information affecting taxation received from different sources and by comparing these two types of information.

All cases are examined by computer in the tax control phase. If the tax return is submitted by the specified deadline, is completed as required and is free of deficiencies and discrepancies, the customer will receive the taxation decision automatically. Some of the returns are selected for processing by a tax officer in accordance with nationwide selection criteria. The tax officer examines such tax returns and contacts the customer for further information, if necessary.

ADJUSTMENTS MADE AS PART OF TAX CONTROL, EUR million

	Tax year 2006	Tax year 2007	Tax year 2008	Tax year 2009
Adjustments in taxation				
Corporations				
added to income	680	653	903	1 216
deducted from income	54	79	172	114
Business consortia				
added to income	11	14	35	33
deducted from income	0,4	1,2	0,8	0,6
Self-employed				
added to income	51	65	69	54
deducted from income	4	5	5	4
Farming and forestry				
added to income	33	34	37	32
deducted from income	3	4	4	5
Wage-earners, pensioners				
added to income	241	268	294	258
deducted from income	15	42	23	13
Securities trading (physical persons)				
capital gain added	86	119	45	45
capital gain deducted	12	14	8	4

Based on tax control, the Tax Administration can make increases and decreases to customers' taxable income. These adjustments may result from the Tax Administration receiving income information which deviates from the information provided by the customer. The figures do not include taxation by estimation.

TAX CONTROL MEASURES 2008–2010

	2008	2009	2010
Tax auditing units			
Tax audits	2,718	2,799	3,275
Tax control visits	230	249	37
Comparison data audits	82	73	17
Individual and corporate taxation units			
Tax audits	966	698	277
Tax control visits	857	723	362
Comparison data audits	8	9	
Total	4,861	4,551	3,968

TAX AUDITS AIMED AT COMBATING THE GREY ECONOMY 2008–2010

(included in the previous figures)

	2008	2009	2010
Number of grey economy companies discovered	821	802	719
Grey economy, EUR million			
-undeclared payroll	56	51	47
-undeclared sales (incl. VAT)	49	52	51
-constructive dividend to company	5	11	13
-constructive dividend to owner	24	37	32
Additional tax to be debited, EUR million			
-withholding tax	21	19	17
-VAT	22	20	24
-direct tax	24	30	29
Invoice falsification			
-number of invoices	5,260	6,522	3,687
-value of invoices, EUR million	44	38	64

TAX AUDITS HELP COMBAT ECONOMIC CRIME

The purpose of tax audits is to ensure the credibility of the tax system and to secure the accrual of tax revenue. Tax auditing is divided into audits targeting risks that are determined using nationwide criteria and other audits. The audits carried out in accordance with the nationwide criteria are more extensive. In addition to traditional tax auditing, real-time tax control is also important. Tax auditing is based on electronic auditing methods, cooperation between the authorities and the international exchange of information. All of these measures are also continuously being developed.

In 2010, the Tax Administration completed 3,552 tax audits. Of these, 3,074 were carried out by the five regional units of the Tax Auditing Unit, 201 by the tax auditing unit of the Large Taxpayers' Office and 277 by local tax offices. Grey economy activities were discovered in 719 audits.

Twenty per cent of the taxpayers audited by tax auditing units were involved in grey economy activities. Tax auditing units used 30 per cent of their working hours for auditing taxpayers involved in the grey economy.

Nationwide tax control projects

The task of the Tax Auditing Unit is to identify phenomena and sectors that pose challenges to tax control. If necessary, control projects are established with the aim of charting the problems

AMOUNTS DEBITED ON THE BASIS OF TAX AUDITS 2008–2010, EUR million

	2008	2009	2010*
Direct tax	168	193	177
Indirect tax	68	58	55
Withholding tax	52	49	48
Total	288	300	280

* estimate

and developing operating models so that these sectors and phenomena can be controlled more effectively.

Tax control of electronic commerce

During the first half of 2010, Finns bought goods and services online worth EUR 4.8 billion. This means that the value of online purchases made by consumers each year is already approaching EUR 10 billion.

As a result, the Tax Administration has directed resources at tax control of electronic commerce. The final report of the electronic commerce tax control project carried out between 2005 and 2008 was completed in September 2010. The main aim of the project was to put the tax control of electronic commerce and long-distance sales on a more efficient basis and to provide tax control personnel with training in Internet use.

Already during the project preparation in 2004–2005, guidelines for Internet use in tax control were prepared and the compilation of the necessary comparative information and personnel training (including the purchases of the required software) begun.

Altogether, 119 tax audits were conducted as part of the project and 91 of them resulted in further measures. A total of 21 taxpayers involved in grey economy activities were discovered and three of the cases were reported to the police. Tax debiting proposals totalling EUR 9.79 million were made as a result of the audits. As part of the project, the Tax Administration also looked into the income of online poker players. You can read more about the topic on page 21.

The Tax Auditing Unit has decided to establish an expert network for controlling electronic commerce at the start of 2011. Its tasks include the monitoring of developments in electronic commerce and the sharing of the information for the purpose of supporting tax control.

Raksa project: combating the grey economy in the construction sector

The Tax Administration and a number of other authorities began the Raksa tax control project in the construction sector at the start of 2008. The project will last until the end of 2011 and the participants include the Social Insurance Institution of Finland (Kela), the Finnish Centre for Pensions, the Finnish Immigration Service, the occupational health and safety area of responsibility of the Regional State Administrative Agencies, the Prosecution Service, the Police Administration and the enforcement administration.

The goal of the project has been to combat the grey economy, develop measures for controlling foreign labour and introduce new control methods. In 2010, the focus was on real-time control. It relied heavily upon control visits at construction sites carried out in cooperation with occupational health and safety inspectors of the Regional State Administrative Agencies. There was closer cooperation between the Tax Administration and its Estonian counterpart in the control of foreign labour.

The OL3 tax auditing project at the Olkiluoto nuclear power plant construction site is also part of the Raksa project. You can read more about the project on page 13.

A control project focusing on taxpayers filing negative VAT returns

The purpose of the control project focusing on taxpayers filing negative VAT returns is to test the functioning of tax control under the tax account system. The aim is to identify the need to provide customers with advice and to stop unjustified VAT refunds as early as possible. You can read more about the project on page 29.

Tax control project focusing on the capital income of individual taxpayers

In 2010, the Tax Auditing Unit began a project aimed at surveying and developing tax control of the capital income of individual taxpayers. The purpose of the project is, by using comparative data received from abroad, to examine the correctness of the taxation of the customers in question, to take the necessary control measures and to make a wider assessment of tax risks in the area. Based on this, work procedures for tax control of international investments will be developed and control measures focusing on selected customer groups will be taken from 2011 onwards.

Substantial amounts of concealed income held by the customers targeted for the project have already been uncovered. In the future, control will be made easier by new information-exchange agreements with countries that, until now, have observed tight bank secrecy. Beginning on 1 January 2011, the comparative data of credit institutions can also be examined. Customers are also encouraged to meet their declaration obligations upon their own initiative.

International cooperation and exchange of information

The Tax Administration is an active participant in the international exchange of information and other international cooperation supporting tax control.

Cooperation with Estonia in the control of construction-sector operators

The tax control project with the Estonian Tax and Customs Board covering foreign labour and foreign companies continued in 2010. In addition to examining individual cases, the parties are also working on a cooperation model that helps the two countries to use more real-time comparative data in their tax control.

Control of EU internal trading on many fronts

New country of sale provisions which apply to value added taxation entered into force at the beginning of 2010. The new provisions, and the changes to notifications concerning intra-Community trade accompanying them, also put pressure on the exchange of information between EU Member States through the VIES system (Value added tax Information Exchange System). Despite the many changes they involve, the introduction of the new provisions has been smooth.

The annual control round covering EU internal trading is a joint venture involving the different units of the Tax Administration. During the control round, the units chart the taxation practices applying to intra-Community acquisition and supply and take action if any irregularities are observed. The control round supplements other tax control measures targeting intra-Community trade.

Case-by-case international exchange of information is an essential measure which supports the work of tax auditing and other tax control units. The amount of information exchanged in 2010 was more or less the same as in the previous year. In a positive development, certain countries submitted responses more quickly than before.

In the combating of tax fraud, the Tax Administration has intensified cooperation with neighbouring countries, especially with Estonia and Sweden. Tax frauds involving vehicles have become a focus area in international efforts to combat the grey economy in recent years. As the economy picks up, there is evidence that both imports and frauds are on the rise. Electronic commerce in different sectors is another growing risk area in terms of combating the international grey economy.

Eurofisc network helps to combat fraud

A new regulation on VAT-based exchange of information and cooperation between EU Member States entered into force in 2010. The main aim of the regulation is to combat and reduce fraud in intra-Community trade. Eurofisc, a network for the quick exchange of information between the Member States' anti-fraud agencies, is one of the tools made possible by the regulation.

Eurofisc provides a platform for exchanging operator-specific information connected with intra-Community trade and information on new types of fraud. The information flows cover all known risks concerning intra-Community trade that are of importance. It is a question of exchanging information that is as real-time as possible and that may, in the best case, help to prevent fraudulent activities.

Nordic cooperation aimed at reaching information-exchange agreements

Increasingly, globalised capital markets have also led to more tax evasion. Countries that are outside information-exchange agreements are particularly popular among tax evaders. Under information-exchange agreements on taxation, tax authorities may access information on taxpayers' capital investments and income in another country.

The OECD has worked hard to increase transparency and to combat harmful tax practice. As part of this work, it has prepared a tax agreement model for use during the exchange of information.

The Tax Administration has contributed to negotiations on information-exchange agreements as part of the cooperation carried out by the Nordic Council of Ministers. Cooperation began in 2006 and there are plans to continue it until 2012.

By the end of 2010, Finland had concluded a total of 29 information-exchange agreements with other Nordic countries, eight of which are already applied in full or in part. More agreements will follow in 2011–2012.

In 2008, the Nordic tax administrations began cooperation on the practical application of information-exchange agreements. The aim of the working group is to exchange experiences on the agreements, to test and monitor them, and, when necessary, to agree upon matters concerning their practical application.

Virke project: authorities' cooperation against the grey economy

The Tax Administration also took part in the Ministry of Finance's Virke project, which aims at improving cooperation between authorities; one of its tasks was to keep abreast of the situation in the grey economy and financial crime. In 2010, the Tax Administration participated in the Virke project work with 13 full-time equivalent employees. The Virke project has now been replaced by the Grey Economy Information Unit. The new unit, part of the Tax Administration, began work at the beginning of 2011. You can read more about the new unit on page 35.

TOWARDS OPERATIONS BASED ON TAX-RISK MANAGEMENT

The main goal of the Tax Administration is to move towards an operating approach based on the management of tax risks.

The measures selected depend on the tax risk in question and the customer groups involved. The measures may include services and procedures offered to the customers that make it easier for them to conduct their tax business, and methods that provide the customers with proactive help and which are based on their own situation.

The aim of the control measures carried out at different levels is to ensure that the customers will permanently adopt a correct approach. Customers acting correctly require less control, while at the same time customers acting fraudulently run a greater risk of being caught.

Basis for risk management was created in 2010

The structures and procedural models used as the basis for risk management were created in 2010. Procedures for different stages of the process were developed during the year and these were then tested using a small number of selected tax risks. The testing round allowed the Tax Administration to check the workability of the procedures and provided it with valuable information for further development work.

The first tax risk map was produced at the end of the year. As many of the tax risks as possible that have been identified by the Tax Administration so far are displayed on it. The tax risk map helps to outline the field of tax risks and provides a tool for managing them.

Risk management will become a part of everyday operations

In the next stage, the Tax Administration can begin applying the procedures and put them on a more established basis.

The aim is that the stages of tax-risk management – analysis, valuation, prioritisation and the processing of tax risks – will become a part of daily operations which will be expanded each year in a controlled fashion. In practice, this means that the number of tax risks that are analysed and, consequently, targeted for measures will increase each year. Each year, the procedure will replace an ever-larger proportion of the presently used selection-based taxation processes.



"About 40 per cent of the municipal tax revenue of Eurajoki came from foreign workers during the 2009 tax year."



IN CLOSE-UP

CONTROL AND PROVISION OF ADVICE HAVE INCREASED THE AMOUNT OF TAXES PAID BY FOREIGN WORKERS IN THE REGION OF SATAKUNTA

The OL3 control project at the Olkiluoto nuclear power plant construction site is part of the Raksa project of the Finnish Tax Administration.

The project, initiated in 2004, is carried out jointly with Teollisuuden Voima Oyj (the client) and the principal contractors. The Finnish Tax Administration regularly receives all access control and contract information for the site and uses the information for checking such matters as the liability of foreign companies and workers to pay taxes in Finland. The targeted guidance and other measures made possible by the control allow the Finnish Tax Administration to focus on customers that do not necessarily fulfil their obligations upon their own initiative. The control project is also a part of international cooperation, the aim of which is to ensure that taxes are paid to the right countries in accordance with tax agreements.

The purpose of the OL3 advice and guidance project is to influence the same group. It provides persons working at Olkiluoto and companies with staff at the site with information

about taxation in Finland. The project prevents problems from arising and helps customers to act correctly and pay the right taxes at the right time. The special requirements of foreigners concerning taxation in Finland and the obligations connected with it have been taken into account in the project. As part of the project, tax information events have been held at the construction site and elsewhere.

More effective control and the provision of advice have increased tax revenue in the Satakunta region. In 2009, foreign workers paid a total of EUR 10.2 million in municipal taxes in Eurajoki (compared with about EUR 7.5 million in 2008). This means that Eurajoki received almost 40 per cent of its municipal tax revenue from foreign workers during the 2009 tax year. In Rauma, the amount of municipal taxes paid by foreign workers in 2009 totalled almost EUR 7.4 million (compared with about EUR 5.3 million in 2008). In Pori, the figure was about EUR 1.9 million (compared with about EUR 1.5 million in 2008). ::



**OUR CUSTOMERS CAN CONTRIBUTE TO THEIR
TAX ISSUES CONVENIENTLY AND AT LOW COST**

Tax Administration services

We develop procedures and services in such a way that it is as easy as possible for customers to fulfil their declaration obligation and pay their taxes.

We make proposals to develop legislation in order to lighten the administrative burden of the customers as much as possible.

The aim of the Tax Administration is to reduce the number of visits to tax offices and develop telephone and online services that are not affected by the number or location of offices. E-service channels will allow work to be distributed throughout Finland.

TAX ADVICE BY TELEPHONE AND ONLINE

Tax Administration customers can get tax advice from national helpdesk numbers. Service numbers have been set up for different customer groups, types of tax and transaction situations. In 2010, the Tax Administration began work to renew its telephone systems and service model. The objective is to complete the system renewal and the new service model description by autumn 2011.

General advice is also available via email, using a feedback form that can be found at the Vero.fi website.

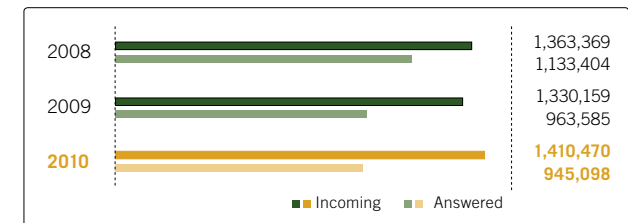
Vero.fi is the second most popular public-sector website

The Tax Administration's Vero.fi website is one of the most used websites in Finland, with more than 12 million hits in 2010.

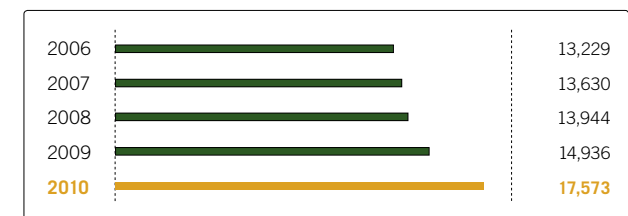
The Ministry of Finance commissioned the Julkishallinnon verkkopalvelut 2010 (Public-sector online services 2010) study, which examined Finnish attitudes towards online services and electronic transactions in the public sector. According to the study, the Vero.fi website was the second most used online service in the public sector. One quarter of all respondents had visited the Vero.fi website during the past three months.

The study showed that 25% of respondents had used e-services provided by the public sector, and 40% felt that electronic transactions were a pleasant way of dealing with the Tax Administration. The majority of respondents used public-sector online services to find information.

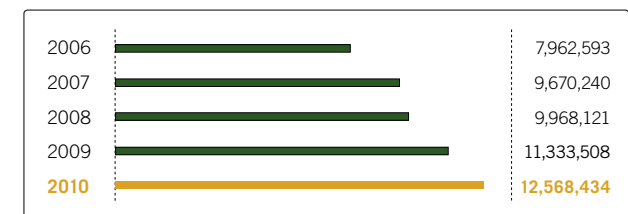
PHONE CALLS TO NATIONAL SERVICE NUMBERS 2008–2010



CLOSED WEB FEEDBACK THREADS, 2006–2010



WEBCOUNTER READINGS, WWW.VERO.FI, 2006–2010



A service development project is making it easier to find information on the Vero.fi website. Planning began in 2007, the implementation project for the updated website began in summer 2010, and the goal is to launch the website in summer 2011. Vero.fi is being developed into a channel that provides different customer groups with targeted information and guidance. There will be changes to the structure and grouping of the website: instructions will be divided into packages that are more clearly targeted for individual taxpayers and corporate taxpayers. The aim was to provide customers with clearer and more understandable instructions for various tax-related situations. The new content was planned and written in 2010.

Centralised provision of official services

Finland has nearly 200 joint service points offering centralised public administration services. The Tax Administration is represented at nearly 50 of these points. The service advisors working in the joint service points mainly handle tasks related to initiating proceedings, providing customers with guidance and supporting electronic services. Electronic training material has been compiled to support the practical work of the service advisors working at the joint service points.

The In To service point, which is jointly operated by the Tax Administration and Kela, offers taxation and social security services for foreigners who come to work, start a business

or study in the Metropolitan Helsinki Area. Other customers include employers that utilise foreign labour. The service has achieved its goal, and the activities were made permanent at the end of 2010.

Tax Administration services are also included in the public sector's joint online portals. The Suomi.fi portal is designed for individuals and it brings together electronic services, forms and instructions provided by the public sector. EnterpriseFinland is a portal for companies and people interested in entrepreneurship. It offers instructions and electronic services for establishing, growing and developing an enterprise.

Taxation is generated online

The volume of the Tax Administration's online service users, tax returns and data has increased every year. Information delivered electronically to the Tax Administration makes it possible to handle taxation and tax matters conveniently online.

In January 2010, employers sent the Tax Administration payroll information for a total of 4.3 million wage-earners. All in all, 4.4 million pension details and more than 4 million dividend details were received electronically. The Tax Administration used the information collected from these so-called third party declarations to compile 4.8 million pre-completed tax return forms, which were mailed by the beginning of April.

By that time, agricultural enterprisers, forest owners, business owners and self-employed persons had already filed their tax returns. A total of 6.1% of them filed their returns electronically. In contrast, corporate bodies adopted electronic filing more readily, with 19.4% filing electronic income tax returns.

STATISTICS ON E-FILING 2007–2010

	2007	2008	2009	2010	Change (%)
Companies using e-services	170,000	200,000	220,000	230,000	+4.5
Monthly tax returns/Periodic tax returns*	2,780,000	3,300,000	3,580,000	3,680,000	+2.8
Employer payroll reports (no. of wage-earners)	4,250,000	4,400,000	4,200,000	4,200,000	+0.0
Companies' income tax returns	47,000	72,000	100,000	140,000	+40.0
Direct transfers of wage-earner tax-card facts (no. of wage-earners)	3,780,000	3,950,000	4,100,000	4,430,000	+8.0

*The Periodic tax return replaced the monthly tax return at the beginning of 2010

Employer and value-added tax information has been filed and paid to the virtual tax account since the beginning of 2010. Implementation of the Tax Account Service has been quick: the system already had more than 250,000 users in March.

In the spring, real estate agents were given the opportunity to report asset transfer tax online. User feedback was very positive, and real estate agents were satisfied to be able to handle the entire process electronically from beginning to end.

Households discovered the updated Palkka.fi service, and the number of registered users doubled last year. The amount of wages paid through the Palkka.fi service exceeded EUR 835 million.

As in previous years, Finns revised their tax cards actively. One-third (32.8%) of the 1.6 million revised tax cards were calculated online in 2010. Two million customers used the tax rate calculator.

Approximately 1.3 million customers revised the pre-completed tax returns that they had received in spring. Of these, 30 per cent made the corrections online.

DIFFERENT METHODS OF ORDERING TAX CARD CHANGES, 2007–2010

	2007	2008	2009	2010	Change (%)
Customer counter	666,957	649,820	575,088	519,160	-10
Telephone	677,348	630,630	506,824	478,404	-6
Mail	31,610	20,435	16,607	16,613	+0
Online service	194,238	343,189	420,603	502,000	+19
Total	1,572,160	1,644,074	1,519,122	1,516,177	+0

FILINGS GENERATED BY BUSINESSES AND CORPORATE BODIES VIA BUSINESS INFORMATION SYSTEM (BIS), 2007–2010

	2007	2008	2009	2010	Change (%)
Start-up notifications	73,752	69,254	59,737	65,442	+9.55
Notification of changes/termination	145,707	155,743	158,609	153,579	-3.17
Changes of address	22,030	23,549	26,253	27,719	+5.58
-electronically*			2,460	14,453	
Information searches	14,398,795	16,540,219	17,295,427	17,358,241	+0.36

*The service was launched in November 2009

USE OF TAX CREDITS FOR DOMESTIC HELP, TAX YEARS 2006–2009

	2006	2007	2008	2009	Change (%)
Number of credits granted	243,170	260,959	310,942	360,800	+16
Average credited amount, EUR	677	696	705	1,083	+54
Total usage value, EUR	164,705,000	181,707,000	219,186,000	390,578,000	+78

Tax credits for domestic help are becoming more important and continue to grow strongly in popularity among individual taxpayers.

Customers are satisfied with the service they receive

The Tax Administration's 2010 customer survey examined the satisfaction of individual and corporate taxpayers with transactions in the Tax Administration and the use of electronic services at the time of the survey and in the near future.

The Tax Administration's individual customers were very satisfied with transactions and services, regardless of the transaction channel. The majority of individual taxpayers have handled their tax matters by visiting a tax office or by telephone. Only 16% of respondents indicated that using e-services was their most common mode of transaction. However, every other person using e-services was extremely satisfied with the quality of the transaction.

The level of satisfaction of corporate taxpayers with transactions in different channels was also good, although the number of very satisfied customers in this group was somewhat lower. Companies make diverse use of electronic transactions and rarely visit tax offices.

The potential for increasing electronic transactions exists in both customer groups. A large part of individual taxpayers (47%) would be prepared to handle their transactions electronically if all transaction modes were equally convenient. Corporate taxpayers consider electronic transactions to be almost the only reasonable way of handling transactions. Both groups felt that the prerequisite for an increased use of electronic transactions was the certainty that using the services would not lead to errors that would be difficult to correct and that the services would be easier to use than at present. The opportunity to obtain assistance when needed was also considered to

be an important factor. Electronic transactions would become more widespread if information could be filed continuously and to a greater extent than is currently possible. This would also attract customers who at present prefer face-to-face contact.

People have confidence in the professional skills of tax authorities

The Tax Administration commissioned its first ever image survey, which examined citizens' attitudes towards the tax authorities and taxation.

In the eyes of citizens, the Tax Administration has a good image and citizens have a positive attitude towards paying taxes. The majority believe that citizens will be able to deal with the tax authorities conveniently in the future. Nearly all of the respondents felt that it is easy to file a tax return. Customers feel that the Tax Administration is able to take their needs into consideration and explain things clearly, although a certain degree of inflexibility and bureaucracy was apparent in some operating methods.

Citizens have a great deal of confidence in the professional skills of tax authorities. An overwhelming majority associate professional skill and an image of friendliness and customer service orientation with the Tax Administration staff.

NEWS IN TAXATION

Changes in taxation will increase the need to advise customers and will also have an impact on Tax Administration procedures, information systems, expenses and tax control. The Tax Administration's goal is to influence the preparation of tax laws and promote the construction of a good tax system.

Filing and paying of unprompted taxes renewed

Filing and payment of unprompted taxes, such as VAT and employers' contributions, became easier and more unified when the virtual tax account was implemented at the beginning of 2010.

Filing and payment to the virtual tax account

With the exception of asset transfer tax, unprompted taxes are reported using a single return: the Periodic tax return. Along with filing, payment was also made easier as all taxes can be paid with a single payment into the same national account. When paying into the tax account, customers can now deduct the amount of refundable tax from the taxes being paid.

Tax accounts have only one due date, the 12th day of each month, when tax account taxes are reported and paid. However, the due date for Periodic tax returns filed in paper format is earlier: the 7th day of each month.

Payments to the tax account are allocated to different taxes in the order dictated by legislation and taxpayers cannot choose which taxes they pay to the tax account. Tax refunds are paid to the taxpayer without delay, unless the customer sets a refund limit for the account.

Customers can use the Tax Account service to monitor their unprompted taxes: reported taxes, payments, refunds, interest and late payment penalties. Customers receive a monthly tax account statement that remains in the system for three years. In 2010, the Tax Administration also sent the tax account statement to all customers by mail.

The Tax Account service allows customers to file a Periodic tax return and calculate the amount due for payment, including possible penalty interest, on a certain date of payment. Visits to the Tax Account service during its first year totalled about 2.3 million, and approximately 1.3 million Periodic tax returns were submitted through the service, which is equivalent to nearly 30% of all Periodic tax returns.

Strong identification required for tax account transactions

Because the tax account contains confidential taxation information and the Periodic tax return must be signed electronically, viewing of tax account details and filing of Periodic tax returns requires the use of a so-called strong Katso user ID. Customers either had to apply for their own Katso ID or provide an accounting firm with authorisation for electronic transactions.

The challenge in the early phase of this procedure was the rush associated with acquiring an ID. There were delays in customer service and the processing times for Periodic tax returns increased. The Tax Administration took a flexible attitude towards delays and errors during the early stages and, as a result, late payment penalties and penalty interest were not charged at the beginning of the year. By the autumn, processing times had returned to normal and the early challenges had been overcome.

The overall success of implementation was very good. The majority of filings were received on time and the taxes and payments could be paid to the tax recipients on time. At the end of the year, the tax account had about 510,000 users, the majority of which were corporate taxpayers. The tax account also applies to individual taxpayers if they make employer contributions during the year.

Tax account for primary producers in 2011

Small companies have had the possibility to choose a longer filing and payment period since the beginning of 2010. About 25,000 customers selected the quarterly method and around 34,000 VAT-registered taxpayers and 255,000 primary producers and artists switched to the calendar year period. Approximately 240,000 customers selected a monthly filing and payment period.

In 2011, primary producers and other taxpayers using the calendar year method will be included in the tax account system. They will file a Periodic tax return and make a payment into the tax account on 28 February 2011 for the first time. The Tax Administration sent out information and instructions about switching to the new method, as well as the new form and payment instructions, in autumn 2010. The Tax Administration has also focused on communication about this change on the Vero.fi website and by means of stakeholders and the media.

Many changes in value-added tax

Country of sale regulations regarding value-added taxation changed at the beginning of 2010. As a result of this change, services sold to entrepreneurs are generally taxed in the buyer's country of establishment. This means that the buyer pays the tax on behalf of the seller; in other words, a reverse tax liability applies to the sale. The general rule continues to be that services sold to consumers are taxed in the seller's country of establishment. Thus, the procedure concerning such services has not changed.

As of the beginning of 2010, a summary of VAT had to be filed electronically on a monthly basis. The declaration must also be provided for the sale of services to the EU area. Earlier, the declaration was only submitted for sales of goods. The new obligation applies to sales of services in which the regulations oblige the buyer to pay tax on behalf of the seller.

Applications for foreign tax refunds from other EU countries have been submitted electronically since the beginning of 2010. Finnish VAT-liable companies submit their applications through the ALVEU system launched by the Tax Administration in January. A total of 7,100 applications were submitted from Finland to other EU countries and, correspondingly, Finland received 4,000 applications from other EU countries. Applications were sent to all EU countries and received from nearly every country.

Value-added tax rates increased by one percentage point at the beginning of July. The general tax rate rose to 23%, and the tax rate for foodstuffs and animal feed to 13%. The tax rate for things like passenger traffic, accommodation, books, medicines and entry fees to cinemas and entertainment events rose to 9%. In contrast, the tax rate for restaurant and meal services decreased to 13%.

The Tax Administration also prepared for the reverse charge mechanism for value-added tax associated with construction services, which will enter into force on 1 April 2011. When services are sold to a buyer who sells building services on an ongoing basis, the buyer rather than the seller is liable to pay VAT. The Periodic tax return will include new sections for both sellers and buyers. The Tax Administration has worked with stakeholders to compile guidelines and arrange training regarding the reverse charge liability. Customer events will be held in spring 2011.

Changes in public information related to individual taxpayers' income tax

The legislation concerning public information for individual taxpayers' income tax changed in October 2010. This change improved protection of customers, with a restriction on the release of their personal data, by changing the classification of public information about the customer's municipality of residence to information about the province of residence. Following this change, information provided about old public information is now only given in separate statements from which the information on the municipality for customers with a restriction on the release of personal data has been removed.

When the information for the 2009 tax year became public in November 2010, public information about individual taxpayers' income tax could be viewed for the first time as an electronic list on customer terminals at the tax offices. The electronic list promotes information usability and makes it possible to browse the information on a nationwide basis. Customer feedback on the change has been positive, and the Tax Administration will continue to develop the service with regard to other public information.



IN CLOSE-UP

TAX CONTROL OF ONLINE POKER PROMPTED PLAYERS TO CHECK THE TAXABILITY OF THEIR INCOME

As part of its electronic commerce tax control project, the Finnish Tax Administration began to look into poker playing on the Internet in 2007.

If a poker game is organised outside the European Economic Area, the income generated by it is taxable.

The Finnish Tax Administration received comparative data on games played outside the European Economic Area from online databases containing information about the results of poker tournaments. After examining the data, the Finnish Tax Administration sent letters to the taxpayers and proposed that the winnings be taxed as other taxable earned income during the year in question. At the same time, the income acquisition costs resulting from playing (such as tournament charges) were also examined. The measures covered the years 2004–2007.

The Helsinki Area Tax Office expanded the project by selecting a dozen well-known players for tax audits. The tax audits covered the years 2003–2007. The taxpayers were also provided advice on how to declare income for 2008 and 2009.

“The audits prompted many taxpayers to take a closer look at the taxability and tax exemptions of poker income.”

The tax audits were extremely successful. In addition to generating tax payments and concrete tax debiting proposals, the audits also prompted the players in question to make additional income declarations. The number of unprompted income declarations submitted by players not covered by the tax audits also increased substantially during the audits and the tax year following them.

In fact, the audits prompted many taxpayers to take a closer look at the taxability and tax exemptions of poker income. The Finnish Tax Administration provided the players with guidelines on matters concerning the taxation of online poker. ::

WE OPERATE PRODUCTIVELY AND ECONOMICALLY



Strategy of the Finnish Tax Administration

We operate in such a way that we achieve benefits through improved productivity and cost savings.

Cost-effectiveness is promoted by operations based on risk management, flexible organisation of work and the development of new service models.

We perform the core tasks of taxation by ourselves.

We seek the benefits of rationalisation that come with the reorganisation of tasks and working together with other units in central government as well as with interest groups. We outsource support functions when it is meaningful in terms of the overall economy and when the reliability of operations can be guaranteed.

The Finnish Tax Administration updated its operating strategy in 2009. In the new strategy, the purpose of Tax Administration operations is defined as carrying out taxation so that taxes are collected as fully as possible. There is now more emphasis on the management of tax risks.

Strategic goals of the Finnish Tax Administration

- 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.

MISSION:

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

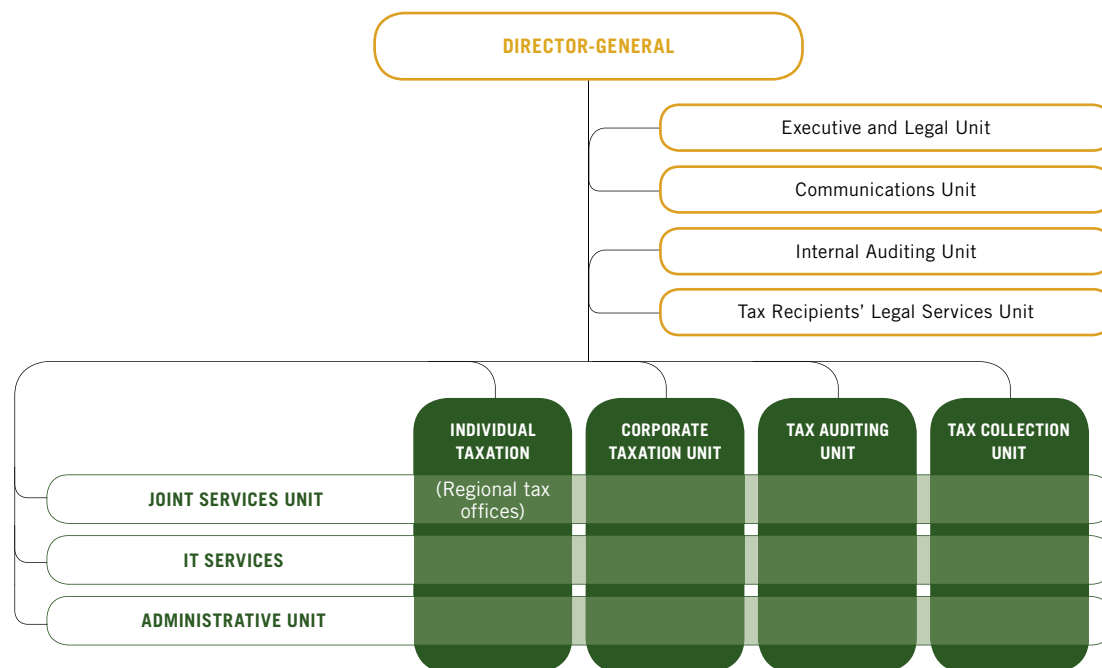
BUSINESS IDEA:

The right tax at the right time.

VALUES:

Fairness
Reliability
High standard of professionalism

ORGANISATION OF THE FINNISH TAX ADMINISTRATION



NEW ORGANISATION FOR THE FINNISH TAX ADMINISTRATION

On 1 September 2010, the Finnish Tax Administration adopted a new organisational structure that is in accordance with the new strategy. The National Board of Taxes was phased out and its former functions were distributed among various bodies.

National business lines were established for corporate taxation and auditing. Tax collection already functions as a national unit.

National business lines

Regional tax offices are responsible for providing service and guidance to individual taxpayers, business owners and self-employed persons. They also manage customer information, income taxation and withholding, and tax control as well as inheritance, gift, transfer and property taxation. Their operations are supervised by the Individual Taxation Steering and Development Unit. The 23 tax offices are responsible for the operative functions.

The Corporate Taxation Unit is responsible for the service and control, customer information and tax control for listed companies and other corporate bodies. Its operations are supervised by the Corporate Taxation Steering and Development Unit. The Large Taxpayers' Office and seven corporate tax offices are responsible for the operative functions.

The Tax Auditing Unit is responsible for conducting tax audits and for carrying out other special control measures. Its operations are supervised by the Tax Auditing Steering and Development Unit. There are five auditing units responsible for the operative functions.

The Tax Collection Unit is responsible for tax payments, recovery and remittances as well as for functions related to the tax account method. Its operations are supervised by the Tax Collection Steering and Development Unit. There are four tax collection units responsible for the operative functions of tax collection and five tax recovery units responsible for the operative functions of tax recovery.

Support units

The Joint Services Unit is responsible for the Tax Administration's transaction channels and services, language services, tax risk management processes and the coordination of development projects, quality control and international stakeholder cooperation. The Individual Taxation Steering and Development Unit is part of the Joint Services Unit.

IT Services is responsible for joint Tax Administration application, production and information technology services. It also provides support, control and oversight for the implementation of information technology within the Tax Administration.

The Administrative Unit is responsible for joint Tax Administration personnel, financial and general administrative functions, employer functions and personnel development and training services.

Executive units

The Executive and Legal Unit is responsible for the Tax Administration's steering and management system and its strategic process and security functions. It also drafts the Tax Administration's regulations and taxation harmonisation guidelines and carries out tasks requiring specialised legal expertise.

The Communications Unit is responsible for the management of Tax Administration communications and marketing and assists the management and units in the planning, execution and monitoring of communications.

The Internal Auditing Unit is responsible for internal audits of the Tax Administration and for preparing responses to administrative appeals for the consideration of the Director-General.

An independent body of the Tax Administration, **the Tax Recipients' Legal Services Unit** oversees tax recipients' rights in taxation and in appeals involving taxation.

Organisational development is continuing

Organisational development also continued after the reorganisation introduced in September. The work included preparations for the establishment of the Individual Taxation Unit in 2012. After the establishment of the unit, the regional tax offices will disappear and individual taxation tasks put on a nationwide basis.

In connection with the reorganisation, and in order to consolidate the development of information systems, the Tax Administration began to prepare descriptions of its business processes. The work resulted in a concept covering the Tax Administration's group-level core, management and support processes.

Redistribution and centralisation of tasks

Most offices with a maximum of ten employees have been closed and many of the support functions transferred to joint service points. For productivity reasons, and in order to ensure the required expertise, the taxation of certain customer groups and tax types has been centralised.

- The 150 employees of the Large Taxpayers' Office handle the taxation, control and customer service for all major Finnish corporations in a centralised manner.
- The taxation of non-profit associations and foundations operating in Finland is the responsibility of the Savo-Karjala and Southwest Finland Corporate Tax Offices.
- The equivalent of 130 full-time employees in tax offices around the country are dedicated to answering questions arriving via national helpdesk phone numbers and the Internet.
- Individual taxation of the customers of the Helsinki Area Tax Office is handled at six locations outside the region.

According to Government guidelines, the Tax Administration uses services provided by the service centre of the State financial and personnel administration for its financial and personnel administration tasks.

SOCIALLY RESPONSIBLE ACTIVITIES

The Tax Administration has endeavoured to improve its social responsibility in many ways.

The Tax Administration shows financial responsibility by adhering to its productivity programme and by endeavouring to reduce the administrative burden of its customers. Development of the planning and monitoring systems and the management information systems is continuing. During the past five years, the Tax Administration has improved its productivity by more than 20 per cent.

The Tax Administration fulfils its social responsibility by treating its customers and personnel fairly. The Tax Administration supports its personnel's well-being at work, ensures that personnel reporting remains at a high level and observes good administrative practices. The year 2010 saw the preparation of an occupational safety action plan and an early reaction model for occupational health. In its customer satisfaction survey, the Tax Administration examined such matters as the experiences of its customers concerning fair treatment.

Environmental responsibility was also promoted during 2010: the WWF's Green Office environmental programme was expanded so that it now covers the entire Tax Administration. The Tax Administration also made a pledge to the Baltic Sea Action Group concerning the protection of the Baltic Sea. As part of its pledge, it aims to introduce a paperless taxation process and environmentally friendly taxation services.

PART OF THE INFORMATION SOCIETY

The Tax Administration is one of Finland's largest public-administration IT users and one of its largest builders of an information society.

Information systems forming the base

Taxation is mostly a matter of information processing and, in fact, the costs related to information systems are the largest item of expenditure in the Tax Administration after the person's wage and salary costs.

A great amount of work is required each year to maintain these information systems due to, among other things, changing taxation legislation, versioning in the technical environment and process development. One of the maintenance projects requiring information system work in 2010 was the expansion of the Tax Return Online service. In the field of technology, the Tax Administration began the harmonisation and upgrading of its telephone system. Organisational changes and work arrangements also require changes in information systems.

In addition to being maintained, the information systems are also constantly improved. On the one hand, it is a question of modernising aging technology. On the other hand, information systems such as electronic processing, which better support the activities, are being developed. The most important development project in 2010 was the introduction of the tax account system. The new system led to changes in a large number of existing systems. The upgrading of the tax prepayment information system and the development of an analysis system for tax auditing and tax risk management also continued.

Tax Administration contributing to the information society

A list of reporting codes was published in September as part of the Real-Time Economy project. The project is funded by Tekes and coordinated by Aalto University. The codes constitute a standard that helps companies to update their account scheme, allowing them to submit all statutory reports without problems. The Tax Administration helped to add to the basic list of accounts details for the information that companies must enter on income tax returns and Periodic tax returns each year. The maintenance of the codes is the responsibility of a reporting board that is a part of the Tili-instituuttisäätiö. Mirjami Laitinen, Director-General of the Tax Administration, was appointed as the chair of the board by invitation.

Based on a Finnish government decision, the eServices and eDemocracy programme (SADe) was launched in spring 2010. The Tax Administration is contributing to the service entities intended for employers and new entrepreneurs with its BIS and Palkka.fi services.

INTERNATIONAL STAKEHOLDER COOPERATION ON MANY FRONTS

For the Tax Administration, international cooperation is a very important means of obtaining information, exchanging experiences, learning from the best practices and exporting Finnish taxation know-how to other countries. The Tax Administration actively participates in the activities of international organisations. The reorganisation of the Tax Administration has led to a concentration and strengthening of the coordination of international stakeholder cooperation. The aim is to ensure that the Tax Administration can make correct use of its international experiences.

Nordic cooperation is at a strategic level

The Nordic tax administrations have been cooperating in a wide range of areas for many years. As the challenges and opportunities they face are often similar, the cooperation has been of a practical nature. The annual meeting of the Directors-General held in Helsinki in 2010 approved the Nordisk Agenda, a strategy document that will strengthen cooperation between the Nordic tax administrations and give it a strategic content. The cooperation covers three unified and partially overlapping themes: efficiency, service and positive attitudes towards taxes. Cooperation carried out as part of the Nordisk Agenda includes transfer pricing, impact measurement, the exchange of information, risk analysis, tax auditing, Nordic benchmarking and the Nordisk eTax portal, which is intended for ordinary citizens.

Working visits to other EU countries

Cooperation within the European Union is extensive and regular. The Finnish Tax Administration is a participant in taxation working groups, committees and expert teams, which, among other things, deal with the implementation of and changes to Community legislation, administrative cooperation between the Member States and the combating of fraud.

The EU's Fiscalis programme provides financing for pan-European seminars, working groups, simultaneous audits and working visits. Fiscalis working visits provide Tax Administration staff with an opportunity to network with their European colleagues. The experiences gathered during different events have been used by the Tax Administration in its development work. In turn, Finland has hosted working visits from other EU countries. Some of the visitors have participated in joint programmes planned and organised by different units. A total of eight such programmes were organised in Finland in 2010. Some of the visits have been planned in accordance with the participants' requirements. When preparing the programme, special consideration has been given to the visitors' needs and interests.

A large number of partner organisations

The Tax Administration is also engaged in regular cooperation with other international organisations. Among other things, the cooperation provides the Tax Administration with an opportunity to maintain contacts with countries outside Europe.

Within the OECD (Organisation for Economic Co-operation and Development), there are several cooperation groups which produce statistics and comparative data as well as surveys and recommendations for common policy directions. The Tax Administration has endeavoured to take a more active approach to the development work carried out by OECD's working groups and responsibility for different sectors has been shared between units. This helps to produce a clearer picture of the work carried out by the OECD and to improve cooperation.

The Tax Administration has been a member of IOTA (Intra-European Organisation of Tax Administrations) since 2005. IOTA organises yearly seminars and education events. The Tax Administration, along with other Nordic tax administrations, has been actively involved in the development of IOTA's activities. The Tax Administration also takes part in the deliberations of IOTA's working groups.

Cooperation in the Baltic region is continuing, but during the last few years the focus has been on mutual cooperation. Cooperation with Estonia is on a particularly active basis and efforts have also been made to develop cooperation with Russia. As part of the cooperation between Finland and Russia, the tax administrations of the two countries have set up a working group, the aim of which is to establish an automatic exchange of information between them.

PERFORMANCE GUIDANCE BY THE MINISTRY OF FINANCE

The Tax Administration prepares a four-year operating and financial plan each year. The plan describes the anticipated changes in the operating environment and the long-term objectives and development plans. It also lists the anticipated resource requirements for the coming years and adjusts them using the framework laid out in the productivity programme of the Ministry of Finance.

The annual targets and resources are agreed upon with the Ministry of Finance and incorporated within the budget, its justification and the performance agreement. The performance agreement establishes targets for the effectiveness, operating efficiency, outputs and quality management of the Tax Administration and for the management and development of its personnel resources. The strategy of the Tax Administration, the budget and the performance agreement between the Ministry of Finance and the Tax Administration are further divided into targets for individual Tax Administration units. The Tax Administration concludes performance agreements with its individual units. The implementation of the performance agreements is monitored three times a year. The Ministry of Finance provides feedback on the implementation of the agreements and the Tax Administration relays the feedback to its own units.

Number of personnel reduced by several hundred

The productivity programme provides government agencies with a framework for appropriations and full-time equivalent employees spanning many years. The Tax Administration has accounted for a large share of the productivity programme, especially concerning full-time equivalent employees. Between 2007 and 2010, there was a reduction of almost 730 persons in the number of the Tax Administration's full-time equivalent employees. During the second stage of the productivity programme, extending to 2015, the number of full-time equivalent employees must still be cut by several hundred.

The Tax Administration has substantially improved its productivity and efficiency, particularly in 2009 and 2010. This is mainly the result of a reduction in the number of personnel, but a slight increase in the number of customers has also contributed to the improvements. Cuts in IT expenditures have also helped to improve efficiency. The Tax Administration is relying more on electronic transactions and has automated its processes and targeted tax control in accordance with risks.

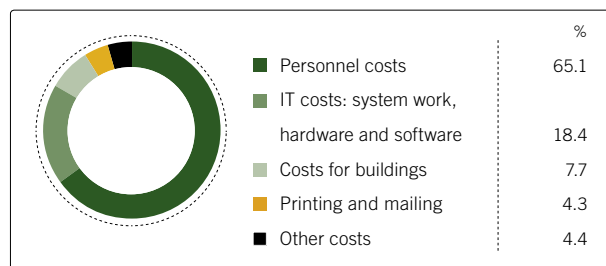
The organisation has also been streamlined and a number of tax offices have been given nationwide responsibilities. By increasing unit size, the Tax Administration has managed to clarify work entities and remove overlapping responsibilities. New facility solutions are aimed at increasing the efficiency of facility use. The goal of this work is a reduction in overall rental costs even though rents have increased.

High productivity requires more automation

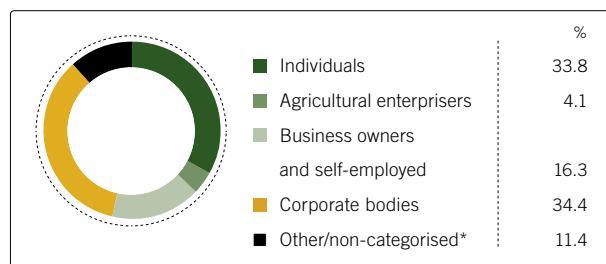
Even though the number of personnel has been reduced, the level of services and tax control have not been affected. In the future, the productivity programme will require more automated tax control. However, significant changes in this field are only possible if material and procedure-related legislation is streamlined.

In addition to a high degree of automated control, the productivity programme also requires digitalisation of printed information, more electronic transactions and continuing development of the IT architecture. However, a large part of the funding for the Tax Administration's IT operations goes to technological improvements. This is essential so that operational reliability can be maintained. Statutory and other obligatory changes in information systems also increase expenditures in this area. This means that fewer resources will be available for strategic development projects.

OPERATING EXPENSES BY CATEGORY 2010



COSTS BY CUSTOMER CATEGORY IN 2010



* Includes costs arising from information services provided to the customers and from services to enforce the rights of tax recipients. The costs for other tax types, such as property, inheritance and gift taxation, as well as for some other smaller taxes, are also included under this category.

STRICT FINANCIAL MANAGEMENT

The net operating expenses of the Tax Administration in 2010 came to EUR 381.4 million. In the 2010 central government budget and supplementary budgets, EUR 395.3 million had been allocated for the purpose, so a savings of EUR 14.0 million was achieved. A total of EUR 24.2 million in appropriations from previous years will be carried over to 2011.

Personnel and IT costs account for the largest expenditures

Net costs decreased by 2.1 per cent in nominal value compared with the previous year. Personnel costs decreased by 0.4 per cent and IT costs by as much as 8.2 per cent from the previous year. Costs for buildings decreased by 2.1 per cent. At the same time, operating income increased by 10.4 per cent.

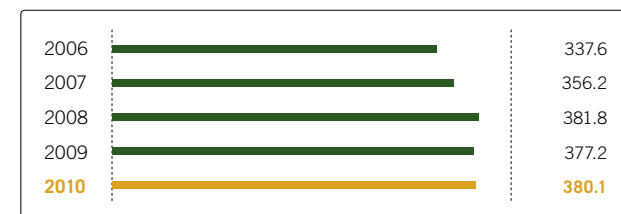
Personnel costs decreased as a result of a large number of retirements, a small number of summer employees and the fact that recruitment of new staff has come to an almost complete halt. IT costs decreased as a result of cuts in development projects and the postponement of new projects. Travel costs fell by 6.3 per cent compared with 2009. This was achieved by increasing remote connections and by favouring environmentally friendly modes of transport (for example, by using trains instead of air travel).

Costs increased from the previous year

The Tax Administration's operating costs totalled EUR 380.1 million, an increase of 0.8 per cent from the previous year.

When examined by taxpayer category, Tax Administration costs were divided as follows: individuals EUR 128.3 million, agricultural enterprisers EUR 15.5 million, business owners and self-employed EUR 62.0 million, corporate bodies EUR 130.9 million, and other non-categorised taxpayers EUR 43.4 million.

TAX ADMINISTRATION COSTS 2006 TO 2010, EUR million



NOMINAL VALUE EXPENSES 2008–2010, EUR 1,000

	2008	2009	2010
Costs			
Wages *	250,504	250,601	249,455
Rental costs	25,020	26,186	26,007
Other costs	115,938	116,902	109,961
Investments	1,528	876	1,256
Total	392,990	394,565	386,678
Income to offset net operating costs			
Services subject to a charge	3,447	2,962	3,243
Other financing	2,707	1,940	2,080
Total	6,154	4,901	5,324
Net costs (+) / net income (-)	386,836	389,664	381,355
Budget	363,402	375,691	395,311
Change in savings	-23,434	-13,973	13,956
Balance of savings 31 December	24,167	10,194	24,151
Number of staff (in full-time equivalents)	5,757	5,595	5,336

* Kela-paid social allowances included

"Prevention of tax fraud and tax losses required smooth cooperation between different units."



IN CLOSE-UP

A CONTROL PROJECT FOCUSING ON TAXPAYERS FILING NEGATIVE VAT RETURNS STRENGTHENS COOPERATION BETWEEN UNITS

A negative value added tax is created when the VAT incorporated within the sales of a VAT-liable entrepreneur during a particular period is lower than the tax incorporated within the purchases during the same period. In the tax account system introduced in 2010, taxpayers can use the negative VAT of the preceding months to offset the unprompted taxes falling due. If the negative value added tax exceeds the taxes declared on the Periodic tax return, the surplus will be refunded to the taxpayer.

The worry was that the changeover into the tax account system might tempt customers to fraudulently file negative VAT returns. Prevention of tax fraud and tax losses required the establishment of up-to-date control mechanisms and smooth cooperation between different units from the outset. For this reason, in 2009 the Finnish Tax Administration initiated a control project focusing on taxpayers filing negative VAT returns.

The aim of the project is to test the functioning of the tax control of taxpayers filing negative VAT returns as part of the tax account system, to identify any need to provide customers with advice and to stop unjustified VAT refunds as early as possible.

It is also important to put the cooperation between tax auditing, the supervision of VAT returns and tax recovery on a closer basis. If, during a tax audit, details emerge that have an impact on the reliability or correctness of periodic negative VAT returns, the tax auditor will, without delay, contact the person processing the Periodic tax return. Tax auditing units must allocate sufficient resources to allow them to react promptly to audit initiatives received from the supervision of VAT returns, as well as to other contacts, and to audit the taxpayers in question. As part of their cooperation, tax auditing, the supervision of VAT returns and tax recovery also discuss what measures should be taken concerning the taxpayers in question. ::



OUR ORGANISATION HAS INNOVATIVE POTENTIAL

Tax Administration staff

We improve the Tax Administration's ability to renew itself in the manner required by changes in the operational environment and developments in our operations. We invest in competence. We expect of our personnel personal initiative, flexibility and a goal-driven mindset.

The numbers of staff and full-time equivalent employees at the Tax Administration have continued to decrease in accordance with the plans. At the end of 2010, there were 5,466 people working at the Tax Administration, a decrease of 3.5% from the previous year. The number of the personnel decreased by approximately 3 per cent each year since 2005.

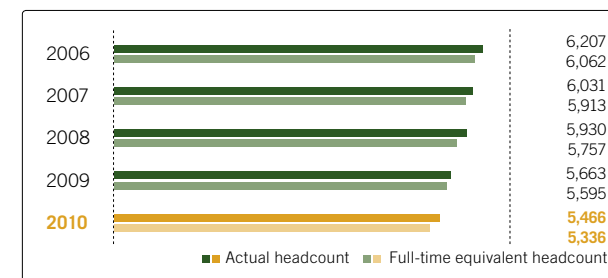
The Tax Administration's goal for 2010 was set at 5,400 full-time equivalent employees. The end result was 5,336 full-time equivalent employees, which is 64 better than the target.

Average staff age is rising

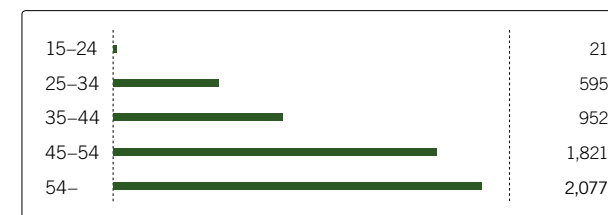
The average age of Tax Administration staff was 49.4 at the end of 2010, which was an increase of 0.3 years from the previous year. There have been significant changes in the staff's age structure during the last five years. The share of staff over the age of 45 has risen from 62% to 71%, while the share of staff over the age of 60 has increased to more than 15%. Those under the age of 30 account for slightly less than 4%. In the long run, the aim of the administration is to balance the age structure.

More than three-quarters of the Tax Administration's staff are females. The proportion of men and women on the staff has remained unchanged for years now.

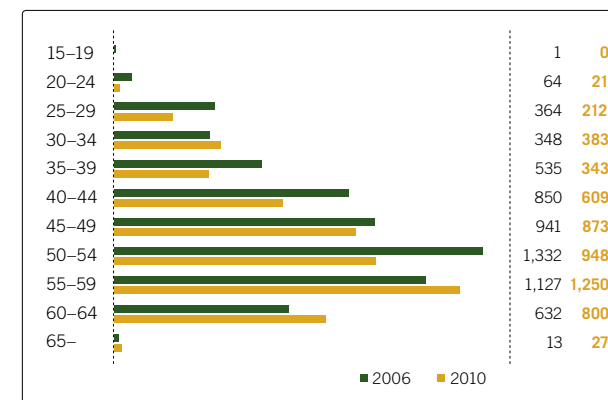
ACTUAL STAFF HEADCOUNT AND STATISTICAL QUANTITIES, 2006–2010



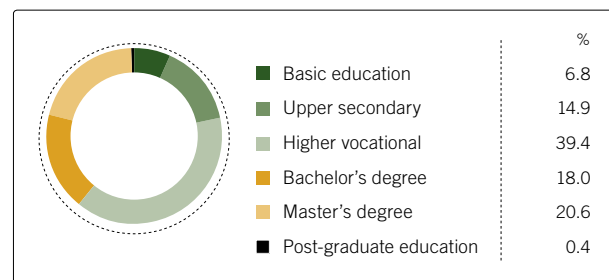
AGE DISTRIBUTION, 2010



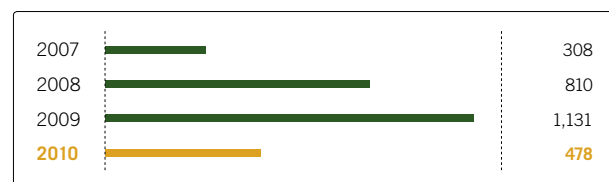
STAFF AGE STRUCTURE, 2006 AND 2010



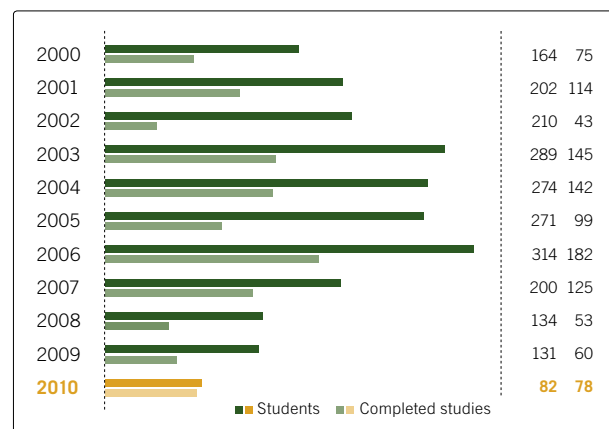
STAFF EDUCATION, 2010 *Education level*



INDIVIDUAL COURSE COMPLETIONS 2007–2010, *Completions*



NUMBER OF STUDENTS IN EDUCATION PROGRAMMES AND NUMBER OF CERTIFICATES GRANTED YEARLY, 2000–2010



HIGHER EDUCATION LEVEL AS A GOAL

One of the goals of the Tax Administration is to improve the staff's educational level. The level can be raised by encouraging the staff to undertake studies and participate in examinations, or by recruiting new employees with a higher level of education. At the end of 2010, 39% of the staff had a university degree and 39.4% had a higher vocational level of education, for example a diploma from a business college.

The Tax Academy offers internal training for Tax Administration employees. The training offered by the Tax Academy consists of specific courses that are closely related to practical work. For example, clearly defined work situations and the ability to handle them in a foreign language form the foundation for the content of language courses. The focus in courses to support taxation work has shifted from long training programmes to individual online and multiform courses.

Training in the taxation of individuals expanded during the year. Use of course materials in the offices increased and training for further trainers was offered for the first time. New topics included courses related to the international taxation of individuals and the taxation of corporate taxpayers.

International cooperation also developed. Participation in international seminars or work visits improved the staff's expertise and readiness to function in an international environment. An important part of cooperation is the creation of networks to support everyday activities.

Staff participation in training in 2010 was significantly less than in previous years, a phenomenon that can be attributed to the difficult financial situation, major organisational changes and a decrease in the number of staff. Participation in training related to current affairs was made easier by the use of

video conference connections. Thus, more Tax Administration employees were able to take part in meetings and travel expenses decreased.

Online studies move to a new environment

In 2010, a significant number (19/50) of online courses were transferred from the Woppi learning environment to the new Moodle environment. Ten new web-based courses were produced during the year. Online courses were developed to meet various needs in the Tax Administration. There are a total of 25 continuously available, open self-study courses and three partially restricted self-study courses aimed at large target groups in individual taxation. A total of 19 web-based courses run by trainers are available.

A total of 2,180 web-based courses provided by the Tax Administration were completed in 2010. There were also 43 Tax Administration employees taking web-based accounting courses offered by the Häme University of Applied Sciences.

JOB SATISFACTION IS ON A GOOD LEVEL

Productivity targets, a changing organisation and a new operating model require an active and strategy-oriented personnel policy. Objectives for human resources management and development have been set in the performance target document compiled by the Tax Administration and the Ministry of Finance. Key areas of focus include developing the expertise needed to implement the strategy and participatory and insightful management.

Realisation of the objectives is monitored by means of the annual VMBaro staff survey. The results of the survey are analysed within the units, where development targets are determined on the basis of discussion and the purpose of operations is clarified.

A total of 65% of respondents were satisfied or very satisfied with the working conditions, workplace atmosphere and cooperation, while 63% were satisfied or very satisfied with the work content and challenge. Generally speaking, employees between 40 and 49 of age had the most critical attitude towards activities: their results were relatively good, but lower than in other age groups. As a result of the structural change implemented in VMBaro during the year, the results for 2010 are not directly comparable with those from previous years. However, it appears that the areas of feedback received from supervisors, fair treatment from supervisors, opportunities to combine work and private life, and good workplace reputation have developed in a positive direction since 2005.

RESULTS OF JOB SATISFACTION SURVEYS AT THE TAX ADMINISTRATION, 2006–2010

	2006	2007	2008	2009	2010*
Supervisors	3.34	3.39	3.41	3.45	3.39
Job content and challenge	3.66	3.69	3.68	3.69	3.64
Pay	2.72	2.80	2.89	2.98	2.91
Self-improvement	3.31	3.32	3.36	3.38	3.24
Workplace atmosphere and cooperation	3.59	3.65	3.65	3.68	3.69
Physical environment	3.62	3.67	3.64	3.62	3.70
Openness of communication	3.16	3.21	3.21	3.22	3.20
Employer image	3.26	3.33	3.40	3.39	3.41

Scale 1–5, 1 = very dissatisfied and 5 = very satisfied

* The barometer includes new questions and indices, so the results are not entirely comparable with the results for previous years.

OBJECTIVES RECORDED IN THE PERFORMANCE TARGET DOCUMENT OF THE TAX ADMINISTRATION AND MINISTRY OF FINANCE AND REALISATION 2010

	2010 target	2010 grade
Job satisfaction index	3.45	3.41
Overall index for competence management *	3.55	3.47
Leadership index *	3.53	3.33
Job well-being index *	3.65	3.69
Realisation of equality within the work community	3.66	3.66

Scale 1–5, 1 = very dissatisfied and 5 = very satisfied

* Calculated according to the classification specified by the Ministry.

The actual job satisfaction survey comprises eight main sections, each of which includes 2–5 questions about job satisfaction. A total of 29 of these individual questions were utilised when calculating the job satisfaction indices.

RESULTS OF JOB SATISFACTION SURVEY IN THE TAX ADMINISTRATION AND THE ENTIRE CENTRAL GOVERNMENT, 2010

	Tax Administration	State
Supervisors	3.39	3.33
Job content and challenge	3.64	3.61
Pay	2.91	2.74
Self-improvement	3.24	3.11
Workplace atmosphere and cooperation	3.69	3.65
Physical environment	3.70	3.47
Openness of communication	3.20	3.03
Employer image	3.41	3.08
Total	3.41	3.29

Scale 1–5, 1 = very dissatisfied and 5 = very satisfied

Work community skills and lifecycle management

At the initiative of and in cooperation with the Verovirkailijoiden Liitto, the Tax Administration implemented the Työyhteistaidot (Work community skills) theme year. The objective was to encourage Tax Administration employees to consider the importance of their influence on the work community. Material was collected for the annual clock of the theme year to support discussion among supervisors and work communities. A writing competition was launched in December with the aim of collecting experiences of positive developments, initiatives, ideas and 'actions' arising from the theme year. The results of the competition will be announced in February 2011.

The Tax Administration's Work and Lifecycle Management project ended in 2010. This project supported Tax Administration supervisors and internal developers in leadership and change management and standardised methods related to well-being at work and the management of change. The measures and challenges related to job well-being will continue to be a current topic in the future as well.

LOOKING TO THE FUTURE

Pay and development discussions are held once a year at the Tax Administration according to the joint model. During the discussion, the employee and supervisor assess the past year and plan for the future. A personal pay and development discussion is preceded by a group discussion run by the supervisor, in which discussion focuses on the unit and group targets for the following year as well as the strategic goals of the entire Tax Administration.

At the end of 2010, the Tax Administration's management group and invited experts began the Visio 2020 work under the leadership of the director general. The aim of the work is to visualise and describe the Tax Administration in 2020. A group of volunteers from the staff will be collected to work parallel to the working group and consider alternatives for a common future.



"Contact persons from the police, enforcement authorities and other parties work on the unit's premises."

IN CLOSE-UP

A NEW UNIT HELPS COMBAT THE GREY ECONOMY

The new Grey Economy Information Unit was established within the Finnish Tax Administration on 1 January 2011. It replaces the Virke project aimed at improving cooperation between different authorities. The task of the new unit is to promote and support the combating of the grey economy.

The unit produces and shares information about the grey economy and how to combat it. It collects, combines and analyses information on the grey economy available from different sources. Based on this information, the unit produces reports on such topics as the grey economy as a phenomenon, on how to combat it and the effectiveness of legislation. Regardless of the secrecy obligation, the investigation unit has the right to receive the information laid down in the law from the authorities for producing reports on the phenomenon. However, the reports may not contain information that would allow the identification of individual persons or organisations.

At the request of different authorities, the unit also prepares reports on how taxpayers carry out their obligations.

The reports describe the operations and finances of enterprises and other corporations and persons connected to them and the manner in which they carry out their statutory obligations. The purpose of the reports is to promote the use of the information possessed by the authorities and to support the combating of the grey economy.

Making the production of the reports and the compilation of information about the grey economy the responsibility of a single body allows the authorities to operate more effectively. The investigation unit relies upon active cooperation with other authorities. Contact persons from the police, enforcement authorities and other parties work on the unit's premises. The investigation unit also maintains the website www.harmaatalous.fi, which is intended for the use of the authorities. ::

MANAGEMENT GROUPS AND THE ADVISORY BOARD

As part of the reorganisation carried out in the autumn of 2010, the Tax Administration revised its steering and management system. The changes had an impact on such matters as management roles and management group work.

The Tax Administration's Management Group is responsible for strategic management and decision-making within the Tax Administration and acts as the management group in overall charge of operations. It has the Director-General, the heads of the national units, the head of the Individual Taxation Steering and Development Unit and a personnel representative as its members. **The Extended Management Group** also has regional tax directors as members.

The Development Management Group is responsible for the steering and management of IT expenditures in accordance with the prioritisation principles approved as part of strategic planning. In addition to the Director-General, it also has the heads of the national units and the head of the Development Steering Unit as its members.

The Advisory Board supports the Tax Administration in strategic planning. It considers the development concepts and strategies of the Tax Administration. The Advisory Board has customer and stakeholder representatives as its members.



EXTENDED MANAGEMENT GROUP OF THE TAX ADMINISTRATION, 31 DECEMBER 2010

From left to right:

Ms Anita Wickström, Senior Director, Tax Auditing Unit

Ms Mirjami Laitinen, Director-General, Finnish Tax Administration

Mr Erkki Laanterä, Director, Individual Taxation Steering and Development Unit

Ms Maija-Leena Rautanen, Senior Director, Tax Collection Unit

Mr Pekka Ruuhonen, Senior Director, Corporate Taxation Unit

Mr Markku Lehtonen, Regional Tax Director, Central Finland

Ms Eila Routama, Regional Tax Director, Uusimaa

Mr Veli Patama, Regional Tax Director, Western Finland

Ms Maija-Liisa Ahokas, Regional Tax Director, Eastern Finland

Mr Jukka Kauppila, Regional Tax Director, Northern Finland

Mr Martti Lahti, Communications Director, Communications Unit

Mr Arto Pirinen, Director, Executive and Legal Unit

Mr Timo Räbinä, Chief Tax Ombudsman, Tax Recipients' Legal Services Unit

Ms Marja-Liisa Rantanen, Deputy Director, Internal Auditing Unit

Mr Kari Huhtala, Director, Administrative Unit

Ms Kirsi Huhtamäki-Nasri, Chair, Association of Tax Officers (personnel representative)

Ms Asta Vitikainen, Director, Joint Services Unit (Deputy for Juhani Lindgren)

Mr Markku Heikura, Chief Information Officer, IT Services



ADVISORY BOARD OF THE TAX ADMINISTRATION, 31 DECEMBER 2010

From left to right:

Ms Mirjami Laitinen, Director-General, Finnish Tax Administration
Mr Martti Kallio, Director, Association of Finnish Local and Regional Authorities
Mr Vesa Korpela, Head of Legal Affairs, Taxpayers' Association of Finland
Ms Tanja Rantanen, Senior Financial Officer, Ministry of Finance
Mr Keijo Vehmas, Controller, Executive and Legal Unit
Ms Kirsi Huhtamäki-Nasri, Chair, Association of Tax Officers
Mr Pauli K. Mattila, Deputy Director General, Central Chamber of Commerce
Ms Helena Pentti, Economist, Central Organisation of Finnish Trade Unions

Not in the photograph: Mr Lasse Arvela, Head of Department, Senior Director, Ministry of Finance



FINNISH TAX ADMINISTRATION GRANTED THE RIGHT TO USE THE GREEN OFFICE LABEL



The Tax Administration is one of the first public-sector actors that has taken concrete measures to cut costs and carbon dioxide emissions. The Tax Administration has set percentage targets for reducing environmental loading, and progress towards meeting them is systematically monitored.

The Green Office of the WWF (World Wide Fund for Nature) is an environmental service intended for offices which allows organisations to reduce their environmental loading, achieve savings and slow down climate change. The WWF grants the Green Office diploma and the right to use the label to an office whose environmental management system meets the required criteria.

The Tax Administration was the first central government actor to begin cooperation with the WWF (in 2008). The tax offices and the head office drew up an environmental programme for their premises and pledged to observe the selected Green Office criteria (cuts in the consumption of paper, energy and electricity and less waste). The Tax Administration also declared that it would aim to increase environmental awareness among its personnel.

In its audits, carried out in autumn 2010, the WWF concluded that the criteria had been met. As a result, it granted the Tax Administration the right to use the Green Office label.

TARGETS LAID OUT BY THE TAX ADMINISTRATION FOR ITS ENVIRONMENTAL PROGRAMME, 2008–2013

Paper consumption:	-2%
Electricity consumption:	-5%
Work-related travel:	-20%
Amount of waste:	-10%

CARBON DIOXIDE EMISSIONS OF THE TAX ADMINISTRATION FOR 2006–2009, tonnes of carbon dioxide

	2006	2007	2008	2009	Change (%)
Electricity consumption	2,927	2,914	2,587	2,379	-8
Paper consumption	-	3,720	4,154	4,183	+1
Work-related travel	2,034	1,665	2,436	2,428	+0
Amount of waste	60	64	71	69	-2

CONSUMPTION OF PRINTING PAPER BY THE FINNISH TAX ADMINISTRATION FOR 2007–2010, (1,000 kg)

	2007	2008	2009	2010	Change (%)
Tax return instruction booklets	225	300	322	320	-0.6
Other publications	30	32	30	24	-25
Forms	300	306	334	340	+1.8
Envelopes	240	270	270	259	-4.2
Total	795	908	956	943	-1.4



Publication no. 350e.11 of the Tax Administration
ISSN 0356-2581
April 2011
Graphic design: Recommended Finland
Photographer: Tuomo Manninen
Printed by: Erweko Painotuote Oy
This Annual Report is also available at www.tax.fi



FINNISH TAX ADMINISTRATION

PO Box 325, 00052 VERO, Finland
www.tax.fi