

Observations on the operating environment of the grey economy and economic crime

Results of a survey sent to prevention authorities in February 2025

Teemme harmaan talouden torjunnasta näkyvää.

Torjunta kuuluu kaikille.

Survey on changes in the operating environment

- The survey conducted by the editors of the situational picture on the grey economy and economic crime for the prevention authorities, ministries and organisations in spring 2025.
- The survey aimed to discover
 - changes in the activities and cooperation of public authorities,
 - changes in the grey economy and economic crime and in the efforts to combat them in the past year,
 - what kind of changes or threats the public authorities expect to be aimed at the operating environment in the near future.
- The results of the survey form one part of the situational picture of the grey economy and economic crime.

Survey results

Companies as
means of crime

Bogus and forced
self-employment

Exploitation of
foreign labour

Social security
abuses

Abuse in the
restaurant
and food sector

Abuse in the
transport sector

Grey economy of
tobacco products
and alcohol

Risks of
e- commerce

Evading
sanctions

VAT fraud

Virtual banks
and currencies as
tools

Increase in
bankruptcies

Impact of savings

Strategy for
combating the
grey economy

Companies as means of crime

- The activities of a company may be completely fictitious.
- AI, short lifecycle companies, organised crime.
- Actual responsible person may be linked to several companies engaged in criminal activity.
- Also exploiting associations, foundations and cooperatives.
- Share of foreign companies on the rise.
- Criminal service industry – selling services or tools to other criminal actors.

Bogus and forced self-employment – a dishonest competitive tool

- Circumventing the obligations of labour, social welfare and tax legislation.
- Pay allowances, holidays and holiday compensation, occupational health care and insurance premiums.
- Foreign labour is at a higher risk of abuse.
- Violating the prohibitions of chain-linked contracts – light entrepreneurs are presented as employees.
- Supervision has been increased for different business sectors, more cases are related to human trafficking.

Abuse in the use of foreign labour

- Finding employment in companies and professional fields that do not match the ones stipulated in the residence permit.
- Changing an employment contract to a self-employment contract – not understanding the subsequent obligations or lost rights.
- Requirement of a residence permit and employment leads to dependence on the employer.
- Bad contract terms, pricing might match an employee's wage level – impossible to pay all statutory fees.
- Fewer people with no permit to work were detected.

Increased social security abuses

- Systematic abuses were detected more than before.
- Small labour-intensive companies and family businesses – undeclared wages and simultaneous unemployment benefits.
- Abuses related to housing, domicile and staying abroad are increasing.
- Over-reporting wages to the Incomes Register – used as the basis for subsidies and loans.
- Using e-services – identity fraud.

Abuse in the restaurant and food sector

- Undeclared work, under-the-counter sales and bogus self-employment.
- General partnerships with changing partners.
- Turnover of virtual restaurants is fast – one operator can have several business IDs.
- Selling and buying expired food.
- Food imported by private individuals for commercial purposes.
- Online sales of meat from animals slaughtered undeclared.
- Risk of cyberattacks in the food supply chain.

Abuse in the transport sector

- Increased violations in driving time and rest periods.
- Reduced supervision increases safety risks – condition of equipment and employee's driving times.
- In tourism, failure to comply with employment contracts, neglecting records of working hours and driving logs.
- Not paying car tax – foreign minibuses.
- Taxi drivers do not know whether they are employees, light entrepreneurs or employers.
- Taxi transport involves grey economy issues and abuses against consumers.

High risk of the grey economy in tobacco products and alcohol

- Increased avoidance of taxes on the import and sale of nicotine pouches and electronic cigarette liquids.
- The sale of flavour liquids as products subject to excise duty on tobacco has led to a grey economy market.
- Smuggling of snuff and cigarettes has increased.
- Observations on the sales of nicotine products imported into Finland as private imports on social media platforms have increased.
- Distance sales of alcohol to Finland involves violations of official guidance.

Risks of explosive growth in e-commerce

- Use of e-commerce and its logistics structures to circumvent sanctions.
- VAT is not paid according to the country of consumption principle.
- Product safety risks have increased.
- Resilience of information system capacities.
- Customs declarations with incorrect content or missing completely.
- Goods imported from outside the EU are circulated through other Member States – undeclared imports through online stores.

Changing operating models to circumvent sanctions

- Circumvention of sanctions is detected more effectively than before.
- Criminals are changing their transport channels and operating models.
- High-risk sectors include logistics, warehousing and forwarding as well as lines of business that have trade with Russia.
- International business networks, shell companies and falsified documents.
- Professional enablers have skills related to public authorities' activities, money laundering methods and customs procedures.
- Supervision requires cooperation between domestic and international authorities.

Several methods of VAT fraud

- Missing sales tax, groundless deductions and systematic fraud.
- Carousel fraud, abuse of tax-free activities, marginal tax fraud.
- Extensive corporate networks and cash money.
- Buyers may also be aware of the fraudulent activity.
- VAT is deliberately not paid.
- Developing provisions on VAT registration would hinder systematic operations in the grey economy.

Virtual banks and currencies are here to stay – also for operators in the grey economy

- Informal money transfer systems and applications, foreign payment cards.
- Business income outside company accounts.
- Supervising the transfer of funds, tracing, freezing and seizing criminal proceeds is slower.
- The timeliness of domestic and international information exchange laws and the exchange of information between public authorities are important.
- Direct right of enquiry to foreign financial institutions would enhance supervision.

Increase in bankruptcies affects the amount of financial crime

- A significant rise in suspected bankruptcy offences.
- Grey economy discovered especially in short lifecycle companies and companies with neglected reporting before bankruptcy.
- Observations of money laundering in acquisitions of companies on the verge of bankruptcy.
- Long-winded bankruptcies, risk of not enough resources.
- Forgoing estate administrator in micro-enterprises' bankruptcies would undermine supervision.

Savings have various impacts on prevention work

- Savings targeted at one public authority are reflected in the work of other public authorities.
- Savings targeting individual public authorities have slowed down or reduced cooperation.
- Processing times are often long due to the lack of resources.
- The lengthening of investigation periods impacts the recovery of criminal proceeds and the possibility of investigating cases.
- Supervision is prioritised – impacts e.g. joint supervision.
- Exchange of information between public authorities is a cost-effective prevention method.

The strategy for combating the grey economy and economic crime responds to changes in the operating environment

- Several ongoing action plans to combat the grey economy and economic crime.
- Several projects to improve the exchange of information.
- Combating the grey economy and economic crime should be taken into account in all legislative development work.
- Rapid changes in the operating environment promote a rise in abuses and harmful phenomena.

<https://www.vero.fi/en/grey-economy-crime/>

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