



Tax havens & Illicit Financial Flows

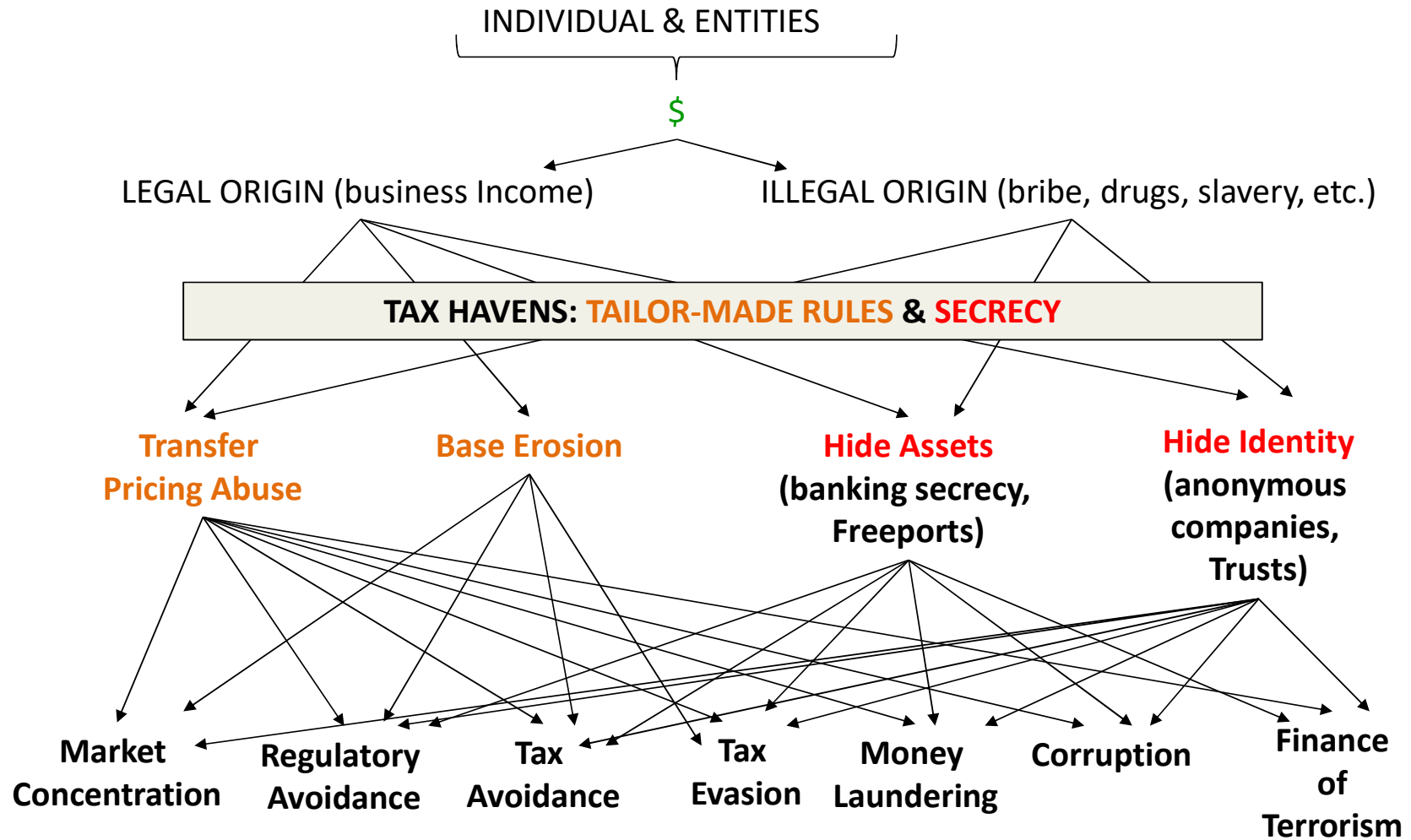


Shedding light on global
financial secrecy

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Fórum Internacional Tributário, São Paulo – June 6, 2018

ILLICIT FINANCIAL FLOWS



TAX HAVENS' FACILITIES



The image displays two menu cards side-by-side, each featuring a cartoon chef in a white uniform and tall hat, holding a silver tray. The chef is set against a circular background with radiating lines. Below the chef is a banner that reads "TODAY'S MENU:". The left menu card has a yellow background and is titled "SECRECY" in red, underlined text. It lists three items: "Banking Secrecy.....\$100", "Anonymous companies.....\$85", and "No exchange of Information.....\$99". The right menu card has a white background and is titled "TAX & REGULATORY AVOIDANCE" in orange, underlined text. It lists three items: "Patent Box.....\$50", "DTA network with low WHTs.....\$99", and "Secret Tax Agreements.....\$42".

TODAY'S MENU:

SECRECY

Banking Secrecy.....\$100

Anonymous companies.....\$85

No exchange of Information.....\$99

TODAY'S MENU:

TAX & REGULATORY AVOIDANCE

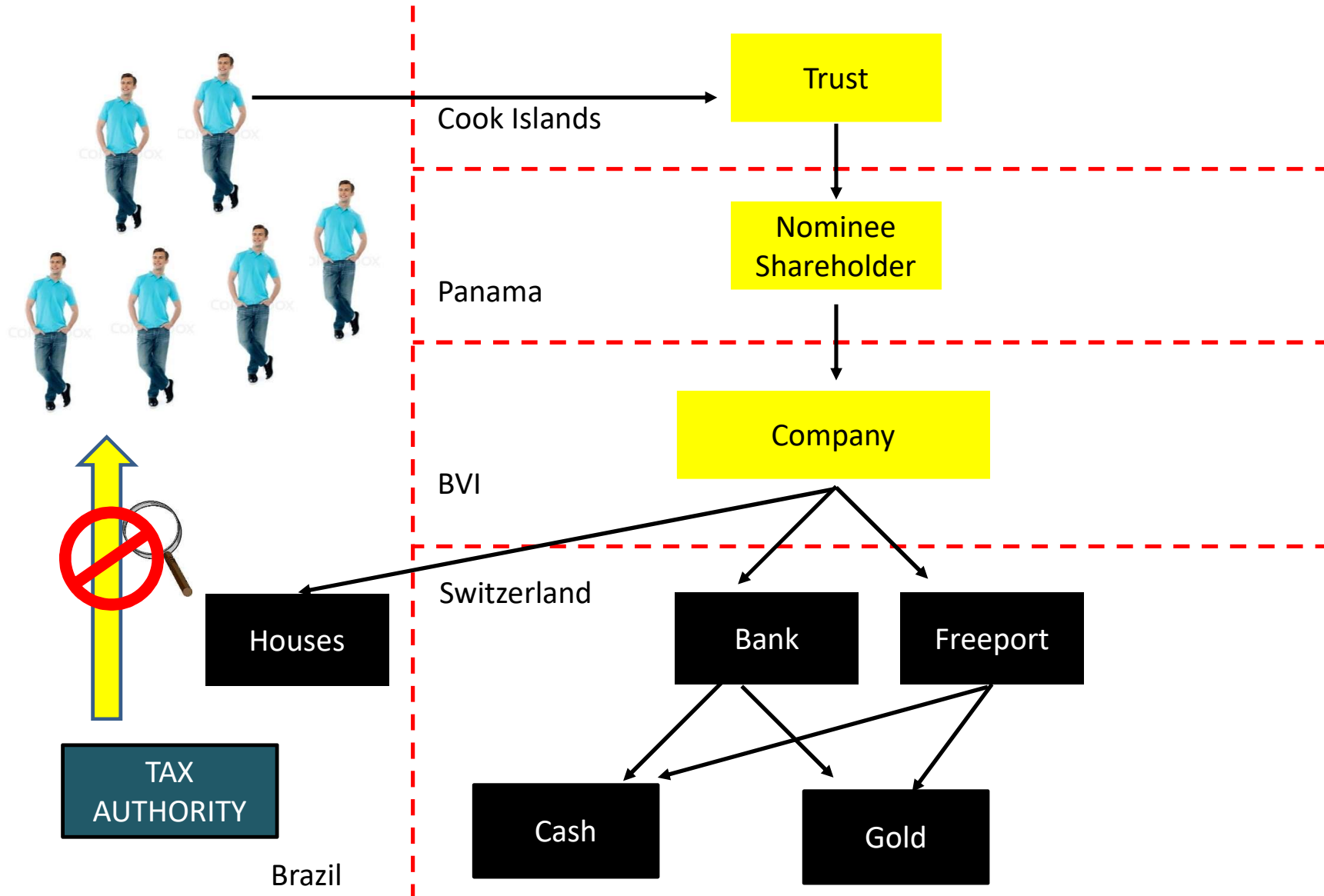
Patent Box.....\$50

DTA network with low WHTs.....\$99

Secret Tax Agreements.....\$42


















financial secrecy index

WHAT IS FINANCIAL SECRECY?



Financial Secrecy Index

RANKING: WORST OFFENDERS/LARGEST CONTRIBUTORS TO GLOBAL FINANCIAL SECRECY

Rank	Jurisdiction	FSI - Value ⁶	FSI Share ⁷	Secrecy Score ⁴	Global Scale Weight ⁵
1	 Switzerland ²	1,589.57	5.01%	76	4.50%
2	 USA ²	1,298.47	4.09%	60	22.30%
3	 Cayman Islands ²	1,267.68	3.99%	72	3.78%
4	 Hong Kong ²	1,243.67	3.92%	71	4.16%
5	 Singapore ²	1,081.98	3.41%	67	4.57%
6	 Luxembourg ²	975.91	3.07%	58	12.13%
7	 Germany ²	768.95	2.42%	59	5.16%
8	 Taiwan ²	743.37	2.34%	76	0.50%
9	 United Arab Emirates (Dubai) ^{2,3}	661.14	2.08%	84	0.14%
10	 Guernsey ²	658.91	2.07%	72	0.52%
11	 Lebanon ²	644.41	2.03%	72	0.51%
12	 Panama ²	625.84	1.97%	77	0.26%
13	 Japan ²	623.91	1.96%	60	2.23%
14	 Netherlands ²	598.80	1.88%	66	0.90%
15	Thailand	550.59	1.73%	80	0.12%
16	 British Virgin Islands ²	502.75	1.58%	69	0.37%
17	 Bahrain ²	490.70	1.54%	78	0.11%
18	 Jersey ²	438.21	1.38%	65	0.38%
19	Bahamas	429.00	1.35%	84	0.03%
20	Malta	426.31	1.34%	61	0.71%

2 ELEMENTS COMBINED: SECRECY SCORE & GLOBAL SCALE WEIGHT



Secrecy Score

Instead of tax rates, the focus is on secrecy services offered (e.g. banking secrecy laws, secretive companies and trusts).

20 Indicators

Ownership Registration	Legal Entity Transparency	Integrity of tax and financial regulation	International Standards and Cooperation
1 Banking Secrecy	6 Public Company Ownership	11 Tax Administration Capacity	17 Anti-money Laundering
2 Trusts and Foundations Register	7 Public Company Accounts	12 Consistent Personal Income Tax	18 Automatic Information Exchange
3 Recorded Company Ownership	8 Country by Country Reporting	13 Avoids Promoting Tax Evasion	19 Bilateral Treaties
4 Other Wealth ownership	9 Corporate Tax Disclosure	14 Tax Court Secrecy	20 International Legal Cooperation
5 Limited Partnership Transparency	10 Legal Entity Identifier	15 Harmful Structures	
		16 Public Statistics	

Lowest available transparency denominator!!



Global Scale Weight

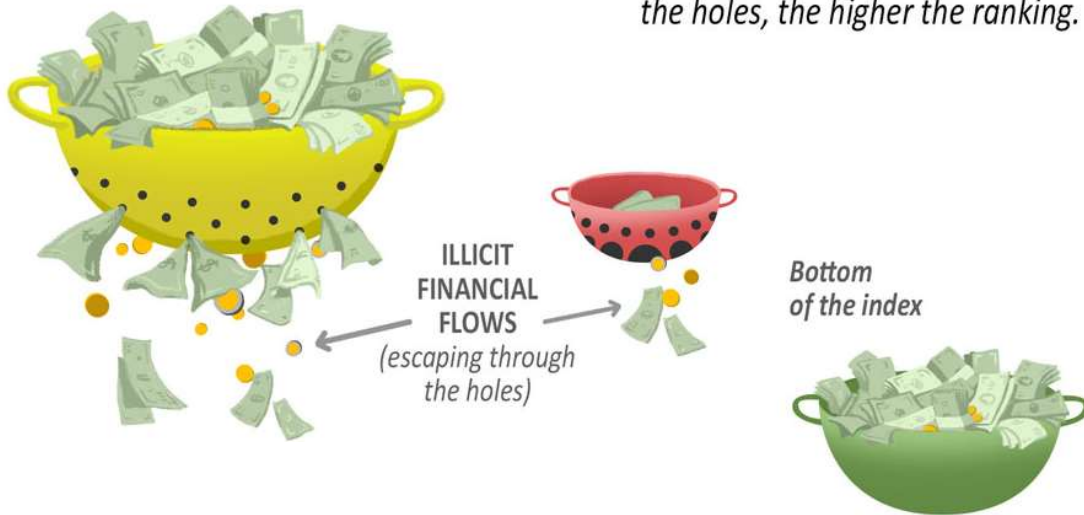
This refers to the market share of jurisdictions' financial services that are provided to *non-residents* -> no country wants its own residents to evade taxes or launder money, but most tax havens have little concern if non-residents do it, given that the consequences will mostly be elsewhere.

THE FSI vs TAX HAVEN LISTS

The Financial Secrecy Index ranking:

Top of the index

the more illicit money that can escape through the holes, the higher the ranking.



*Typical tax haven blacklist:
no consideration for the
actual use of the tax haven*



Tax
Haven



*Supposedly
"clean" country
(yet enables illicit
financial flows!)*

WHICH TOP 10?



Top 10 Jurisdictions by **FSI Value**

Rank	Jurisdiction	FSI Value	Secrecy Score	Global Scale Weight
1	Switzerland	1589.57	76.45	4.50%
2	USA	1298.47	59.83	22.30%
3	Cayman Islands	1267.68	72.28	3.79%
4	Hong Kong	1243.68	71.05	4.17%
5	Singapore	1081.98	67.13	4.58%
6	Luxembourg	975.92	58.20	12.13%
7	Germany	768.95	59.10	5.17%
8	Taiwan	743.38	75.75	0.50%
9	UAE	661.15	83.85	0.14%
10	Guernsey	658.92	72.45	0.52%
Sum of FSI Share (% of FSI Value of 112 jurisdictions)		32%		
Average Secrecy Score			69.61	
Sum of Global Scale Weight				58%



Top 10 Jurisdictions by **Secrecy**

Rank	Jurisdiction	FSI Value	Secrecy Score	Global Scale Weight
1	Vanuatu	149.27	88.58	0.00099%
2	Antigua & Barbuda	54.53	86.88	0.000057%
3	Bahamas	429.00	84.50	0.035%
4	Paraguay	158.52	84.33	0.0018%
5	Brunei	85.60	84.05	0.00029%
6	UAE	661.15	83.85	0.14%
7	Maldives	74.87	81.08	0.00027%
8	Bolivia	94.82	80.35	0.00061%
9	Kenya	378.35	80.05	0.04%
10	Thailand	550.60	79.88	0.13%
Sum of FSI Share (% of FSI Value of 112 jurisdictions)		8.31%		
Average Secrecy Score			83.35	
Sum of Global Scale Weight				0.35%

THE FSI vs TAX HAVEN LISTS



Financial Secrecy Index

Ranking
1. Switzerland
2. USA
3. Cayman Isl.
4. Hong Kong
5. Singapore
6. Luxembourg
7. Germany
8. Taiwan
9. UAE
10. Guernsey
(...) 112.



Non-cooperative jurisdictions for tax purposes (May 25, 2018)

Alphabetical order
American Samoa
Guam
Namibia
Palau
Samoa
Trinidad & Tobago
US Virgin Islands



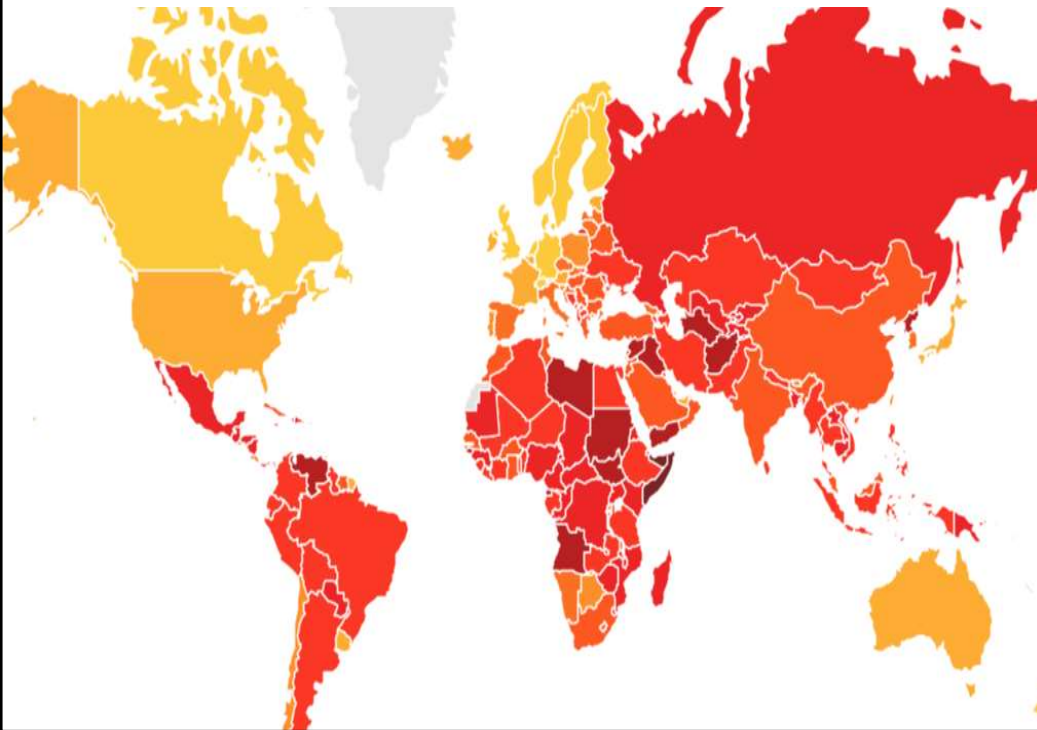
Overall Ratings of the Global Forum Peer Reviews

Non-Compliant
Trinidad & Tobago

Transparency International's CPI vs TJN's FSI

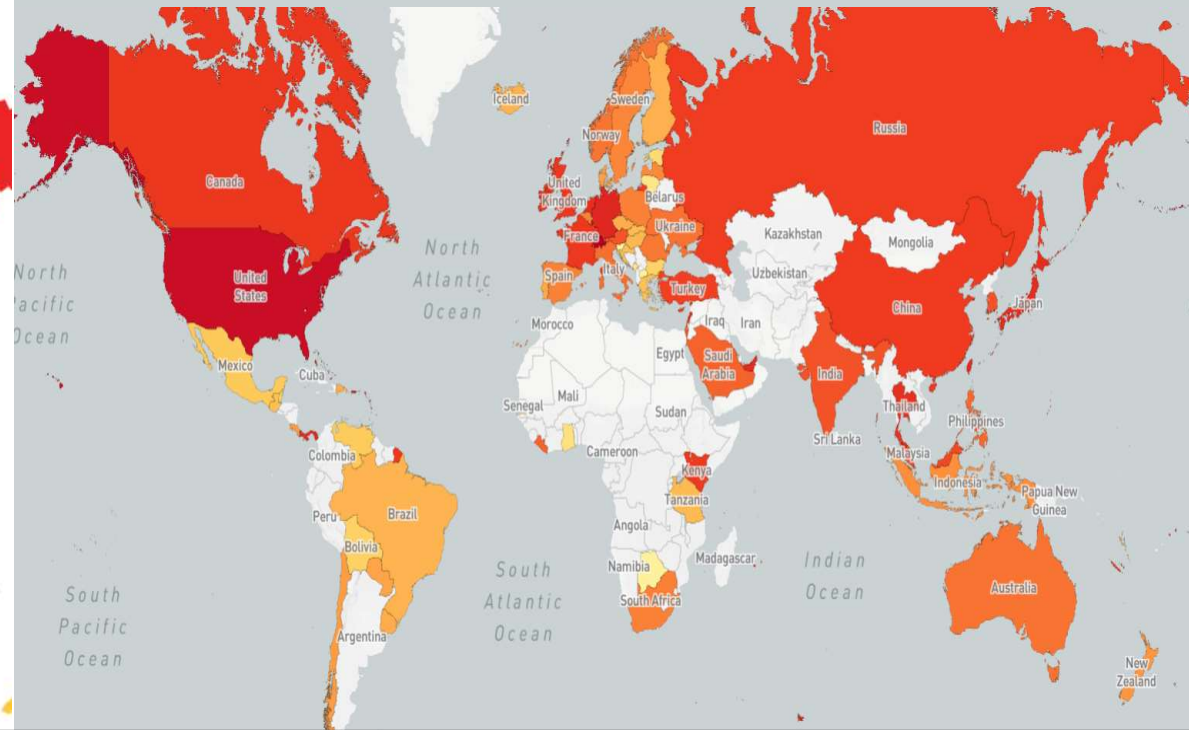
The Corruption Perception Index:

Where *local* corruption is *perceived* to be high



The Financial Secrecy Index:

Where *foreign* corruption is *enabled* the most



How transparent (green) is the world?

Jurisdiction	KI-1	KI-2	KI-3	KI-4	KI-5	KI-6	KI-7	KI-8	KI-9	KI-10	KI-11	KI-12	KI-13	KI-14	KI-15	KI-16	KI-17	KI-18	KI-19	KI-20	Final-SS (Average)	
	Banking Secrecy	Trusts & Private Foundations	Company Ownership Registration	Freeport & Real Estate	Limited Partnerships	Company Ownership Publication	Company Accounts Publication	Country-by-Country Reporting	Corporate Tax Disclosure	Legal Entity Identifier	Tax Admin. Capacity	Personal Income Tax	Prevention of Tax Evasion	Tax Court Secrecy	Harmful Structures	Public Statistics	Anti-Money Laundering	Automatic Exchange of Info	Bilateral Treaties	Int'l Legal Cooperation		
Switzerland	0.73	1	1	0.875	1	1	1	1	1	1	0.75	0.75	1	0.75	0.75	0.3	0.38	0.77	0	0.235	0.7645	
USA	0.2	0.5	1	1	1	1	1	1	1	0.75	0.15	0	0.4	0.25	0.5	0.3	0.37	1	0.28	0.265	0.5983	
Cayman Is	0.4	1	0.75	1	1	1	1	1	1	0.5	1	1	1	1	0.5	0.6	0.32	0.1	0	0.285	0.7228	
Hong Kong	0.86	0.5	1	1	1	1	1	0.9	0.5	1	0.75	0.375	1	1	0.5	0.3	0.42	1	0	0.105	0.7105	
Singapore	0.4	0.5	1	0.95	0.95	1	1	1	1	1	0.625	0.375	1	0.75	0.5	0.3	0.31	0.59	0	0.175	0.6713	
Luxembourg	0.6	0.5	1	1	0.9	1	0.5	0.5	0.75	0.75	0.75	0	0.8	0.5	1	0.3	0.65	0	0	0.14	0.582	
Germany	0.5	0.875	1	1	0.95	1	1	0.5	0.5	0.75	0.75	0	0.3	1	0.75	0.3	0.47	0	0	0.175	0.591	
Taiwan	0.66	0.5	1	1	1	1	1	1	1	1	0.75	0.375	0.6	0.25	0.5	0.7	0.52	1	1	0.295	0.7575	
United Arab Emirates	0.47	0.5	1	1	1	1	1	1	1	1	1	1	1	1	0.75	0.8	0.57	0.75	0.57	0.36	0.8385	
Guernsey	0.57	1	0.75	1	1	1	1	1	1	1	1	0.75	0.8	1	0.5	0.8	0.18	0.07	0	0.07	0.7245	
Lebanon	0.73	0.5	1	0.5	1	1	1	1	1	1	0.75	0.375	1	0.75	0.5	0.7	0.55	0.75	0	0.3	0.7203	
Panama	0.56	1	1	1	1	1	1	1	0.5	1	0.875	0.75	1	0.75	0.5	0.3	0.76	1	0	0.33	0.7663	
Japan	0.27	0.375	1	1	1	1	1	1	1	1	0.625	0.375	0.3	0.5	0.25	0.3	0.55	0.29	0	0.265	0.605	
Netherlands	0.5	1	1	0.95	1	1	1	0.5	0.75	0.75	0.5	0.75	1	0.75	0.75	0.3	0.44	0	0	0.265	0.6603	
Thailand	0.73	0.25	1	1	1	1	1	1	0.5	1	0.625	0.75	1	1	0.5	0.5	0.7	1	1	0.42	0.7988	
British Virgin Islands	0.4	0.5	0.75	0.5	1	1	1	1	0.5	1	1	0.75	1	1	0.75	1	0.33	0.25	0	0	0.6865	
Bahrain	0.8	0.5	1	0.5	1	1	1	1	1	1	1	1	1	0.75	0.5	0.4	0.48	0.75	0.65	0.23	0.778	
Jersey	0.43	1	0.4	0.5	1	0.9	1	1	0.5	1	0.875	0.75	1	1	0.5	0.8	0.26	0.07	0	0.105	0.6545	
Bahamas	0.7	1	1	0.5	1	1	1	1	1	1	1	1	1	1	0.5	0.6	0.54	1	0.73	0.33	0.845	
Malta	0.47	1	0.9	1	0.9	0.85	0.5	0.5	1	0.75	0.625	0.75	0.8	0.5	0.75	0.5	0.31	0	0	0	0.6053	
Canada	0.14	0.5	1	1	1	1	1	0.75	0.5	0.75	0.25	0	0.6	0.5	0.75	0.3	0.41	0.36	0	0.14	0.5475	
Macao	0.6	0.25	1	1	1	1	1	1	0.5	1	0.75	0.375	1	0.5	0.5	0.4	0.45	1	0	0.325	0.6825	
United Kingdom	0.43	0.5	0.5	1	1	0.5	0	0.5	0.5	0.75	0.25	0.375	0.8	0.5	0.25	0.3	0.28	0	0	0.035	0.4235	
Cyprus	0.5	0.375	1	1	1	1	1	0.75	1	0.75	0.625	1	0.4	0.5	0.5	0.3	0.29	0.19	0	0.07	0.6125	
France	0.54	0.375	0.75	1	1	1	0.5	0.5	0.25	0.75	0.625	0	1	0.75	0.5	0.3	0.35	0	0	0.14	0.5165	
Ireland	0.24	0.375	0.9	0.5	1	0.9	0.5	0.75	0.5	0.75	0.25	0.75	0.9	0.5	0.5	0.3	0.41	0	0	0.105	0.5065	
Kenya	0.63	0.5	1	1	1	1	1	1	0.5	1	0.875	0.375	1	0.5	0.5	0.9	0.86	1	0.92	0.45	0.8005	
China	0.4	0.5	1	1	1	1	1	1	0.5	1	0.625	0	0.3	1	0.5	0.3	0.51	0.31	0	0.07	0.6008	
Russia	0.3	0.25	0.9	1	1	1	1	1	1	1	0.625	0	0.8	1	0.25	0.4	0.45	0.75	0	0.07	0.6398	
Turkey	0.7	0.75	1	0.5	1	1	1	1	1	1	0.625	0	0.3	0.75	0.5	0.3	0.62	0.75	0.47	0.33	0.6798	
Uruguay	0.53	0.25	0.25	1	1	1	1	1	0.5	1	0.75	0.375	1	1	0.25	0.5	0.35	0.34	0	0.07	0.60825	
Aruba	0.57	0.25	1	0.5	1	1	1	1	1	1	1	0.75	1	1	0.75	0.5	0.77	0.75	0	0.355	0.75975	
Dominican Republic	0.56	0.25	1	0.5	1	1	1	1	1	1	1	0.75	0	0.25	0.25	0.7	0.7	1	0.97	0.39	0.716	
Czech Republic	0.4	0.25	0.75	0.5	0.525	1	0.25	0.5	1	0.75	0.625	0.375	1	1	0.5	0.5	0.51	0.01	0	0.14	0.52925	
Finland	0.53	0	1	1	1	1	0.5	0.5	0.75	0.75	0.5	0	0.3	1	0.75	0.3	0.51	0.01	0	0.14	0.527	
Iceland	0.33	0.75	0.9	0.5	1	1	1	1	0.5	1	0.75	0.375	0.4	1	0.25	0.5	0.51	0.01	0	0.205	0.599	
Brazil	0.5	0.25	0.75	0.5	1	1	1	1	0.5	1	0.5	0	0	0	0.5	0.3	0.52	0.34	0	0.14	0.49	
Hungary	0.7	0.25	0.75	1	1	1	0.5	0.5	1	0.75	0.625	0	0.4	1	0.25	0.5	0.53	0.01	0	0.175	0.547	
Tanzania	1	0.5	1	0.5	0	1	1	1	1	1	1	0.625	0	0.5	1	0.5	0.7	0.87	1	1	0.485	0.734
Slovakia	0.5	0.25	0.9	0.4	0.525	1	0.25	0.5	1	0.75	0.625	0.375	1	1	0.5	0.5	0.65	0.02	0	0.235	0.549	
Seychelles	0.73	0.875	1	0.5	1	1	1	1	1	1	0.75	0.75	1	1	0.5	0.7	0.77	0.17	0	0.295	0.752	



What does the FSI offer?



Rank	Jurisdiction	FSI - Value ⁶	FSI Share ⁷	Secrecy Score ⁸	Global Scale Weight ⁹
1	Switzerland ²	1,589.57	5.01%	76	4.50%
2	USA ²	1,298.47	4.09%	60	22.30%
3	Cayman Islands ²	1,267.68	3.99%	72	3.78%
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5	Singapore ²	1,081.98	3.41%	67	4.57%
6	Luxembourg ²	925.91	3.07%	58	12.13%
7	Germany ²	788.95	2.42%	59	5.16%
8	Taiwan ²	743.37	2.34%	74	0.50%
9	United Arab Emirates (Dubai) ²	561.14	2.08%	84	0.14%
10	Guernsey ²	558.91	2.07%	72	0.52%
11	Lebanon ²	544.41	2.03%	72	0.51%
12	Panama ²	525.84	1.97%	77	0.26%
13	Japan ²	523.91	1.96%	60	2.23%
14	Netherlands ²	508.80	1.88%	66	0.90%
15	Thailand ²	500.59	1.73%	80	0.12%
16	British Virgin Islands ²	502.75	1.58%	69	0.57%
17	Bahrain ²	490.70	1.54%	78	0.11%
18	Jersey ²	438.21	1.38%	65	0.38%
19	Bahamas ²	429.00	1.35%	84	0.03%
20	Malta ²	426.31	1.34%	61	0.71%
21	Canada ²	425.84	1.34%	55	1.74%
22	Macao ²	424.91	1.34%	68	0.23%
23	United Kingdom ²	423.76	1.33%	42	17.36%
24	Cyprus ²	404.44	1.27%	61	0.54%
25	France ²	404.17	1.27%	52	2.52%

Ranking

NARRATIVE REPORT ON TAIWAN

Rank: 8

Chart 1 - How Secrecive? (76)

Chart 2 - How Big? (84)

Offshore Financial Business in Taiwan

Narrative Reports

Taiwan

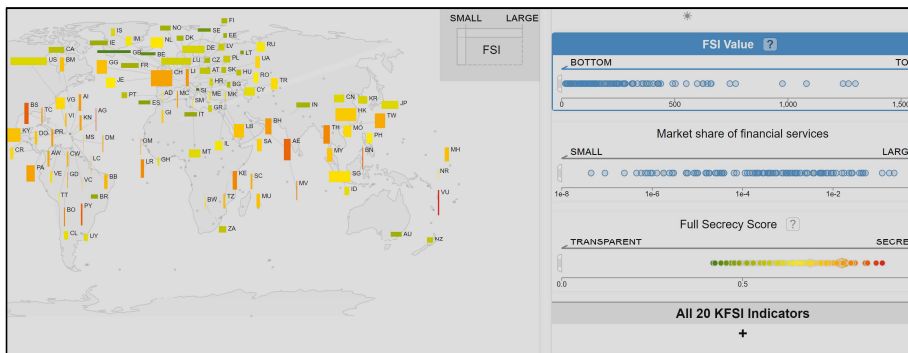
Overview of the Secrecy Jurisdiction

Key features and characteristics of the jurisdiction.

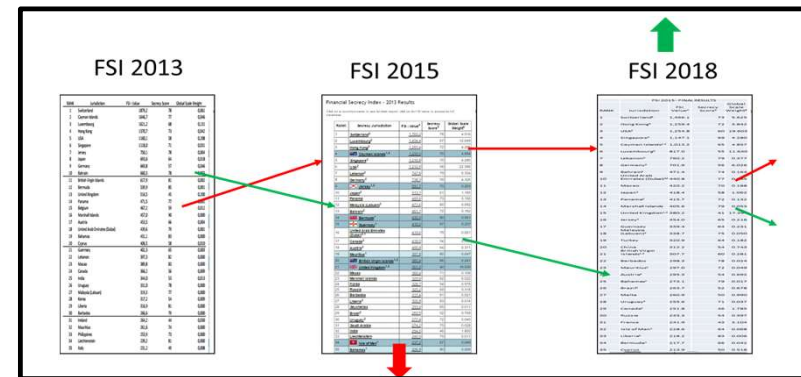
Technical Reports

Jurisdiction	Country	Date	Notes
USA	USA	2017/10	...
Switzerland	Switzerland	2017/10	...
Cayman Islands	Cayman Islands	2017/10	...

(in open data)



Interactive Map



Archive to track progress/worsening

Detailed Report Example

Brazil

1. [2]	Jurisdiction Status	Independent Sovereign State	[Notes]
2. [4]	Population	205823665	[Notes]

Legal Entities and Arrangements: Companies

Companies - Identity & Registration Information

134. [470]	*LO Record: Does the registration of domestic companies comprise legal owner's identity information?	All LO: Yes, all companies require recording of all legal owners.	[Notes]
135. [472]	*LO Update: Is the update of information on the identity of legal owners mandatory?	No, because bearer shares are available/circulating/not registered with a public authority (see below).	[Notes]
136. [486]	*What information has to be registered for those legal owners who need to be named (above)?	Only the names are always registered.	[Notes]
137. [471]	*BO Record: Does the registration of domestic companies comprise beneficial owner's identity information?	Yes, more than 25%. All companies require recording of all beneficial owners at threshold of more than 25% (FATF).	[Notes]
138. [473]	*BO Update: Is the update of information on the identity of beneficial owners mandatory?	No, because bearer shares are available/circulating/not registered with a public authority (see below).	[Notes]
139. [485]	*What information has to be registered for those beneficial owners who need to be named (above)?	Unknown	-/-
140. [388]	*Can a senior manager ever be registered as a beneficial owner (because no individual passed the threshold to be considered a beneficial owner)?	No, even if the senior manager is registered (because no individual passed the threshold to be considered a beneficial owner), he/she is registered as such, but not as an ordinary 'beneficial owner'.	[Notes]
141. [172]	*Are bearer shares available?	Yes, unregistered bearer shares are available/circulating or registered by a private custodian.	[Notes]

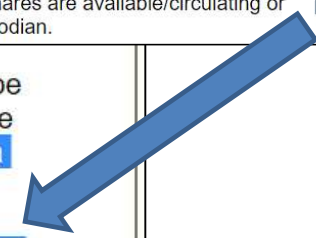
141 Source: GF 2012: 28-29; GF 2013: 41

Source: OECD 2010: 178

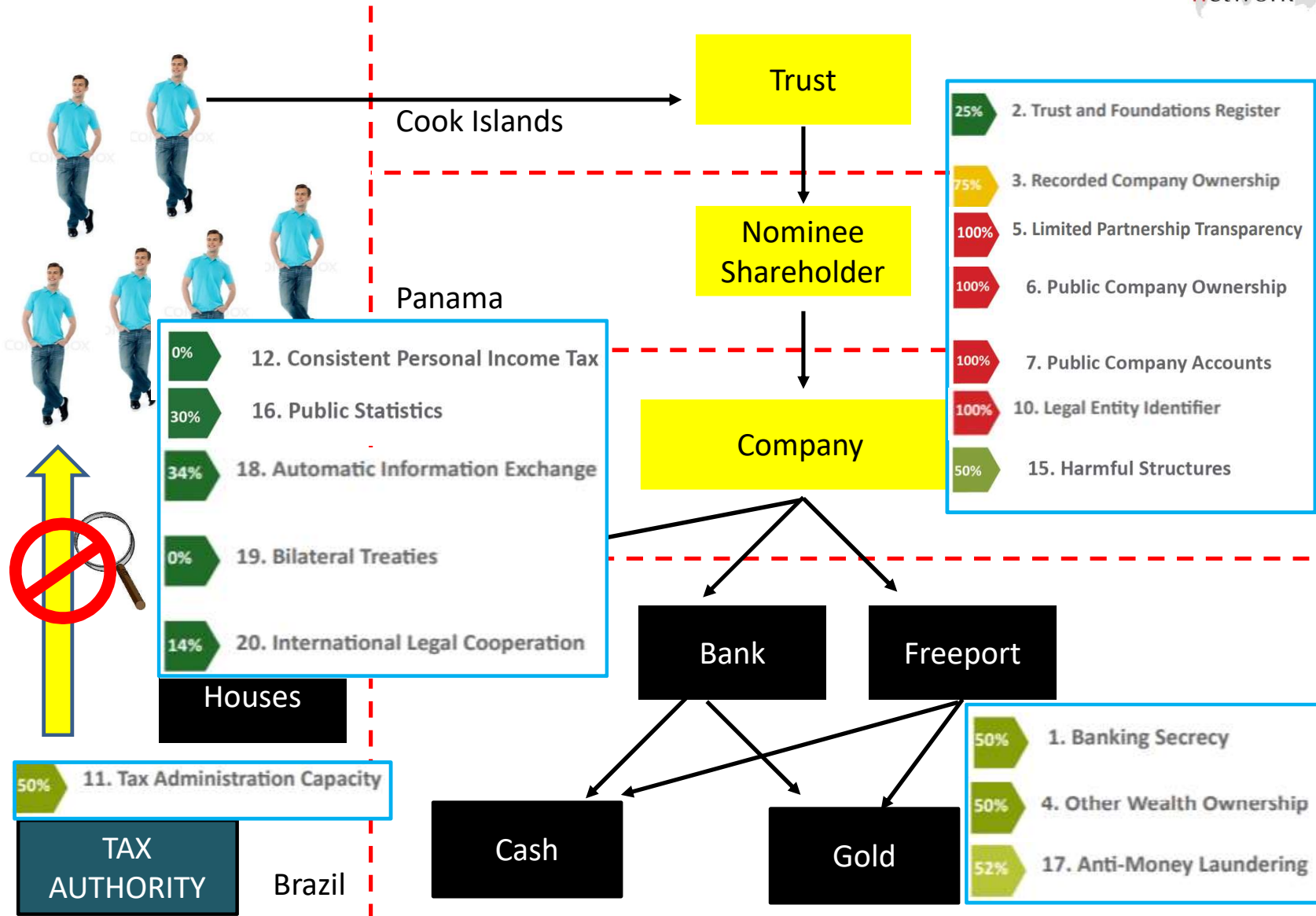
Note: The Global Forum reported in 2012: "Since 1990, the No. 8.021/90 (Civil Code, article 907). [...] the Brazilian authorities reported that there are no bearer shares outstanding, which represents, on an average, less than 0.1% of the capital of such companies. [...] do exist, it appears that the risk posed by them is minimal and that in most circumstances exist, and no economic benefit may be obtained from them. In light of these considerations, the gap is not considered to be material (GF 2012: 28-29).

Note: The Global Forum further reported in 2013 that "Bearer shares existing prior to Law No. 8.021/90 coming into force may not be used, cashed-in, negotiated or traded in the securities exchange, their voting rights may not be exercised, and dividends may not be received until the bearer has been fully identified [...]" (GF 2013: 40). However, "The Brazilian authorities have indicated that only a small number of bearer shares remain outstanding, which represents, on an average, less than 0.1% of the capital of such companies. [...] As of 30 September 2012, residual bearer shares were estimated to be worth approximately BRL 2 billion (approximately USD 980 million) and the Brazilian authorities have indicated that approximately 80% of these shares are attributable largely to three companies" (GF 2013: 41). Although the Global Forum considers that the number of bearer shares is not material, we think that this number is underestimated and to our opinion a decrease from 0.15% bearer shares (as reported in the 2012 Global Forum report) to 0.1% of the capital of such companies (as reported in 2013) is not sufficient enough. We therefore conclude that bearer shares are not registered.

Data Date: 2012



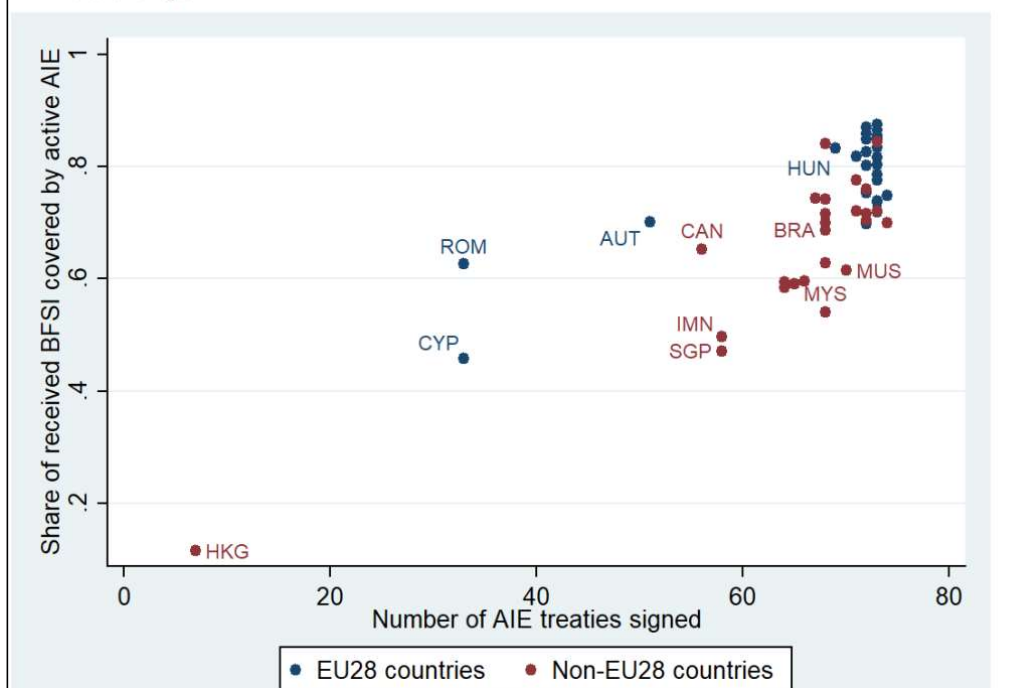
BRAZIL'S FINANCIAL SECRECY



PROJECTS 2018

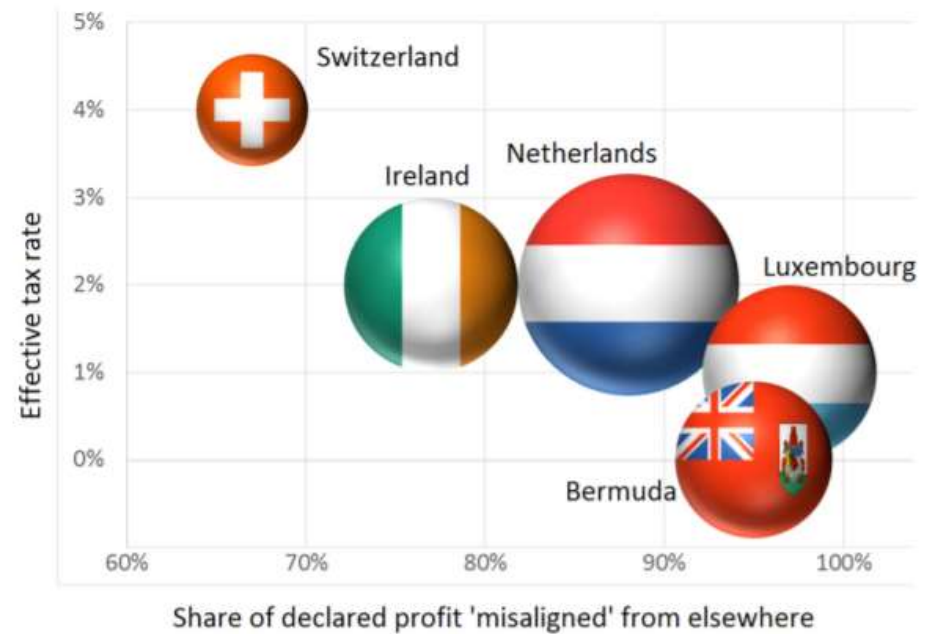
Bilateral FSI

Figure 2: Share of BFSI covered by currently activated AIE relationships vs. the number of activated AIE relationships



Corporate Tax Haven Index

Profit misalignment of US multinationals



THANK YOU!

More Information:

- <http://www.financialsecrecyindex.com>
- <http://taxjustice.net>
- andres@taxjustice.net

