

ILLICIT FINANCIAL FLOWS

Illicit financial flows (IFFs) refer to transfers of money and assets from one country to another through tax and commercial practices, illegal markets, theft-type and terrorism, and corruption.

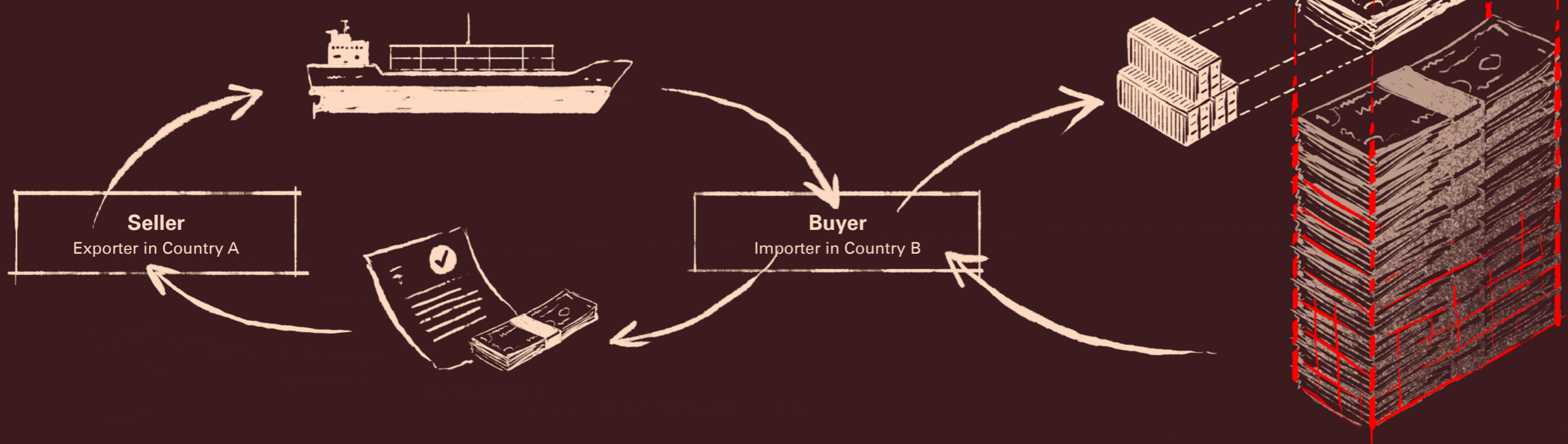
While such practices occur in all countries, the impacts on developing countries are harsher as IFFs drain resources away from financing much-needed social protection, infrastructure and other programs to achieve human rights, climate action and sustainable development.

UNCTAD estimates that on tax avoidance alone, Africa loses USD88.6 billion each year. OECD says IFFs are likely to exceed the total foreign aid flows, investments and debt payments made by developing countries every year.

\$480
BILLION USD
lost to tax havens each year

TRADE MISPRICING OR MISINVOICING

This is one of the most common strategy to shift capital from developing countries. It mostly happens when multinational corporations that operate in different countries understate the value of goods exported or the value of goods imported is overstated, and proceeds shift illicitly across borders.



The seller exports **\$10 million** worth of goods but only invoices for **\$1 million**.

The buyer's bank wires the payment of **\$1 million** for the goods to the seller's bank.

The buyer resells the goods for the equivalent of **\$10 million** in local currency, keeping the difference of **\$9 million**

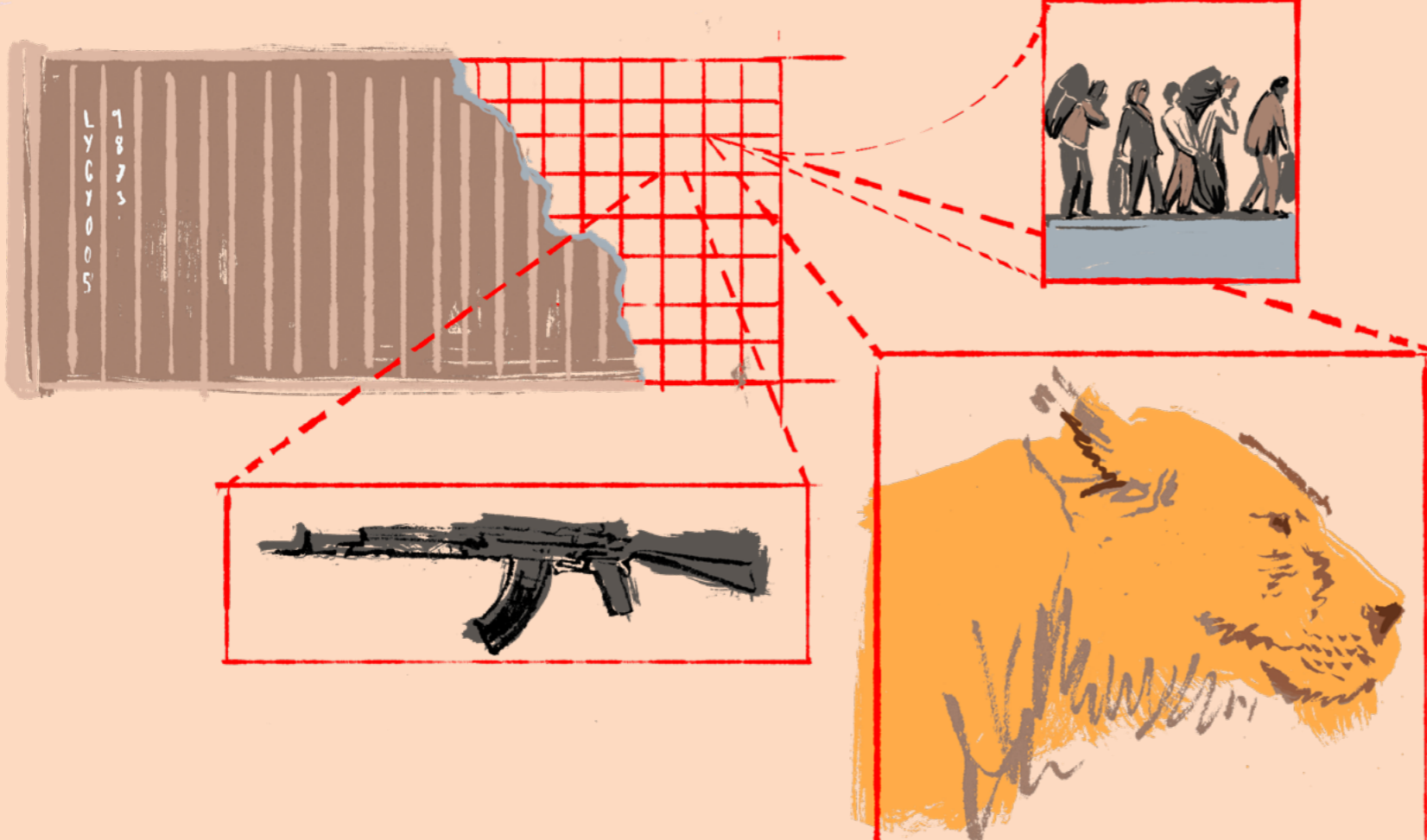
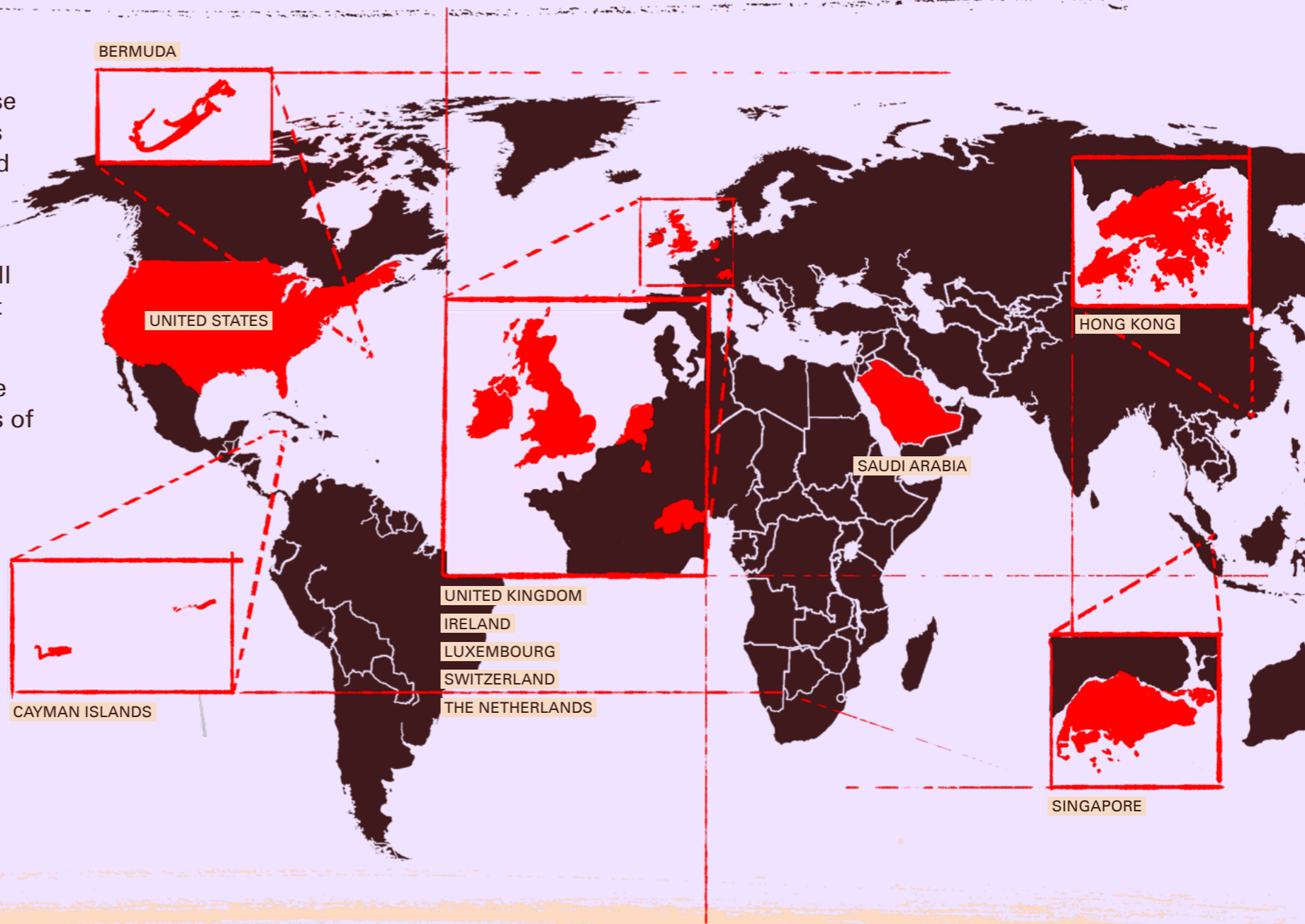
TAX DODGING

According to [Tax Justice Network](#), countries lose USD 480 billion in tax each year to corporations shifting their profits into tax havens, and around USD 2 billion a year to individuals hiding their wealth offshore.

Left unchecked, the report predicts countries will lose USD 4.8 trillion to tax havens over the next decade.

Financial secrecy laws and tax havens are at the heart of this system, allowing massive amounts of wealth to flow untaxed and in secret.

The most popular tax havens



ILLEGAL ACTIVITIES

This involves trade in illicit goods and services such as trafficking in drugs, persons and natural resources/wildlife, smuggling of migrants, production and sale of counterfeit goods, firearms, terrorist financing and corruption.

- Over USD 1.1 billion generated from the [smuggling of migrants](#) from Mexico to the United States.
- Losses from corruption estimated to be more than USD 1 trillion dollars per year.
- Annual average of USD 4.6 million generated from average trafficking of migrants in Nepal
- Trade in opiates from Afghanistan estimated to have brought an average of USD 1.3 – 2.2 billion.
- Ill-gotten wealth of [kleptocrats](#) such as Sani Abacha (Nigeria), Valdimiro Motensinos (Peru) and Ferdinand Marcos (Philippines).

FIGHT AGAINST IFFS! TAX JUSTICE NOW!

1. Reduce tax burdens on the poor. Repeal regressive taxes.
2. Break banking secrecy.
3. Universal automatic exchange of tax information.
4. Stop corporate tax abuse.
5. Establish UN Tax Body.
6. Democratize international tax system.

[Uphold Tax Justice to Overcome the Crisis](#)

