phantom trade

statistical methodology to estimate BEPS-related financial flows or tax-related illicit financial flows channeled via phantom trade
Background

WCO Report on IFFs/TM
over-invoiced imports to disguise capital flight as a form of trade payment
under-invoiced exports to conceal trade profit abroad in a third-party country such as tax havens

Federal Police report
under-invoiced exports to shell corporations located in tax havens

2017
RFB investigation

2018
Research Team
Illicit Financial Flows via Trade Mis-invoicing
[tax, customs and financial intelligence]
focus on triangular transactions [phantom trade]
risk exposure analysis
integrated actions

2019
RFB
risk analysis
Price Filter Method

2020
RFB
Partner Country Method
BEPS-Analytics

2021
statistical methodology to estimate BEPS-related financial flows or tax-related illicit financial flows channeled via phantom trade
Risk exposure analysis
[transaction-level trade data]

Brazil [2017]
Risk exposure to IFF/TM
- Exports: 59%
  - triangular structures
  - tax havens or regimes
- Imports: 27%
  - triangular structures
  - tax havens or regimes

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Risk exposure analysis [exporter]

Database
transaction-level trade data
[Customs Bureau]

Risk exposure analysis
[export/import transactions]
By commodity
By exporter/importer
By country of destination/origin
By contriy of acquisition/sale
By intermediary entity located in low-tax jurisdictions

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Price Filter Method
[weighted moving average price including a benchmark upper and lower bound prices set at +/- 1σ]

Database
transaction-level trade data
[Customs Bureau]

Price Filter
The price filters may be constructed from observable market prices or may be statistically estimated using transaction-level trade data.

Price anomalies
import over invoicing or export underinvoicing.

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Partner Country Method
[monthly average export prices vs trade value as reported by the importing countries]

Database
- transaction-level trade data
  [Customs Bureau]
  [IMF Primary Commodity Prices]
  [UN COMTRADE]

Trade Gap
[mirror data analysis]
measures discrepancies in bilateral trade records between trade partners.
trade gaps or potential under-invoiced export transactions between Brazil and trade partners.

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Partner Country Method
[exporter vs. incoterm]

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BEPS Analytics
[risk assessment tool + tax gap analysis]

risk exposure analysis
[commodity, exporter, financial intermediary]

mineral and agricultural commodities

exporter A – by country

commodity 1 – by exporter

commodity 2 – by exporter

price analysis: PFM + PCM
[commodity, exporter, financial intermediary]

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Thank you for your attention!