

# **Statistical measurement of tax and commercial illicit financial flows to enable more targeted policy action**

IFF Policy Aspect

IFF Workshop,

Windhoek, Namibia

15th to 17th May, 2024



## Introduction and Objective

- Project Objective: To strengthen statistical capacities of selected developing countries in Africa to measure tax and commercial IFFs and develop evidence-based policy responses to curb them
- UNCTAD - ALDC Mandate: Structural transformation and Economic diversification – trade-based approach, which directly links to the framework aspect of trade based IFFs
- Thus, focus of the policy analysis will be on illegal tax and commercial IFFs and in particular, trade mis-invoicing.

# Based on UNCTAD 2021 and UNODC 2015: IFFs from Illegal Tax and Commercial Practices

Level (3)	Activities	Flows
08041	A1. Activities against public revenue provisions	F1. Transfer of wealth to evade taxes, i.e., flows related to undeclared offshore wealth: <ul style="list-style-type: none"> <li>○ Outright undeclared (concealed e.g., in secrecy jurisdictions)</li> <li>○ Undeclared via instruments (Phantom corporations or shell companies, tax havens)</li> </ul>
08042	A2. Acts against commercial or financial regulations	
08045	A3. Market manipulation or insider trading	
07019	A4. Other acts of fraud/acts of commercial fraud	
08049	A5. Other acts against public administration or regulatory provisions/other illegal and commercial tax acts	F2. Mis-invoicing <ul style="list-style-type: none"> <li>○ Under/over pricing</li> <li>○ Multiple invoicing</li> <li>○ Over/under reporting of quantities</li> <li>○ Misclassification of tariff categories</li> </ul>

## Link to Measurement

- SDG Indicator 16.4.1, measurement of IFFs, of which UNCTAD (Stats) and UNODC are custodians
- Two Methods under trade mis-invoicing:
  - Method 1: Partner Country Method Plus
  - Method 2: Price Filter Method Plus

## Focus areas: Namibia

Based on the IFF report from August 2022, 4 key environments for IFF:

1. Formal and informal Economy, Illegal Markets;
2. Financial System and its vulnerabilities;
3. ***Major Trade and Investment flows and partners***
4. ***Tax collection and tax gap***

Key Environments  
for IFFs

1. Major Trade and investment flows and patterns
2. Tax Collection and Tax Gap



IFF Measurement  
Methods

1. Partner Country Method
2. Price Filer Method



**Inward IFFs (PCM and PFM):**  
**Over-invoiced Exports – Copper,**  
**Gold, Diamonds, Uranium**

**Outward IFFs (PCM and PFM):**  
**Under-invoiced Exports – Gold, Fish,**  
**Uranium**

Inwards IFFs (PCM and PFM):  
Under-invoiced Imports – *Petrol, Diesel*

Outward IFFs (PCM and PFM):  
Over-invoiced imports – Copper

## Namibia Action Plan

PCM+ and PFM+ IFFs are being addressed in two ways:

1. Statistical measurement analyses (in addition to the methodologies and steps); Counter checking data between institutions, use of PFM to counter check PCM
2. Policy Analysis – tax abuse and market regulatory abuse (e.g. for over pricing, re patriation of undeclared capital)

## Namibia Action Plan

- Action plan agreed on, on an institution basis
- However, several challenges faced



## Way Forward: Discussion at workshop

1. Proposal for technical measures on how to seal loopholes from tax and market regulatory abuse. For instance, review of export subsidy law, and capital gains tax laws – tax policy review
2. Challenges faced and options to address the challenges – presentation/discussion including NAMRA, BON, Ministry of Finance, NSA, MME and other tax administrations, all within the TWG.

# Thank you!

