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By

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Flight of capital from India to Swiss Banks and Tax Havens and activities like, Hawala have been high on the nation’s consciousness in the last five years. Huge sums of Indian money lying abroad are mentioned by various people/agencies – from Ramdev’s $7 trillion to GFI’s $462 billion and CBI’s figure of $500 billion. The CBI’s figure seems to be the GFI’s estimate updated from 2008 to 2010 since the former estimated the flows from 1948 to 2008. GFI has given the method by which the estimate was made but the CBI has not done so. The illicit funds that flow from the country are linked to the growing black economy in India which has now reached an estimated more than 50% of GDP or roughly $900 billion in 2013-14.

Political parties have been promising to bring back the funds stashed abroad and proposing that as a solution to all the problems of the country. It was argued that if all the black funds lying abroad could be brought back then there need not be any tax for the next so many years or that every village of India could get Rs.10 crore ($1.6 million) each. This figure is based on an estimated $1.4 trillion lying in Swiss bank accounts in 2006 according to unauthenticated reports supposedly emanating from the Swiss Bankers’ Association. The same report is supposed to have stated that Indians had more money stashed in Swiss banks than all the other nationalities put together.

But, none of the Swiss Bankers’ Association Reports between 2005 and 2008 give any such figure. The Association itself denied ever putting out these numbers. It is also unlikely that Indians have more funds in Swiss banks than all the other nationalities put together given that huge amount of funds have gone out of Russia, China and C. Asian Republics in the last 20 years. While Switzerland is the largest and the best known of the tax havens there are more than 70 of them in the world and Indians channel their illicit funds through many of them. Thus, if Switzerland alone has $1.4 trillion of Indian black money, then the total funds in all Tax havens would be a multiple of this amount which seems unlikely.
Illicit funds taken out of India are not all left in banks but consumed, round tripped back to India and invested in various projects. Hence the amount of illicit funds left in banks would be a fraction of the total funds that would have left Indian shores.

The amount of illicit funds going out of India and the interest that could potentially have been earned on them since 1948 has been estimated by the Tax Haven team to be about $1.1 trillion. This is the opportunity cost of the illicit funds and not the actual amount of money lying abroad which can potentially be brought back by a determined government. The sum estimated by this team is much larger than that estimated by GFI, Washington because many of the elements of illicit flows that are not accounted for in their study, like, mis-invoicing of trade in services, transfer pricing and illegal activities like, narcotic drug trafficking.

In short, there is much confusion about illicit funds flowing out of India and back. In general, there is little understanding of the complex issues that are involved in illicit flows. These are the reasons why this team decided to put together this booklet so as to make information available to the public in a simplified form. We hope we succeed in our task so that a more informed public debate can take place on the subject.

The work of the team has been supported by funding from Norway government through SNF, Bergen, Norway. We are a part of a study on Tax havens and their impact that the Norwegian government has funded since 2012. We would like to record our appreciation of this funding and support. The work was done under the aegis of the Sukhamoy Chakravarty, Chair Professor.

We would also like to place on record our appreciation of the discussion with many knowledgeable people who do not wish to be named.

Arun Kumar
Team Leader, Tax Haven Team
Sukhamoy Chakravarty, Chair Professor
August 10, 2014.
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1. A brief history of banking secrecy in Switzerland.
Switzerland’s tradition of financial discretion/secrecy goes back at least to the 17th century. In the wake of World War I, as many European currencies became unstable, the consistent (not to mention neutral) Swiss franc attracted depositors. After France, incensed by the loss of revenue, raided a Swiss Bank’s office in Paris and revealed the names of its accounts, the Swiss passed a law in 1934 making such disclosures criminal. Years later, Swiss banks both sheltered the assets of German Jews and accepted looted Nazi gold (and later set up a $1.25 billion compensation fund for the Holocaust victims). More recently corrupt leaders ranging from Philippines’ Ferdinand Marcos to Nigeria’s Sani Abacha have used Swiss banks to hide ill-gotten gains.

Banking secrecy was introduced in Switzerland in the 1930s with the stated aim of protecting the privacy of bank depositors. According to Besson (2004: 26-27), the law was primarily a response to attempts by France to obtain information about deposits held in Switzerland by French
nationals. The Swiss government was well aware of the economic importance of foreign funds deposited with Swiss banks. A diplomatic dispatch from that period states that [Switzerland] has no interest in cooperation with French agencies that would have highly adverse consequences for the important business in foreign deposits conducted by the [Swiss] banks. Three quarters of a century later, Swiss law continues to punish violations of banking secrecy with fines of up to 50,000 Swiss Francs and imprisonment of up to six months.

2. The popular meaning of the term “Swiss Banks” or “Swiss Banking” and the most common services they offer.

Switzerland was the pioneer in permitting banking secrecy of a high order. Hence it is synonymous with the concept of “Swiss Banking” which stands for all types of surreptitious and opaque banking operations. In this booklet, Swiss Banking is a term used for such banking transactions and operations whether they are carried out onshore, offshore or within the jurisdiction of an otherwise totally law abiding country.

3. The types of banks or financial institutions or entities that are covered under the umbrella of “Swiss Banks”.

“Swiss Banking” centres are havens/hosts for the biggest and the best of the banks/insurance companies/financial institutions. For example:

- Cayman Islands is a paradise for banks and 90% of the biggest of the banks of the U.S.A. and other countries have their headquarters or major offices located there.
• Bermuda is the preferred choice for all the major corporates in the shipping business.

• Delaware State in the U.S.A. is the headquarter for all credit card companies as the state allows levy of interest rate without limits on credit card related defaults in payment.

• MNC’s use subsidiaries and shell companies in tax havens for mispricing, suppression of profits or diversion of wealth.

4. What are the different types of accounts available in “Swiss Banks”?

Following are some of the accounts used for different purposes:

• **Current account:**
  Used for daily transactions. They also offer small amounts of interest.

• **Saving account:**
  Used for saving purpose. They offer a good rate of interest and allow limited transactions.

• **Numbered accounts:**
  These accounts offer more privacy. Banks allot a number as the account title instead of a name. No one can find the details of the account, like, who owns that account. Such accounts are also known as anonymous accounts.

5. The common method of opening and operating accounts in “Swiss Banks”.

Different centres follow different rules. In several centres, one can also demand modification of rules to suit one as long as one has attractive levels of wealth to deposit.
6. The relationship between “Swiss Banks” and Non Swiss Banks.
Many onshore banks have normal business relationships with offshore banks and “Swiss Banks”. There is hardly any restriction on the free flow of funds – legal or illicit and thus deposits made in offshore/Swiss accounts are easily sanitized and made a part of the financial system worldwide.

7. How long and difficult is the process of laundering and sanitizing illicit funds that come to “Swiss Banks”? Not at all difficult. Web of consultants, audit firms, banks, private equity firms, venture capitalists, etc.; have ensured that through careful planning and structuring, the complexion and colour of money can be changed. To illustrate, let us assume that there is a collection of corruption money of the order of Rs.100 crores (Rs. 1 billion). This amount can be transferred to favoured destination through Hawala. In that place it can be converted and deposited into legal entities like, companies, trusts or outfits controlled by the individual or a syndicate. This money can then be invested by the individual in the manner as deemed fit or as advised by the consultants. This money can even be brought back to the source country (say, India) as FDI or FII or private equity investment or venture capital.

8. The types of illicit money that are brought into Swiss Banks.
There are broadly 3 (three) types of illicit money:
• Commercial
• Corruption related  
• Criminal  

**Commercial activities** have a sizeable illicit part varying from transaction to transaction. There are several avenues of generation through false pricing, overbilling, composition of payment, etc. They may be in the following forms:

• Under invoicing/over invoicing of exports and imports and getting the balance deposited abroad.§ Kick backs from major defence/civilian contracts.

• Not bringing back the earnings abroad.

• In the olden days bringing in of gold was illegal so it was smuggled.

• Illegal money transactions done abroad and not reported in the country, like, transfers through Hawala.§ Funds earned by artists/entertainment industry/sports people which are not declared and stashed abroad.

**Corruption money** is omnipresent in all major transactions worldwide and minor transactions in most developing nations. Opaque resource allocation and cuts taken in license/permit administration result in generation of illicit money through corruption.

**Criminal component** is probably the biggest of the three. It consists of trade in narcotic drugs, human trafficking, gun running, terrorism, etc., all generating large amounts of illegal incomes. The amount of illicit money involved in human trafficking, human smuggling and arms trafficking in the world today is estimated to be $32 billion, $35 billion and $1 billion, respectively [http://www.havocscope.com/category/transnational-]
crime(21/07/2014)]. As per the recent estimate, the size of black market which consists of such criminal activities like drug trafficking, human trafficking, software piracy, counterfeiting in India is estimated to be $69 billion [http:/ /www.havocscope.com/tag/india(21/07/2014)].

9. Do “Swiss Banks” solicit deposits on their own and if so, what are the methods and means?

Banks, institutions and organizations in “Swiss Banking” Centres follow many routes – some direct and many indirect. In a respectable magazine like, “The Economist”, one can find several small classified advertisements soliciting deposits for offshore banks.

Switzerland has some celebrated banks like Credit Suisse and UBS with worldwide network of branches and agents. Under the label of “wealth management function” such services are canvassed and offered. The US government fined the UBS $750 million in 2007 and recently fined Credit Suisse $2.5 billion for helping US citizens evade taxes.

Leading banks like, Citibank, J.P. Morgan, HSBC, Barclays, etc., also offer similar services. For high net worth individuals, both onshore and offshore services are appropriately structured and offered. Thus, the deposits and customers are attracted through all available channels and of course directly. Multinational Banks seize the benefit of having offshore positions to not only avoid tax on themselves, but also help their clients in tax avoidance by creating and funding various types of tax avoidance schemes (Shaxson2012: 274). Barclays, HSBC, Lloyds and RBS together constitute 1,649 subsidiaries in tax havens.
out of 3,067 subsidiaries all over the world. Fortis bank which collapsed in 2008 and was taken over by the Netherland government was found to have 700 subsidiaries in tax havens.

[http://www.ethicalconsumer.org/ethicalreports/bankingindustrysectorreport/banksandtaxhavens.aspx(21/07/2014)]

10. Who are the other partners of “Swiss Banks” in the world?

“Swiss Banks” have several partners like,

- Offshore consultants
- Wealth management firms
- Wealth management departments of established banks
- Partner banks that generate illicit funds
- Insurance companies like, AIG that are willing to open several subsidiaries and trusts that are dedicated to specific causes of investors as mentioned above in Question no. 9.
- Large audit firms that are needed to help corporates in tax planning
- Small boutique audit firms that can connect with high net worth individuals
- Hawala operators

11. Is it possible to get help or cooperation from “Swiss Banking” or Secrecy Jurisdictions in tracking illicit funds flow?

There are very few crimes that are listed as culpable offences by Switzerland or other tax havens. Even for the recognized crimes like, terrorism or narcotic drug
peddling, all proofs and evidences have to be submitted along with letter of request by the country levelling the charges to get a basic response. The case of Hasan Ali Khan is fresh in the mind of Indians. Government of India has been unable to conclusively and cogently link deposits in UBS with crimes like, terrorism or narcotic drugs and has hence been unable to convince Swiss authorities to reveal any detailed information.

To be realistic, it is going to be extremely difficult to secure much cooperation and support from “Swiss Banking” or secrecy jurisdiction centres since all such centres have been basically developed and promoted for hiding, disguising, sheltering, moving and accumulating unseen, unsheltered, unregulated and untaxed money.

12. What is the calibre and status of people involved in Swiss Banking processes?
Swiss Banking has attracted the best of banks, financial institutions, private equity and audit firms. Best brains are picked up by them at fanciful salaries to run operations smoothly. In several of these iconic companies, employees are made partners to perpetuate and promote the interest of the firms. Besides, relatives and friends of wealthy and powerful individuals including politicians and bureaucrats are hired for mutual support and gain. Mr.Birkenfeld was caught in one such case in the US because he used to travel regularly between Zurich and New York. He was prosecuted and that led to a big fine of $750 billion on UBS bank for which he was working.
13. If there are around 80 recognized centres, why people mostly talk of Swiss Banks?

It is believed, even though exact figures are not available, that Switzerland had a dominant share in the illicit financial transactions going on in the world. Many of the world renowned banks and private investment firms originating there are known for efficient sanitization and management of illicit funds. In short, Swiss Banks have higher credibility as against banks and institutions in other centres even now.

14. A List of centres that offer services those are similar to Swiss Banks.

On last count there are nearly 80 recognized centres all over the world – some are very renowned but many are risky. Singapore, Hong Kong, London, etc. have respectability whereas many lack credibility and trust. Even USA and the UK have been identified as possessing tax haven characteristics. In USA, Delaware, Nevada and Wyoming are the states where reporting requirements are less, interest is tax exempt, and facilitate transactions and conduct of businesses. Denmark, Iceland, Israel and Portugal’s Madeira Island are also considered to be tax havens. Tax Justice Network furnishes a list which includes Melilla, Somalia in Africa, Labuan (Malaysia), Tel Aviv and Taipei in the Middle and Asia, and in Europe, Belgium, Dublin, Ingushetia, Madeira, Sark, Trieste, Turkish Republic of Northern Cyprus and Frankfurt (Gravelle 2013:07).
List of Tax Havens in the World

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<td>British Virgin Islands</td>
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<td>Singapore</td>
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<td>St. Vincent &amp; Grenadines</td>
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<td>Switzerland</td>
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<td>Ukraine</td>
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Source: Palan et al, 2010:41-44
BOX A
Interesting Facts

* One needs CHF 5000-10,000 to open an account (retail) in Swiss Banks while for a private account CHF 200,000 or more is required.
  
  Source:http://www.swissprivacy.com/swiss-banking/ (07/08/2014)

* Swiss Banks are market leaders in cross border private banking with 26% market share.
  
  (Source: Data from Swiss National Bank)

* Total number of asset under management with Swiss banks is CHF 5565 billion with 51% share of foreign clients.
  
  (Source: Data published by Swiss National Bank)

* Total funds held by Pakistani individuals and entities in Swiss banks, stood at 1441 million Swiss Francs ahead of India’s 1421 million Swiss Francs, by the end of 2012.
  

* Tax havens are home to an estimated two million international business companies (Palan et al 2010: 05) which include various types of corporate entities, thousands of trusts, mutual funds, hedge funds, and insurance companies.

* About 50% of all international banking lending and 30% of the world’s stock of foreign direct investment (FDI) are registered in the jurisdictions of the tax havens (ibid.).

* Caymans, a small set of islands in the Caribbean is the fifth largest international financial centre in the world (ibid.).
* Switzerland remains one of the largest repositories in the world for dirty money. In 2007, Switzerland hosted $3.1 trillion in offshore accounts held by the non-residents which went down to $2.1 trillion in 2009 after the global financial crisis (Shaxson 2012: 61).

* As per the estimate arrived at by the GFI in 2011, the developing countries lost $1.2 trillion in illicit financial flows in 2008 which had experienced a growth rate of 18% per year between 2000-2008. Compared to this estimate the total annual foreign aid was $123 billion.

Source: http://www.globalissues.org/article/35/foreign-aid-development-assistance(21/07/2014)

**Some Estimates of Global wealth held in Tax Havens**

For USA, the annual cost of offshore tax avoidance and evasion may be around $100 billion per year (Gravelle 2013:01). According to an estimate made by Tax Justice Network in 2005, revenue loss worldwide for all countries would be around $225 billion from tax evasion which is consistent with $11 trillion in offshore wealth. This is about a quarter of global wealth and close to the GNP of USA (Shaxson 2012: 26). But if we consider the latest estimates of wealth held offshore, the amount increases to between $21 trillion to $32 trillion. The estimates of revenue loss would also go up accordingly (Gravelle 2013: 23-24). This estimate of wealth held offshore does not include wealth arising out of corporate trade mispricing.

15. Switzerland is landlocked so how did offshore banking and Tax Havens emerge in the world?

Although taxation has existed since the time of the Ancient Greeks, the British put into place a particularly strenuous tax dose in the beginning of the 20th century. The first
offshore banks cropped up on the Channel Islands, between France and Britain. These offered opportunities to keep money without it being taxed. The first offshore banks were so named after the Channel Islands banks. Later it became a tradition for many places that offered offshore banking to be islands, in accordance with the name. Places like, the Bahamas, Cayman Islands and Cyprus are all examples of this. This became lucrative for small countries to attract capital and funds by offering no/low taxes. Many of these were neither islands nor near the sea/ocean. They are referred to as tax havens because of their secrecy law and the low taxes they levy on incomes.

16. Do banks that are not headquartered in Swiss Banking centres also help mobilize illicit funds and if so how?
Yes. They help as associates of banks and institutions in “Swiss Banking System” to sanitize illicit money.

**BOX B**

*Estimates of Criminal Activities*

As per the data published by “The Economist”, world’s eight biggest illegal businesses are drug trafficking (with global revenue $320 billion in 2012), counterfeit and pirated goods (with global revenue $250 billion in 2012), Human trafficking (with global revenue $32 billion), Wildlife trafficking (with global revenue $19 billion), illegal Oil trade (with global revenue $11 billion in 2012), illegal fishing (with global revenue $10 billion in 2012), illegal Logging (with global $10 billion in 2012), Human organs (with global revenue $600 million in 2012).
17. Who controls various financial centres and what laws apply to them?
Countries like, Switzerland, Singapore, etc., are very rich and important sovereign nations. However, other centres fall into two categories:

- Island nations like, Cayman, Jersey, Isle of Man, etc., are under the total control and jurisdiction of developed nations like, U.K. and Netherlands.
- Enclaves like, Delaware are part of powerful nations like, the U.S.A. The motive behind such favoured areas or zones is to facilitate retention of ill-gotten wealth or to keep profits within the country.

In short, these centres are all protected, controlled and promoted by developed and powerful countries.

In addition there are smaller nations such as Mauritius, Singapore and Malta which have no such links with developed countries.

18. What is the role of offshore tax consultants and what is the broad range of services that they offer?
Offshore tax consultants have the prime role of helping clients to secure best returns on the money routed through them while ensuring safety as well as ease with which money can be moved or withdrawn.

They enlighten, guide and facilitate all the transactions for an agreed fee. Like in other fields, they may charge fees from either side or both sides.

There are many complexities in structuring financial arrangements/entities like, trusts, companies, partnerships, etc., for proper management and
administration of such funds. Offshore consultants also offer requisite services for taking care of such formalities.

19. Is there any involvement of big audit firms in the mobilization of deposits?

Big audit firms have several arms. Audit is the front part but there are many back end services that they provide in consultative or advisory roles. Efficient and cost effective tax planning is one of the important services. Likewise, project conception, project financing, etc., are also undertaken by them. Though not apparent, there are close interconnections of associates of audit and consultancy firms with “Swiss Banking System”.

20. Transfer pricing and its role in tax evasion.

In transfer pricing, a firm charges a low price for sales to its affiliates in registered low tax jurisdictions and pay higher prices when they make purchases from them so that the firms in the low tax jurisdictions make larger profits than what is feasible given production and cost conditions. When different divisions of a multi-entity company record their own profits, they use transfer pricing among different divisions of same company to determine costs. But the technique is used to serve the purpose of moving profits to a more tax-friendly nation. Google, Apple, Amazon, Facebook Yahoo and Starbucks all have been accused of profit shifting by taking recourse to some ingenious ways (Gravelle 2013: 11).
BOX 1

Example of Transfer Pricing

Suppose, a Company A purchases goods for 100 rupees and sells it to its associated company B in another country for 200 rupees, who in turn sells in the open market for 400 rupees. Had A sold it direct, it would have made a profit of 300 rupees. But by routing it through B, it restricted it to 100 rupees, permitting B to appropriate the balance. The transaction between A and B is arranged and not governed by market forces. The profit of 200 rupees is, thereby, shifted to the country of B. The goods are transferred on at a price (transfer price) which is arbitrary or dictated (200 hundred rupees), but not at the market price (400 rupees).

NB: Vodafone is a U.K. based firm. Its Indian unit has been recently in news for selling its shares to its Mauritius unit at Rs.8519 per share. As per Indian Income Tax department; its market value is Rs 53,775 per share. In effect, it is a case of tax evasion through under-pricing/transfer pricing.

21. From which agencies can one get data on flow of illicit funds?

There are several organizations and reports (See bibliography). There are think tanks like Tax Justice International (TJI) that do their own evaluation and estimates. India has been a very significant member of the group that loses big amounts through illicit means. Global Financial Integrity (GFI) based in Washington, D.C., USA has carried out studies to estimate capital flight [Kar and Smith, 2008, 2010: www.gfip.org (21/07/2014)]. The opportunity cost of funds that have left India since

22. **Who is more corrupt/culpable – rich developed countries hosting the deposits or victim poorer countries from where the loot originates?**

It is known that in any crime, all the stakeholders are equally guilty. In the process of collection, movement, deployment and utilization of illicit money, all the collaborators are equally culpable. However, “Swiss Banking” system has to take higher blame as it tempts and prompts people and corporates to perpetrate several types of crimes to generate and deposit illicit wealth. In the absence of such shelters and havens, criminals would have difficulty in hiding the proof of their crimes helping the world at large to bring down the extent of criminality. Without such safe destinations, it will become very difficult for the corporates to carry out many of the measures used to suppress or divert their profits. A similar impact will be felt in regard to corrupt deals.

In view of the above, it can be said that the rich destinations of ill-gotten wealth as well as tax havens can be thought of as more corrupt/culpable.

23. **What is the cost-benefit of “Swiss Banking” for wealthy and powerful individuals and corporates?**

Wealthy and powerful people gain a lot by the existence of “Swiss Banks”. Corporates and individuals are in a
position to evade taxes that they ought to pay legitimately. The wealth coming into offshore accounts becomes available to the rich and wealthy after suitable laundering. The situation of the rich nations is identical to that of moneylenders who are able to have control over the destiny of poor borrowers. The money lender has the lien on the property of borrower, has the privilege of collecting hefty interest and at the same time possesses power of taking full control of the property on smallest of the pretext.

Money available in “Swiss Banks” is converted into several types of advances to other banks or private equity institutions. As the developing countries lose capital through such drainage, they become increasingly weaker. The better credit rating of the rich and powerful nations and individuals results in their attracting more capital from “Swiss Banks” or derivative outfits at lower interest rates and thus, overall clout and strength of the richer group increases at the cost of the poorer nations.

The cost of illicit transfers is nominal to the wealthy and the powerful. By taking recourse to respectable window dressing, they are able to enjoy more and better fruits with less labour. A place like, Davos attracts the best of them every year to discuss global poverty and problems while knowing fully well the foundation of their pleasures.

24. What is the cost-benefit of Swiss Banking for rich and wealthy nations?
Illicit or dirty money brings billions/trillions of dollars out of non-Western and developing countries into
developed and Western world. Actually, most of the money deposited in the secrecy jurisdiction in Caribbean islands or parts of Asia and Africa is immediately transferred through different channels to the entities controlled or administered by the Western countries (Baker, 2005). According to GFI, around $725 billion to $800 billion flew out per year on an average from the developing countries to the developed world during 2000-2008 (Kar and Curcio, 2011). Such a large amount of cash coming into the hands of rich and powerful nations gives them leverage and clout to subjugate, suppress and control the fate of poor and developing nations. This illicit wealth available to the Western world enhances lifestyle and consumer spending while causing greater hardships and impoverishment in the developing nations. This more than makes up for loss of taxes due to the existence of tax havens.


*The costs to the advanced nations in general are through:*

- Narcotic drugs trafficking
- Increased global crime
- Terrorism
- Growing corruption
- Increasing poverty
- Impact of failure of several states and countries
- Unrest in many parts of the world, and
- Corporate criminalization
25. **What are the damages to the citizens in countries from where illicit funds are extracted and taken away?**

Several problems are created for countries that lose their precious wealth such as:

- Increase in poverty and inequality
- Lower government tax revenues
- Lower health and education expenditures
- Lower rate of economic growth
- Lower levels of investment
- Failure of policies
- Higher levels of inflation
- Increase in the debt burden and so on.

26. **What are the common practices of routing and laundering of illicit funds?**

As mentioned in Question no. 7 above, money transfer is easy through Hawala or illicit channels. Once deposited in the selected account and favoured centre, it can be utilized in the manner found suitable. Further to it options for all possible types of investments including real estates, round tripping, etc., become available thereafter.

In the initial or placement stage of money laundering, the launderer introduces his illegal profits into the financial system. This might be done by breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc.) that are then collected and deposited into accounts at another location, a process known as ‘smurfing’. After the funds have entered the financial system, the second –or ‘layering’– stage takes place. In
this phase, the launderer engages in a series of conversions or movements of the funds to distance them from their source. The funds might be channelled through the purchase and sales of investment instruments, or the launderer might simply wire the funds through a series of accounts at various banks across the globe. This use of widely scattered accounts for laundering is especially prevalent in those jurisdictions that do not co-operate in anti-money laundering investigations. In some instances, the launderer might disguise the transfers as payments for goods or services, thus giving them a legitimate appearance.


**BOX 2**  
**Money Laundering: How It Works?**

**Placement**

Mr. X earns a huge sum of money from illegal arms deals, drug trafficking, insider trading, pirated goods, human trafficking and many more illegal businesses. Mr. X had already held various important positions in country A. Mr. X cannot keep this money in the original dirty form because he is afraid of losing his social image and status so he approached another corrupt person Y, who is a banker. With the help of Mr. Y, Mr. X recruited front persons for opening a number of accounts in the names of fictitious and non-existing firms, shell companies. Large (within the permissible limit) as well
as some small sums were deposited in the banks in the names of these shell companies.

Layering
This way, Mr. X now places these illegal receipts into the system. After deposits are made, Mr. X showed documents purportedly relating to goods imported into Country C by foreign firms. On the basis of these documents the banks affected remittances favouring the overseas suppliers of goods. This way, money is shifted from one set of shell companies in one country (usually tax havens) to another set of shell companies in another tax haven and closing the other set of companies.

Integration
Mr. X, having accomplished all difficult processes and finally he wants to bring the money at one place. He simply brings back all money to his country by borrowing money from overseas fake firms to another fake firm in his own country. Entity’s paper provides Mr. X authority to use money.

Similar modus operandi was used by one of the biggest money laundering scandals in 1991 held by Enforcement Directorate of India in which South Indian Bank Ltd., Nariman Point Branch, Mumbai was involved.

27. Developed nations like the U.S.A. have been talking about Anti-Money Laundering laws. What are the recent developments?
Anti-Money Laundering (AML) is a term mainly used in the financial and legal sectors to describe the legal controls that require financial institutions and other regulated
entities to prevent or report money laundering activities. Anti-money laundering guidelines came into prominence globally after the September 11, 2001 attacks and the subsequent enactment of the U.S.A. PATRIOT Act.


Today, most financial institutions globally, and many non-financial institutions are required to identify and report transactions of a suspicious nature to the financial intelligence unit in the respective countries. For example, a bank must perform due diligence by verifying a customer’s identity and monitor transactions for suspicious activity. To do this, many financial institutions utilize the services of special software and use the services of companies such as C6 to gather information about high risk individuals and organizations. United States federal law (USA) related to money laundering is implemented under the Bank Secrecy Act of 1970 as amended by anti-money laundering acts up to the present. Many people have confused Anti-Money Laundering (AML) with Anti-Terrorist Financing (ATF). Under the Bank Secrecy Act of USA, Money Laundering and Terrorist Financing are classified when financial institutions file Suspicious Activity Reports (SAR) to Financial Crimes Enforcement Network (Fin CEN) which is a U.S. Government agency. To effectively implement AML and ATF measures, the US government encourages financial institutions to work together for AML and ATF purposes in accordance with Section 314(b) of the US PATRIOT Act. However, since financial institutions are required by law to protect the privacy of their clients, Section 314(b) cooperation has not
been generally adopted by financial institutions. To overcome this obstacle, the United Crimes Elimination Network (UCEN) has been established by AML and ATF professionals to achieve this global cooperation goal in compliance with the privacy laws of most countries.

Different countries, depending on the nature and scale of activities, demand different actions. For example, in the U.S. a deposit of US$ 10,000 or more requires a CTR (Currency Transaction Report), in Europe it is EUR 15,000 and in Switzerland it is CHF 25,000. In India, any banking company, financial institution or intermediary is required to furnish a cash transaction report to the Financial Intelligence Unit, Ministry of Finance, for cash transactions more than Rs. 1 million.\[http://fiuindia.gov.in/furnishing-cashtransac.htm\ (06/08/2014)].

In some countries there is no CTR requirement. Suspicion of ML activity in the U.S. requires the submission of a SAR, while in Switzerland a SAR will only get filed if that activity can be proved. A Suspicious Transaction Report is required to be furnished to the Financial Intelligence Unit, by a banking company, financial institution or intermediary in a similar scenario \[http://fiuindia.gov.in/furnishing-suspicious.htm\ (06/08/2014)].

As a result, thousands of SARs are filed daily in the U.S. while in Switzerland the rate is much lower. The United Nations Office on Drugs and Crime maintains the International Money Laundering Information Network, a website that provides information and software for anti-money laundering data collection and analysis. The World Bank has a website which provides policy advice and best
practices to governments and the private sector on anti-money laundering issues.

28. In Switzerland only a few serious crimes are deemed to be worthy of punishment. Practically all the illicit money generated worldwide can be suitably packaged and declared under categories that are beyond the purview of the criminal law of the said centre or nation.

29. What is the success rate of anti-money laundering laws in the developed countries, like, the U.S.A.? Only 0.01% in U.S.A.

   This dismal rate is due to fact that all the money transactions can be hidden under one or the other legitimate activities. In Switzerland, it is impossible to get anybody charged on criminal conduct in such matters due to secrecy and lack of evidence. Other tax havens are also welcoming and lenient about illicit flows. Some of the island nations change their laws to accommodate various illicit operations. Thus, in such centres it is almost impossible for anybody to be convicted.

30. What is the governing principle behind a “Double Taxation Avoidance Agreement”? Many countries have come to a mutual agreement with each other via treaties to limit taxation of incomes in both countries. A double taxation treaty is usually an agreement under which a tax would be levied only in one of the countries and not in both. But this is about declared income and not black incomes which are not disclosed in either of the two countries.
It is a well settled and well known fact that companies or corporate can have their headquarters in one country and operate their units in another. For illustration, let us assume that Company A wants to have its manufacturing and marketing units in India. It can have its Asia H.Q. in Mauritius or Cayman Islands or any other tax haven and operate its units in India or China under them. Under the double taxation treaty, it can exercise the option of discharge of income and corporate tax either in India or Mauritius. It can state that it will pay its taxes in Mauritius as long as there is a double taxation treaty between India and Mauritius. By this option, Company A can maximize profits in India. As income tax in India is around 30% and is only 1% in Mauritius, it accumulates all the profits in Mauritius and evades payment of taxes in India. This practice is widely prevalent and is the cause of dirty or illicit money flows through commercial transactions encompassing fake pricing, mis-declaration, franchising fees, management fees, etc.

A treaty allowing an individual to become a non-resident in his country but a resident in one of the “Swiss Banking” jurisdiction gives similar tax benefit to him depending on the contents of the treaty.

It is through such treaties that investment in developing countries like, India is being channelized from foreign sources. It is no secret that Mauritius occupies the highest place in the flow of Foreign Direct Investment (FDI) or Foreign Institutional Investment (FII) into India. Singapore is also gaining momentum again due to favourable tax treaties. Another fall out of such treaties is that illicit money generated in one country can be sanitized
and brought back as legitimate investment through the “Swiss Banking” centre with which the country has a double taxation treaty. This is referred to as ‘round tripping’.

31. Tax havens: Abode and Patron for moneyed players. These are places (territory, country, island), that offer favourable opportunities or conditions to individuals (foreigners) and business in terms of taxes. They can vary in shapes, sizes, ages and principalities. They may be old islands or major developed states or even cities too.

In other words, tax havens are the geographical areas that impose little or no taxes on the profit from transactions carried out there and assure secrecy of the identities of the investors and the depositors. Tax havens do not require that an individual reside in or a business operate out of that country in order to benefit from its tax policies. They provide little or no financial information to foreign tax authorities.

Tax havens undermine regulations and tax regime and tax processes of the mainstream countries. As a result, the benefits of globalization tilt in favour of the global elites and the powerful at the expense of the majority of the population. Tax havens are not only at the heart of the financial globalization we are witnessing. Tax havens are integral to the modern business practices. However, they are legal entities and they use their sovereignty to determine their own tax rates and above all assure the investors secrecy which is no less important for the investors who would like to hide their illegal or undeclared
incomes. They are not only crucial for international tax planning in facilitating tax avoidance and tax evasion resorted to by the corporates, and the wealthy individuals but they have emerged as important financial centres.

32. What is Hawala?
The word “Hawala” means trust. It originated in South Asia (prevalent mostly in the Islamic community as an alternative means of funds transfers) during ancient times and is used throughout the world today.

Although it is a popular means of fund transfer, it is illegal. It works on goodwill and faith. Hawaladealers were known as Hawaladars in olden days and used extensive family relations to transfer the funds from one location to other locations. The hawaladar calls another in the destination city and tells him to give the sum to the recipient. At the end of a set period, the two hawaladars tally up how much each of them has received from, and paid out on behalf of, the other, and they settle the debt. It’s very popular with criminals because the hawaladars keep no individual records of the transactions - only a running total of the amount owed - which keeps the sender and receiver anonymous. Not only transfers which are against public policy are done through hawaladars, but the avoidance of government control (for tax dodging, money laundering, weapons brokering, child prostitution and funding terrorism) is an important reason the system has survived in these days of various banking wire transfer systems. This system was developed in India, before the introduction of banking practices. It is also sometimes referred to as “Underground Banking”.
BOX 3
Hawala: How It Works?

Hawala is an illegal and parallel channel to facilitate transfer of funds abroad or back into India. This entails the illegal demand for the foreign currency originating in India to be met by the illegal supply of foreign exchange arising abroad. This two way flow is essential as the INR is not convertible and not accepted abroad. Since this transfer is illegal, Hawala offers a mechanism for conversion of Rupees (INR) to United States dollars (USD). Hawala may also be used to transfer funds within India from one city to another where Hawala operates.

For instance, say a person Mr. A, resident of India would like to send money abroad, say to Mr D. Mr. A approaches a hawaladar (1st) who collects the funds denominated in INR. The Indian Rupees need to be converted to dollars and therefore this constitutes an illegal demand for USD. There exists a corresponding person, hawaladar (2nd), located in the country in which Mr. D lives. In that country there is Mr. C who wants to send rupees to Mr. B in India so he goes to this hawaladar and gives him dollars to transfer. This constitutes an illegal supply of USD which has to be converted to INR. The two hawaladars, here and abroad, make book entries in their accounts. The hawaladar (2nd) who got dollars from Mr C can now transfer the requisite dollars to Mr. D. The hawaladar (1st) who got INR can transfer the funds to Mr. B. The two hawaladars (1st and 2nd respectively) bring together their respective
supplies of illegal funds in INR and USD and assess the net amount to be paid. It is merely a system of book keeping where only the net is transferred across the border if it is so required. In effect, the INR remains within India and moves from Mr A to Mr B and the USD remains within the foreign country and the USD is transferred to Mr D from Mr C. The hawaladars charge a certain amount of fees for this service. Since there are many who would like to send money abroad as there are many in the foreign countries who want to send money to India the two way transfers tend to cancel out.

32. Is Hawala illegal?
Yes, Hawala has been made illegal after the establishment of normal banking practices. As this system of money transfer is old and does not follow any law so it has become a cause of concern for various governments. Apart from regulatory concerns, another challenge is that this network is being used extensively across the globe to circulate black money and to provide funds for terrorism, drug trafficking and other illegal activities. In India, FEMA (Foreign Exchange Management Act) 2000 and PMLA (Prevention of Money Laundering Act) 2002 are the two major legislations which make such transactions illegal.

33. What are the differences between regular banks and offshore banks in tax havens?
Banks in tax havens offer literally all the services that onshore banks provide besides some specialized services such as:
• Estate planning
• Wealth management
• Trust formation
• Foundation formation
• International business corporation formation
• Personal investment banking and
• Numbered accounts

Such banks offer lower interest rates than regular banks. In many cases, they collect a service charge for management of deposits made with them.

34. Spread of tax havens in the developed countries.

Switzerland was the first recognized country to master and market secret bank accounts. Following their success, many other countries like, U.K. and the Netherlands created special centres that were their colonies and could be isolated from their mainland. With this logic in mind, many islands became centres for secret banking. Over a period of time, some countries like, the U.S.A., created special zones within their own jurisdiction where similar services are available.

35. Which are the top 10 tax havens and offshore centres (Swiss Banking Centres that protect wealth, predominantly illicit and help evasion of taxes)?

Belgium:

A surprise entry, but Belgium has for many years been quietly working away at operating a low-tax regime for corporations and not exchanging information on bank accounts held in the country. It has changed its spots of late though.
Bermuda:
The favourite location for U.S. corporate inversions, i.e., companies that move their headquarters to a tax haven while retaining their material operations in higher-tax America.

Cayman Islands:
This world’s biggest small island financial centre has a reputation for secrecy and low tax. It appears that “nothing really happens there apart from affixing brass plates on doors” to create shell companies.

Delaware, USA:
It has been identified as possessing tax haven characteristics. It is a state where reporting requirements are less, interest is tax exempt, and facilitates transactions and conduct of businesses along with corporate secrecy.

Hong Kong:
This is another former British colony which worked as a tax haven. Low tax rates, high secrecy and vast amounts of real trade help hide the illicit flows.

Ireland:
Set out to make itself the low-tax entry point for Europe. It all seemed to go so well for so long – until the economy keeled over as bank after bank failed after 2008, revealing a situation where a blind eye had been turned to all regulations. Amazon, Apple among others, use it for their tax planning.
**Luxembourg:**

Is an aggressive small state government defending tax secrecy from within the European Union – and attracting massive inflows of funds through its low-tax corporate structures.

**Singapore:**

It has been doing everything it can to take over Switzerland’s mantle. It seems Singapore is the new S in UBS.

**Switzerland:**

The archetypal tax haven, and in many ways is the grand daddy of them all. It created banking secrecy to help tax evaders (not to assist Jewish refugees, as they often like to claim) and until a few years back, thought to be impregnable. Now under OECD pressure it is changing a wee bit.

**The City of London:**

The epicentre of the largest network of secrecy jurisdiction in the world – all focused on channelling anonymous money into London, which is done on an enormous scale.

36. If all top politicians, corporate and individuals are involved in illicit flow funds, what reforms can one think of?

Tax Justice Network/Global Financial Integrity and similar NGOs are demanding a level playing field. The present financial architecture is tilted in favour of rich and dishonest individuals/nations.

It is high time that some effective measures are put in
place to restore peace, justice and equity. Some good practices are already known such as those from Canada where crime committed within and outside the country receives the same treatment. International Court of Justice, Human Rights Commission and UN need to be mainstreamed.

Mass awareness campaigns about menace of “Swiss Banking” and its affiliates on the lines of Anti- Tobacco drive are also required to deal with this Societal Cancer.

In the Indian context, Kumar (1999) has also given several suggestions like, RTI, strengthening corporate, political and judicial accountability and curtailing banking secrecy which is used to take funds out surreptitiously.

37. What is India’s Prevention of Corruption Act?
Corruption means violation of rules and norms of the society in almost every sphere. Though it conventionally refers to the abuse of power by those in power, it should also include unlawful activities by anybody. Unfortunately, it is deeply rooted in society.

Government of India enacted the Prevention of Corruption Act 1988. The focus was to curb the corruption in government agencies and public sector businesses in India. The Act addresses the definition of public servants /business, the activities covered under term ‘corruption’ and punishments for those culpable.

38. What are the recent steps taken by the Indian government to bring back funds stashed abroad in the “Swiss banks”?
After the NDA came to power at the centre in 2014, a
Special Investigation Team (SIT) has been constituted as per the directive of the Supreme Court of India. They are entrusted with the task of negotiating with the Swiss Banks to disclose the names of the Indian account holders and also to suggest other measures to counter the problem of flight of capital.

The Government of India has also entered into several Double Taxation Avoidance Agreements (DTAAs) with various countries. In 2009, India had 78 DTAAs. In order to ensure that the ‘Exchange of Information’ as agreed upon is at par with the international standard to render the DTAAs effective, Government of India had completed renegotiations with 28 countries and has initiated and completed negotiations with 17 new countries. Tax treaty with Switzerland was also amended and signed on 17 June 2011 (Government of India, 2012).

It may be noted that DTAA would only be relevant to the declared incomes while the undeclared incomes which are illegally generated would remain outside the purview of the Treaties. Further, as Rudolf Elmer (Frontline, June 27, 2014: 22-23) argued that, politicians and the authorities in Switzerland and those in India would not really be keen to close all the loopholes which are provided to the multinationals, financial institutions and high-net-worth individuals.

Conclusion:
This document seeks to offer some answers to the vexed problem of tax havens, and capital flight plaguing the world and working to the detriment of not only the developing world but also in many ways to the advanced
countries. The latter benefit from the capital flows but suffer due to the increased criminalization in their society, increased threat of terrorism and to an extent by the loss of tax revenue. As such, it is in the interest of the global community (if not the rich and the corporates) that the problem be tackled urgently. Since financial flows are global, there is a need for global cooperation to check the problem.

Unfortunately, the problem is also political since the elite in each of the countries use ‘Swiss banking’ to manage its wealth. The elite know how the system works and how to stop it but in their narrow self-interest do little to check the menace. Thus, political pressure needs to be mounted in each of the countries of the world. The first thing to be done is to end the secrecy laws in each of the tax havens owned by the advanced countries and the second is to discipline the banks registered in their jurisdictions and levy heavy penalties on these banks and financial institutions if they transgress. A tax on all financial transactions has also been proposed and it can be of help. Thus, much can be done provided the political will exists. While sovereign rights of the tax havens is an important issue, but we should note with concern that exercise of these rights impinge on the sovereign rights of the other nations with adverse consequences for development broadly speaking. In today’s globalizing world with free mobility of capital across the border, we need to address important ideological and practical questions regarding market efficiency and regulation, international tax planning and criminality.
Anonymous Account: Where financial institution has no information about the identity of an account holder or no record of account the holders identity.

AML: Anti-Money Laundering

ATF: The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) is one of federal law enforcement organizations under the United States Department of Justice.

Cocaine: An addictive drug extracted from Coca Tree.

Credit Suisse: Credit Suisse Group AG is a multi-national financial services company based in Switzerland and headquarteried in Zürich. It operates the Credit Suisse Bank along with other financial services investments.

Estate Planning: An Estate is the property of a deceased person available for inheritance. Estate planning is the planning for the disposal of an estate during one’s life. Estate planning eliminates uncertainties over the administration of a probate and at the same time maximizes the value of the estate by reducing taxes and other expenses.

FATF: Financial Action Task Force is inter-governmental organization founded in 1989 on the initiative of G-7 countries. The purpose was to formulate policies to prevent money laundering.

Ferdinand Marcos: Full name is Ferdinand Emmanuel Edralin Marcos. He had been President of the Philippines for 21 years (1965 to 1986). He was a lawyer
by profession. Apart from this, he had been a member of the Philippine House of Representatives for 10 years (1949–1959) and a member of the Philippine Senate for 6 years (1959–1965). He was also the Senate President from 1963 to 1965. When he was in power he reformed infrastructure development and economic policies but, his administration was marred by massive authoritarian corruption, despotism, nepotism, political repression, and human rights violations. Marcos and his associates are alleged to have illicitly accumulated an estimated $5-10 billion through a variety of corrupt schemes.

**FinCEN:** FinCEN is one of the bureaus under the U.S. Department of the Treasury. FinCEN’s aim is to maintain the safety of the financial system by preventing its illegal use by using financial intelligence and by strategically using of financial authorities.

**FDI (Foreign Direct Investment):** It is an active investment into direct production or investment for building new facilities in existing business by an individual or company of one country in to the company/production facility of another country.

**FII (Foreign Institutional Investor):** Unlike FDI, FIIs invest passively in stocks and securities. In general they invest for the short run.

**Trust/Foundation Formation:** A trust or a foundation is an entity, which is formed to hide the ownership and identity of the beneficiaries of the assets owned by this entity, in order to evade taxes. This entity separates the ownership of the asset from the original owner. These assets are under the custody of a trustee appointed by the original owner, who is legally responsible to obey the terms of the trust deed, which are a set of instructions.
indicating that how exactly the assets are to be shared by their beneficiaries.

**FEMA (Foreign Exchange Management Act 1999):** This is an act in India which was enacted to amend the law relating to foreign exchange regulation. The objective of this Act was to make existing foreign exchange laws more favourable for external trade and payments and at the same time for promoting the orderly development and maintenance of foreign exchange market in India.

**GFI: Global Financial Integrity** (Global Financial Integrity is a non-profit, research and advocacy organization located in Washington, D.C.)

**Holocaust victims:** The Nazis killed millions of people because they considered them inferior, undesirable or dangerous.

**International Business Corporation:** An International Business Corporation is usually, registered in a tax haven. It’s a tax-free corporation designed to engage in all types of international business. Being an IBC, it is subject to minimum red-tape. While being obliged to keep internal records and registries in good order, an IBC does not have to submit any financial reports to public file. There is also no mandatory audit requirement.

**ICJ:** International Court Of Justice

**KYC (Know Your Customer.):** A terminology used in banks to identify the customers.

**Layering:** This is the stage of Money Laundering where funds are passed through multiple transactions so as to hide the identity of the investor of funds generally in the
tax havens. It is rendered more authentic with the help of various financial tools like shares, stocks or loans.

**Mis-invoicing:** When cross-border transactions take place, trade invoices may be falsely reported to the authorities. Generally imports are over-invoiced and exports are under-invoiced so as to facilitate flight of capital.

**Mis-pricing:** The practice of declaring wrong price so as to generate a higher profit for an individual or a company.

**MNC:** Multi National Corporations are corporations having manufacturing units in more than one country.

**Numbered Account:** It is an account number or a code by banks to hide the identity of the actual client.

**NAZI:** It is an ideology and practice associated with the Germans of 20th-century. It incorporates scientific racism and anti-semitism.

**Offshore Consultants:** These are people who have specialized understanding of foreign financial markets and provide customized services to their clients.

**Offshore Banks:** These banks may not have physical presence. They cater to the financial service need of foreign customers/non residents of the jurisdiction of their own origin.

**Offshore Financial Centres:** These are jurisdictions where extensive governmental effort has been made to attract investment as well as business through some special incentives in tax, greater confidentiality and more friendly regulations for investors.

**Offshore Company:** An offshore company is an entity set
up in a tax haven or offshore financial centres (see above). It has a legal status and thus is protected by specific legislation. These legislations guarantee partial or full tax exemption.

**Patriot Act:** USA PATRIOT Act was passed in 2001 after September 11, 2001 terrorist attack. The title of the act is a ten-letter acronym (USA PATRIOT) that stands for Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001. The purpose was to identify and stop the terrorist activities in the country.

**Personal Investment Banking:** Investment banks deals in a range of services from underwriting and raising capital for companies to facilitating mergers. It can play different roles in various capacities like; it may act as an intermediary between investors and the issuer while raising capital for a firm.

**PMLA:** Prevention of Money Laundering Act was enacted in India in 2002. It was designed to combat money laundering and to confiscate the property earned through money laundering. The Act prescribes the punishment to any person involved in money laundering directly or indirectly, of a minimum of three years and a maximum seven years.

**Round Tripping:** This is the process in which illicit money generated in one country can be sanitized and brought back as legitimate investment through the “Swiss Banking” centre with which the country has a double taxation treaty.

**Shell Bank:** A shell bank lacks physical presence in any
country however they legally fulfil all the requirements of a banking entity.

**Smurfing:** A technique used in the placement stage of money laundering process. In this technique, the funds are divided into smaller amounts so that each amount falls below the threshold limit of financial regulatory system.

**Sparbuch:** Sparbuch are savings account. They are available in Austria and other neighbouring countries. In order to open Sparbuch, one needs no name or ID. The deposits and withdrawals are recorded in booklet that is attached to the Sparbuch. One who has possession of this booklet (and the correct code-word) is considered the legal holder of the account.

**Wealth Management:** These are services which may/may not be a combination of financial/investment advice like accounting/tax services, and legal/estate planning for a fee.

**Shelf Company/Off the Shelf:** These are the companies that fulfil all requirements of legal registration. These are formed for the use of anyone who wants to bypass the lengthy incorporation process.

**Sani Abacha:** General Sani Abacha was a Nigerian soldier. Later on he entered into Nigerian politics and served the country as the President for 5 years. Abacha has been one of the most controversial leaders in the history of Nigeria. However during his time Nigerian economy had dramatic economic boost but people suffered widespread human rights abuses. Abacha, together with his family and accomplices, allegedly siphoned off $4 billion from his poor country.
**Tax Haven:** A Country/territory that has low or zero rates of taxes for the non-residents, reliable secrecy provisions, anonymity and friendly provisions for the investors/depositors. They create a situation of tax competition among governments.

**TJI:** Tax Justice International see TJN.

**TJN:** Tax Justice Network is group of researchers and activists devoted to study the harmful impacts of tax avoidance tax, competition and tax havens.

**Trust:** A trust is a relationship whereby property is held by one party for the benefit of another. A trust is created by a settler, who transfers some or all of his or her property to a trustee. The trustee holds that property for the trust’s beneficiaries. Trusts have existed since Roman times and have become one of the most important innovations in property law.

**Terrorist Financing:** Terrorist organizations derive income from a variety of sources, often combining both lawful and unlawful funding, and where the agents involved do not always know the illegitimate end of that income.

**Terrorist Funding:** see terrorist financing.

**UBS** - UBS AG is a Swiss global financial services company that is headquartered in Basel and Zürich, Switzerland.

**Wire Transfer System:** An electronic transfer of funds across a network administered by hundreds of banks around the world. Wire transfers allow for individualized transfer of funds from single individuals or entities to other individuals or entities, while still maintaining efficiencies of fast and secure movement of funds.
REFERENCES AND SUGGESTED READING

and the Challenge of Illicit Drugs. Canada: Lulu.com Publisher.


