State of Tax Justice 2023

This is the old, original version of the State of Tax Justice 2023 as published on 25 July 2023. An updated version of the report with a correction was published on 23 August 2023.

Acknowledgements

This report is dedicated to the memory of Lucy Killoch.

The Tax Justice Network believes our tax and financial systems are our most powerful tools for creating a just society that gives equal weight to the needs of everyone. But under pressure from corporate giants and the superrich, our governments have programmed these systems to prioritise the wealthiest over everybody else, wiring financial secrecy and tax havens into the core of our global economy. This fuels inequality, fosters corruption and undermines democracy. We work to repair these injustices by inspiring and equipping people and governments to reprogramme their tax and financial systems.

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Foreword

Sometimes we forget the vital role that tax plays for our societies. We worry about food, shelter, safety and health. We worry about money, especially when inflation makes things harder. And we get frustrated when major companies and the wealthy duck their responsibilities. “Are we the only fools who pay tax?”, we ask ourselves.

What we risk losing sight of is that tax is the only sustainable source of revenues for independent, sovereign states. The best way of funding universal public services including health and education. A key tool to combat inequalities. And the glue in the social contract, providing a crucial link between people and governments that are representative and accountable.

While tax may be overlooked, and even unloved, in reality it is our social superpower. Tax allows us to choose to organise our communities, at the local and national level, so that we can all live better lives, together.

But a fundamental obstacle is the ease with which powerful elites step outside of their social obligations – outside of their responsibilities to the societies they are a part of, and from which they profit. Above all, this takes the form of separating taxable income from the underlying assets and activities. Profits made in one country are declared in another. Personal wealth is held through offshore entities, often secretly.

To understand the scale and urgency of these threats, the State of Tax Justice reports use the best available data, with rigorously reviewed methodologies to provide the clearest picture possible of cross-border tax abuse. In other words, the report you are reading provides our best, current estimate of the potential benefits of reprogramming our tax systems to end abuse.

Only by jointly shaping the international rules that govern tax and financial regulation, can each country reclaim the ability to set their own, effective taxes. And since the last State of Tax Justice report in 2022, the world has taken a major step in the right direction.

Following the work of the High Level Panel on Illicit Financial Flows out of Africa and of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (the FACTI Panel), the Africa Group tabled a resolution at the United Nations General Assembly. The

resolution, initiating intergovernmental discussions towards a UN tax convention, was passed by unanimous, global consensus.

Now key African institutions, including the High Level Panel, African Union, Economic Commission for Africa and the Coalition for Dialogue on Africa, are working to update the common African policy positions, to carry into negotiations. The governments of Colombia, Brazil and Chile have convened a Latin American and Caribbean process to explore regional positions and the global challenge. The European Parliament has passed a resolution hailing the Africa Group's leadership at the UN, and calling on the European Union and each member state to back the negotiation of a UN tax convention.

In September, the UN Secretary-General Antonio Guterres will publish a report assessing the options for a new framework for international tax cooperation under UN auspices. Member states will hold a special debate in the new session of the UN General Assembly, and are then expected to move a resolution to begin formal negotiations.

Those negotiations offer the chance, for the first time in human history, of a globally inclusive tax body. This could finally allow individual states to protect themselves from cross-border tax abuse and set their own tax rules, with full sovereignty. And that would in turn allow all of us to benefit from the social superpower of tax: to raise revenues for inclusive public services, to end the inequalities that scar our societies, and to strengthen the bonds of political representation and government accountability.

Let us seize this moment, in every country and region of the world – because we all suffer the costs of tax abuse. Let us demand that our governments commit to open negotiations in order to deliver on the promise of tax justice.

Hon. Irene Ovonji-Odida

Chair, Tax Justice Network

Commissioner, Independent Commission for the Reform of International Corporate Taxation (ICRICT)

Member, High Level Panel on Illicit Financial Flows out of Africa

Member, High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (the FACTI Panel)

1. Executive summary

1.1 Democratic revolution

We stand on the cusp of a global democratic revolution in tax.

This year, countries around the world may win the chance to finally have a say on the global tax rules that impact all of us. In November 2022, countries at the UN General Assembly unanimously agreed to open the door to negotiations on moving global tax leadership from the OECD, a corporations-chummy, rich countries' club where rulemaking on tax has sat for over sixty years, to the United Nations. This December, countries will vote on whether to begin those negotiations.

Countries will be voting for two very different futures for their people, their economies and the planet we all share.

The State of Tax Justice 2023 provides a glimpse of what those futures can look like. Continuing the State of Tax Justice's tradition of breaking ground in tax abuse research, the 2023 edition of our annual report models what the next decade can look like under the OECD's tax leadership and what it can look like under the tax leadership of the UN.

It boils down to one number: US$4.7 trillion. That is how much tax we estimate wealthy corporations and individuals will avoid and evade over the next decade under the current direction of OECD tax leadership. That is how much countries have to gain by adopting the anti-tax abuse standards the OECD has long resisted - standards that can only be won through democratic process at the UN.

On the table this December is US$4.7 trillion of our future public money. It belongs to all of us, and to the billion souls waiting to be born over the next decade. Countries have a choice to make: forfeit the money now, and with it our future, to the wealthiest handful of people in the world, or claim it, and with it a future where the power of the wealthiest corporations and billionaires, like the kings and barons before them, is reined in by the march of democracy. A future where tax is our most powerful tool for addressing the challenges our societies face and for building a fairer, greener and more inclusive world.

1.2 Latest annual tax loss estimate

The State of Tax Justice 2023 is the latest in our annual series, which since 2020 has provided the first comprehensive, near-global statistics for revenue losses due to cross-border tax abuse by multinational companies and by individuals hiding assets and income streams offshore. This year, we find annual tax losses of US$472 billion worldwide.

This figure can be understood as the potential *direct* benefits of delivering on the UN General Assembly's unanimous decision to begin intergovernmental discussions on a new international framework for tax cooperation. A UN tax convention has the potential to set global rules and standards to eliminate the scope for cross-border tax abuse. The *indirect* benefits, according to research from the International Monetary Fund and the Tax Justice Network, are likely to be at least several times larger than the direct benefits – because ending abuse also creates the policy space for governments to deliver on a much more progressive tax agenda, as favoured by people all around the world.

In 2015, the world committed to the Sustainable Development Goals, including a global target to curb illicit financial flows, of which cross-border tax abuse is the largest component. Tax was identified as the primary means of implementation for the whole framework. But the lack of a globally inclusive body to set rules and standards has allowed cross-border tax abuse instead to grow and flourish.

If the latest estimates were to be sustained – without further growth, but also without progress to reduce them – throughout the next decade including the Sustainable Development Goals target date of 2030, the overall global losses will stand at US$4.7 trillion.

Consistently, the largest losses in absolute terms are borne by major economies and higher income countries. Lower income countries, however, endure by far the deepest losses when considered as a share of current tax revenues, or current spending on vital public services such as health and education. In countries at all income levels, those who already find themselves most marginalised economically and socially will bear the brunt.

The key to ending cross-border tax abuse is to deliver on a UN tax convention and to create a global tax body under UN auspices. The people of every country stand to be empowered, with governments increasingly able to exercise their sovereign power so that tax can play its central role as a social superpower.

1.3 Corporate tax abuse

The largest component of global tax losses continues to be cross-border corporate tax abuse. Multinational companies are responsible for around a third of global economic output, half of world exports and nearly a quarter of global employment. Their tax abuse is a first-order global economic issue, depriving governments of tax revenues, increasing inequalities between and within

countries, and undermining smaller and domestic businesses that generate the majority of employment.

We use the third year of aggregate country by country reporting published with significant delay by the OECD to demonstrate that multinational corporations are shifting US$1.1 trillion worth of profit into tax havens a year, causing governments around the world to lose US$301 billion a year in direct tax revenue.

These are the direct losses due to the misalignment between the location of profits and the location of productive economic activity. Indirect losses, or spillover costs, arise where governments reduce statutory and effective corporate tax rates to counter the direct losses of corporate tax abuse, with the mistaken belief that this will attract investment.

Researchers at the International Monetary Fund estimate that, at a global level, indirect losses from global corporate tax abuse are at least three times larger than direct losses. A similar adjustment here would imply overall losses of about US$1 trillion - annually.

The UK and its dependent territories (aka the UK's "second empire") are responsible for 24 per cent of the corporate tax losses. The "axis of tax avoidance" (the UK and its second empire, the Netherlands, Luxembourg and Switzerland) are together responsible for 50 per cent. In total, OECD member countries and their dependencies account for almost 7 of every ten dollars lost.

1.4 Offshore tax abuse

Financial secrecy remains a defining feature of offshore finance – and everywhere is 'offshore' to the rest of the world. Secrecy jurisdictions – countries that provide opportunities for non-residents to hide their identity and their wealth from the rule of law – are not led by small, palm-fringed islands but by major economies. Top of the Financial Secrecy Index 2022[1] is the United States, followed by Switzerland.

Financial secrecy enables individuals to abuse their tax responsibilities at home – but not only that. Secrecy provides the cover to launder the proceeds of crime, keeping drug cartels bankable, human trafficking profitable and terrorist financing feasible. And just as secrecy is fundamental to circumvent tax, so too is it central to the evasion of international sanctions.

This year we have taken the decision to align our estimates of corporate and offshore tax abuse, so that both refer to the same original data year. The binding constraint is the OECD's delay in publishing aggregate country by country reporting data, so we have reluctantly decided to align with this and (re-)publish

[1] Tax Justice Network. *Financial Secrecy Index 2022*. May 2022. URL: https://fsi.taxjustice.net/ (visited on 21/09/2022).

offshore tax abuse estimates now for the year of the latest available OECD data, 2018.

The world is losing US$171 billion a year to offshore tax evasion related to financial wealth alone. The UK and its second empire is responsible for 50 per cent of this loss. The axis of tax avoidance is responsible for 65 per cent. And in total, OECD member countries and their dependencies account for more than 9 of every 10 dollars lost.

1.5 Policy recommendations

The State of Tax Justice 2023 focuses on one single, global recommendation: vote for democracy this December.

We remain committed to the proposals for excess profits taxes, and for wealth taxes. But the clear priority today among the three standing recommendations of the State of Tax Justice, must be to pursue wholeheartedly the opportunity for comprehensive reform of the international tax architecture.

The member states of the United Nations agreed in late 2022, by unanimous consensus, to begin intergovernmental discussions about a UN tax convention, which could set powerful standards and establish a globally inclusive body for tax rule-setting under UN auspices.

This would address finally the major gap in international tax governance, and offers the scope to agree standards and rules that would curb the great majority of cross-border tax abuse – returning significant sovereignty to countries all around the world, and re-establishing the potential for progressive taxation of profits, income and wealth to make a full contribution to better lives for all.

The challenge in 2023 is to ensure that the lobbyists for tax abuse – including major multinational companies and their professional enablers, from banks to law firms and accounting firms – are not able to derail the process. The UN Secretary General will present his report on the options in advance of a debate at the UN General Assembly in September, and then a resolution to begin formal negotiations is expected, with a final vote likely in December.

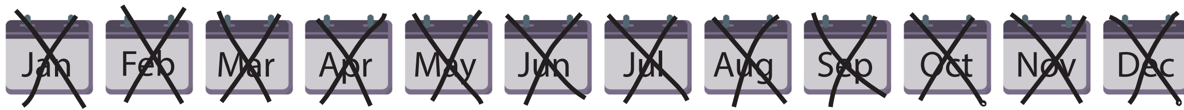
As this report confirms once again, it is OECD member countries that lose the greatest sums of revenue to cross-border tax abuse. But many of their heavily lobbied governments have historically blocked progress at the UN, even at the expense of their own people. It is critical that these governments now face public scrutiny and challenge ahead of the UN discussions, so that those responsible for tax abuse are not able to prevent an effective global response.

At a glance

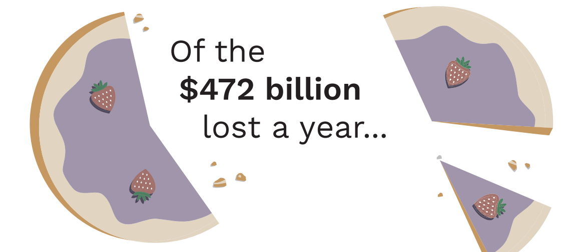
Over the next 10 years, countries will lose

$4.7 trillion to tax havens

That's equivalent to losing a year of worldwide spending on public health over the next 10 years



$472 billion is lost to tax havens a year

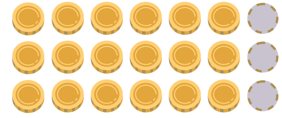


Of the **$472 billion** lost a year...

$301 billion is lost to cross-border corporate tax abuse by **multinational corporations**

$171 billion is lost to offshore tax evasion by **wealthy individuals**

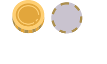
Higher income countries lose more tax but their tax losses represent a smaller share of the money they have to spend



$426 billion lost

9.3% of public health budgets

Lower income countries lose less tax but their losses represent a far larger share of the money they have to spend



$46 billion lost

56% of public health budgets

Most of global tax abuse is made possible by abusive regulation in rich countries, not palm-fringed islands

77% due to rich OECD countries

The small club of rich OECD countries have decided global tax rules for the rest of the world for the past sixty years – and are blocking tax reform

But there's another way

Countries will vote at the UN later this year on whether to move rulemaking on global tax from the OECD to the UN

Democratically deciding UN tax rules can make it possible to finally eliminate global tax abuse and win back the $4.7 trillion countries will otherwise lose to tax havens over the next 10 years

3. Introduction

Welcome to the State of Tax Justice 2023, the fourth edition of this annual report. The report provides country-level estimates of the tax losses suffered by each country due to cross-border tax abuse by multinational companies and by individuals hiding wealth offshore. The tax losses imposed by each country on the rest of the world are also detailed.

Overall, we find that countries around the world are losing US$472 billion in tax a year to global tax abuse.

More positively, the US$472 billion countries are losing a year is what can *directly* be gained back through the negotiation of a well-designed UN tax convention. The implied *indirect* gains - from re-establishing the potential for effective, progressive taxation in countries all around the world - are multiples larger.

It is a common lament that the world is trillions of dollars short of being able to meet the Sustainable Development Goals – the globally agreed set of priority targets for human progress by 2030. But assuming that the costs of tax abuse remain constant, in 10 years they would reach a total of US$4.7 trillion.

Now, with the leadership of the Africa Group at the United Nations, there is unanimous consensus among member states to explore an international framework for tax cooperation at the UN. Proposals for a UN tax convention offer the prospect of creating powerful standards to curb tax abuse, and a globally inclusive rule-setting body under UN auspices.

The subsequent chapters set out the methodology, key results and country-level estimates. Here we explore the background to the opportunity now facing the world – to deliver comprehensive reform that dramatically curbs tax abuse, and sets the basis for fair rule-setting in the future.

3.1 The struggle for global tax leadership

As we write this report, a power struggle decades in the making over leadership of global tax rules is dramatically unfolding. 2023 marks a decade since the OECD's delayed and failed attempts to reform international tax architecture began. 2023 has seen countries putting unprecedented energy into building regional consensus and negotiating positions ahead of an expected vote at the UN General Assembly later this year on whether to finally begin negotiations on a

new global tax leadership role for the UN. This new role would see the UN take over stewardship from the OECD's sixty-year reign and finally create a viable policy window for delivering tax reforms long resisted at the OECD. At the same time, countries like Nigeria, India, Colombia and Australia are already exploring various avenues to move faster and unilaterally adopt robust tax standards that go beyond long established OECD consensus.

The State of Tax Justice report is inextricably linked with the history of this struggle. The first edition of the State of Tax Justice in 2020 only became possible after the OECD published long-delayed aggregate country by country reporting data. This data made it possible for the first time to measure countries' direct tax losses to cross-border corporate tax abuse, which then helped further build momentum for global tax reform. But the data itself only became possible after years of advocacy from the tax justice movement - the Tax Justice Network published the world's first model for country by country reporting as far back as 2003 - and after the G20 forced the OECD in 2013 to begin collecting (and then partially publishing) the data, something the OECD had resisted for years.

In 2022, the OECD failed to publish the data on time. It is assumed that the delay was largely due to internal pressures from a handful of OECD members against the transparency measure. The months-delayed data meant that the 2022 edition of the State of Tax Justice report was unable to provide updated annual estimates on the tax losses that arise from cross-border corporate tax abuse. Instead, the 2022 edition focused on what could be achieved if public country by country reporting was delivered to its full potential, without watering down by the OECD: 1 of every 4 corporate tax dollars lost to tax havens could be prevented by making companies' country by country reporting data public.

This brief history of the State of Tax Justice report is in a way a microcosm of struggle over global tax standards, which has until now been largely characterised by delays, resistance and failures to deliver progress on exposing and curbing global tax abuse under the OECD's stewardship.

Nonetheless, this year's edition of the report once again has a small but necessary role to play in the struggle over global tax leadership.

In preparation for the expected vote this winter at the UN General Assembly on whether to begin negotiations on UN tax leadership, the 2023 edition of the State of Tax Justice looks at what the two potential outcomes of this vote can look like 10 years down the road: another decade of OECD leadership vs a decade of new UN leadership.

Our findings boil down to one number: democratising global tax rules at the UN can make countries US$4.7 trillion richer in tax revenue over the next 10 years - revenue that will otherwise be forfeited to tax havens.

3.2 Tax is a social superpower

Countries and jurisdictions that facilitate global tax abuse at the expense of others are not only stealing money from their neighbours, they are also denying societies the prospect of greater wellbeing, the opportunity to prosper, and the ability to care for each other. The importance of tax to our societies is such that global tax abuse is truly anti-social in the most fundamental sense.

Tax is a social superpower. Tax generates revenues to fund public services, and effective states more broadly. Tax provides the main means of redistribution to eliminate harmful inequalities. Tax is the glue in the social contract, that underpins inclusive political representation. Effective taxation is also necessary for the repricing of socially damaging practices from carbon emissions to tobacco sales.

Together, these channels make tax crucial to how we organise ourselves as societies – rather than living nasty, short, brutish lives alone. Tax justice creates the potential for well-funded states that deliver for us all, including by supporting the culture of care which is vital both for flourishing societies and a sustainable planet.

Tax abuse threatens this directly. If major companies and the wealthiest households can simply sidestep their responsibilities, the direct revenue losses that we estimate here are only a fraction of the damage done. Foregone public services exert disproportionate costs on women and on other marginalised groups, deepening the overlapping inequalities they face. The pressure to 'race to the bottom' on tax rates, in a doomed attempt to limit the incentives for tax abuse, further undermines the scope for both revenue-raising and progressive redistribution. Similarly undermined is the space for meaningful targeting of smoking, carbon emissions and other socially costly behaviours.

The greatest damage may be to the fourth 'R' of tax: political representation. While revenues, redistribution and repricing (the first three 'R's) are more immediately obvious benefits, the evidence shows that tax is also one of the only variables consistently associated with better governance – with more accountable, less corrupt and more inclusive political representation. Those who facilitate tax abuse elsewhere are eroding the sovereignty of states to deliver for their people, and undermining the social contract.

The ultimate responsibility rests, however, with the failures of international tax rules. While bodies such as the United Nations Framework Convention on Climate Change and the World Trade Organisation provide broadly inclusive structures for decision-making in diverse areas where international cooperation is required, there has never been an equivalent body for tax – despite its crucial importance for sovereignty and statehood.

3.3 A lost decade at the OECD – and a lost century

For ten years, national efforts to tackle rampant global tax abuse have stalled as countries awaited progress at the OECD. That process has today lost most of its original ambition and now seems increasingly unlikely to deliver at any level. Criticisms of the practical failures have been joined by increasingly loud complaints over the injustice of a club of rich countries setting tax rules for the whole world. That is a practice which dates back not a decade, but a century.

The first multilateral efforts were made at the League of Nations in the 1920s and 1930s. This body was made up of representatives largely from the imperial powers, and they set about agreeing tax rules in order to resolve the increasingly complex questions of taxation within and between their empires, and with heavy corporate lobbying from the outset.

The United Nations, with a broader membership including a growing number of former colonies, took on the mantle of the League from its inception, and in the 1950s explored a range of steps in fiscal cooperation. Rather than see the development of inclusive tax rule-setting at the UN, however, a group of western European and north American states established the Organisation for Economic Cooperation and Development (OECD) in order to maintain their own disproportionate influence on key questions including international tax.

There have been many efforts to challenge this injustice over the years, typically led by the G77 group of countries. Each attempt to agree the regulation or taxation of multinational companies in a globally inclusive setting, was rebuffed by the core member countries of the OECD.

It was only with the G20-mandated Base Erosion and Profit Shifting process (BEPS, 2013-2015) that the pressure to allow some meaningful participation of non-members of the OECD came to a head. It was agreed that countries could become members of a new OECD 'Inclusive Framework', and thereby participate in future rule-setting.

This came with the onerous condition that countries had to adopt the BEPS Action Plan, over which they had had no say – perhaps explaining why more than a third of countries refused. In addition, many OECD members were optimistic that no further process of rule-setting would be needed in the foreseeable future, because BEPS had delivered – and so the Inclusive Framework would have had little to do.

Other voices, including across the tax justice movement, noted that the BEPS Action Plan had at best provided a piecemeal response to a systemic problem. It was clear that much more comprehensive reform would be needed to deliver on the G20's single goal: to reduce the misalignment between the location of multinationals' real economic activity, and where they declared their profits for tax purposes. In other words, to reduce the tax losses that arise from multinational corporations shifting their profit into tax havens.

By 2018, even the most ardent defenders of BEPS had accepted that much more comprehensive reform was needed. Tax authorities were seeing in real time the pattern visible in aggregate country by country reporting data - data that was only recently made public by the OECD and brought to the attention of news outlets and their audiences by our State of Tax Justice report. Specifically, the introduction of the BEPS Action Plan after 2015 was not followed not by a reduction in corporate tax abuse.

The introduction of this country by country reporting remains the most valuable legacy of the BEPS process, notwithstanding the OECD's mishandling of this important global public good that we detailed in the State of Tax Justice 2022 and the accompanying letter to G20 governments. This partial transparency provides the basis for the corporate tax abuse estimates here, which we believe, despite the data limitations, to be the most comprehensive and robust country-level assessment possible.

In January 2019, the Inclusive Framework convened with a remit to 'go beyond' arm's length pricing – the basis for international tax rules since decisions taken at the League of Nations in the 1920s and 1930s. The second BEPS process was intended to deliver a comprehensive reform, including the possibility to switch from the arm's length principle to a unitary tax approach.

In brief, the arm's length approach tries to work out the 'right' prices for transactions within a multinational group, so that each subsidiary ends up with the 'right' amount of taxable profit. The approach assumes that subsidiaries in a group will trade with each other as if they were unrelated enterprises on the market, and not manipulate their inter-dealings to benefit the group over the subsidiary. This assumption has been proved false. In practice, rampant manipulation that favours the multinational group is the cornerstone of global tax abuse, with little or no concern for the accuracy of the profits declared by any given subsidiary.

The unitary tax approach instead recognises that multinationals maximise profits not in individual subsidiaries but at the unit of the group as a whole. It then follows that the group profit should be apportioned among the jurisdictions where the group operates, according to some measure of the distribution of its real activity. For example, if a multinational group has 10 per cent of its sales and 10 per cent of its employment in a particular country, that country could tax 10 per cent of the group's profits.

There was great optimism in 2019. The reform process envisaged two 'pillars'. The first pillar would introduce a unitary tax approach, making largely impossible the profit shifting that had become endemic under the arm's length principle. The second pillar would introduce a minimum effective tax rate, so that the incentive for profit shifting would be largely eliminated – along with the continuing, highly damaging race to the bottom on tax rates.

The Inclusive Framework swiftly adopted a workplan for the OECD secretariat to evaluate three proposals for the first pillar. These included a proposal from the

G-24 group which would have taken a comprehensive unitary approach, ending use of the arm's length principle that had come to be widely seen as unfit for purpose.

Sadly, within months, all optimism had been dashed. The secretariat failed to deliver any evaluation, and instead brought forward a different proposal based on entirely private US-French negotiations – leaving the arm's length approach largely in place. The message to the Inclusive Framework was clear: your decisions will not bind the secretariat, and your views will not shape the process.

But even the US-French proposal has stalled. As the process has dragged on – despite a scheduled delivery date in 2020 - the OECD has shown itself beyond any remaining doubt to be both ineffective and exclusionary. As of June 2023, the world is still waiting for the OECD to publish its proposed multilateral instruments for ending global tax abuse. And even now, it is already clear that many countries – likely most – will not implement the two 'pillars' of the proposal when or if they are ever published.

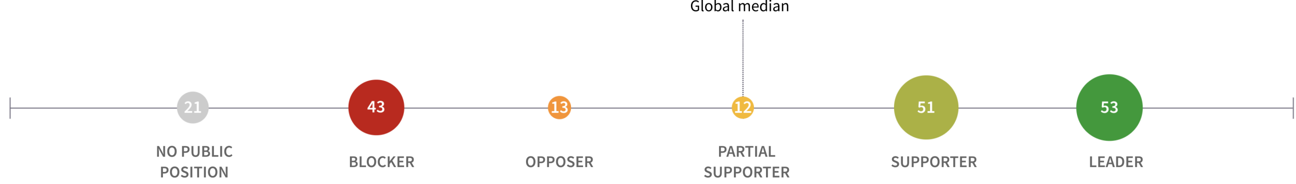
But suppose, against all odds, under the most optimistic scenario possible, the OECD's proposals are finalised, universally adopted and fully delivered. We would see only the smallest of dents in the scale of global tax abuse, due to the dramatic loss in ambition at the OECD. And even this small dent is itself highly uncertain, given the great complexity of the proposals. Countries that did commit would be required to tie their own hands, accept a continuing loss of sovereignty and eschew a whole range of unilateral measures that have guaranteed revenues – in exchange for these unknown, tenuous benefits.

Equally damaging for the OECD's reputation has been the gap between the rhetoric and reality of its 'Inclusive Framework'. While non-OECD member countries and a range of UK dependent territories were welcomed in with the promise of full participation in decision-making, the reality fell far short. With (literally) no voting process, and no transparency or effective accountability for governments to their ultimate stakeholders – that is, the societies back home – the OECD has been criticised from all sides. Claims of coercion of lower income countries are widespread, while many OECD members have been left dismayed by the apparent ability of a handful of lobbyists and corporate tax havens including Ireland to dilute the ambition of reforms even after apparent 'consensus' had been declared.

The people of OECD member countries are not well served by this charade – quite the opposite. We find that OECD countries lose by far the greatest amounts in tax revenue, some US$379 billion a year. Governments insist they are unable to take forward progressive measures until the OECD process delivers – but it will not deliver. The clock continues to tick and the losses to tax abuse continue to mount up, while public services suffer, deep inequalities go unchallenged, and inflation sharpens the human costs.

In lower income countries, the lack of tax sovereignty to pursue ambitious, progressive policies is perhaps more familiar. Here, the costs of the failed

Figure 3.1. Countries' positions on a UN tax convention



international approach have been far more intense for far longer – and so too the resulting extraction of profits and assets. While the tax revenue losses of higher income countries on average amount to 2.6 per cent of their tax revenues, for lower income countries that figure is much higher: 6.6 per cent of their tax revenues.

It is no surprise then that it is the Africa Group at the UN, backed by the larger G77 group, that has provided the leadership to begin intergovernmental discussions on the UN tax convention. It is perhaps also unsurprising that the longstanding objections of OECD member countries were set aside in the process that saw unanimous consensus for the Africa Group's resolution in November 2022.

A number of OECD member countries, including the US and Switzerland, have since signalled their intention to resist negotiations on a UN tax convention. It is crucial that this not be allowed to derail the unequivocal position of UN members to take forward intergovernmental discussions. For the good of all of us – for our ability to enjoy the social benefits of effective and just taxation – it is crucial that we continue to move ahead towards a globally inclusive and effective body to set tax rules and standards, under UN auspices.

Figure 3.1 uses data from the Tax Justice Network's upcoming Tax Justice Policy Tracker - an online tool that will track countries' progress and positions on key tax justice policies - to show the latest information on countries' positions on a UN tax convention. The clear majority are supportive, but those currently identified as blockers include a number of powerful countries.

3.4 A new decade at the UN

The prospect of globally inclusive tax rule-setting has never been closer – and with it, the potential to eliminate the scope for cross-border tax abuse. The demands of some OECD countries that the UN should not 'duplicate' existing efforts ring entirely hollow.

The UN tax convention and global tax body are not intended to duplicate the exclusionary nature of the OECD; nor its lack of transparency or accountability; nor, ultimately, its ineffectiveness. Delivering progress in areas where the OECD

has failed and introducing inclusive decision-making that gives every country a meaningful say will constitute not duplication, but democratic revolution.

The statistics published here in the State of Tax Justice 2023 provide our best estimate of the year on year revenue losses, worldwide, due to the continuing failure to curb cross-border tax abuse. Our latest estimate puts countries' annual tax losses at a total of US$472 billion.

A UN tax convention offers the best chance for a century - in fact the only real chance for a century - to establish globally inclusive rules and standards to end cross-border tax abuse. Moving tax leadership from the OECD to the UN could therefore deliver a huge revenue return.

We estimate that multinational corporations and wealthy individuals will underpay tax by US$4.7 trillion over the next 10 years under the current direction of OECD tax leadership - equivalent to losing 1 year of worldwide public spending on health care. And that is how much countries have to gain by adopting a UN tax convention that ushers in the anti-tax abuse standards the OECD has long resisted.

Our estimate assumes that the current level of annual tax revenue losses identified in this report - US$472 billion a year - would be maintained on average across the next ten years under OECD tax leadership. This is based on the pace of change - or lack thereof - in the international tax architecture over the past 10 years under the OECD's reform processes. All evidence indicates that the delayed policy outcomes of the OECDs' BEPS 2.0 reform process, which has now taken eight years, will make an immaterial dent in current levels of annual tax revenue losses - and that's if the policies are adopted by all OECD members, which seems highly unlikely at this stage. The BEPS 2.0 process is a follow up to the the original BEPS process which ran for two years, from 2013-15. The BEPS made such an insignificant impact on curbing annual tax revenue losses that BEPS 2.0 had to begin almost immediately after the implementation of the first BEPS plan. In total, from 2013-2023, very little change has been made in the international tax architecture that has had a material positive impact on countries' annual tax revenue losses.

Our projected estimate of US$4.7 trillion loss over the next 10 years is a conservative estimate for three reasons. First, the 10-year projection is based on our estimate of current tax losses, which is highly conservative, as explained in the following chapters on our methodology. Second, our analysis is based on currently available aggregate country by country reporting data from the OECD. Not all OECD members are currently reporting this data, and the data excludes reporting from the rest of the world. This means there remains a significant slice of profit shifting by multinational corporations that is not being captured by this data, and therefore not being represented in our analysis. And third, the profits of multinational corporations and the fortunes of the wealthiest households has continued to skyrocket and breaks records in recent years. The most recent of windfall profits have not been captured by the latest aggregate country by

country reporting published by the OECD, which means the observed level of profit shifting our analysis is based on is likely higher in practice. The ability of multinational corporations and billionaires to continue to extract record wealth despite a series of global crises, including the Covid-19 pandemic, supply disruptions, energy shortages, inflation, rising costs of living and climate damage, give little indication that this trend in rising profit and wealth will abate anytime soon. This means levels of profit shifting and offshore finance will likely also continue to increase in line with this trend of increasing wealth extraction, and so may likely produce higher levels of annual tax losses than estimated.

For all these reasons, the amount of tax revenue countries stand to lose over the next 10 years under OECD leadership may likely be greater than US$4.7 trillion.

This is of course just countries' direct tax losses. Countries' indirect tax losses - which, as explained above, are the knock-on tax losses that arise from direct tax losses and are estimated by the IMF to be at least three times larger than direct tax losses - can potentially amount to just over US$14 trillion.

Countries have a choice to make at the UN General Assembly this winter: forfeit the chance of US$4.7 trillion in future public money lost directly to the wealthiest handful of people in the world, or seize the opportunity so that we may have the revenue we need to fix the overlapping inequalities we face, scale up high-quality universal public services, and invest in the urgent responses to climate crisis that are crucial to our survival.

The UN Secretary General will present his report in September on the options for UN tax leadership. The report will then be followed by a debate at the UN General Assembly, where countries have an important opportunity to take a public take a stance in support of UN tax leadership and commit to commencing formal negotiations on a UN tax convention. The Second Committee will then negotiate a new resolution, and that should provide the basis for formal negotiations and a mandate for an *ad hoc* intergovernmental working group to lead the process. The expected Financing for Development summit in 2025 offers a key moment to deliver progress.

4. Corporate tax abuse

Multinational companies are responsible for around a third of global economic output, half of world exports and towards a quarter of global employment. Their corporate tax abuse[1] is a first-order global economic issue, depriving governments of tax revenues, increasing inequalities between and within countries, and undermining smaller and domestic businesses that generate the majority of employment.

By placing holding companies and important value-creating assets in corporate tax havens, large corporations can shift their profits to low tax or no tax jurisdictions, in order to artificially drive down their tax obligations elsewhere and pay little to no tax on the profits they shift into tax havens.

Leading studies on the extent of profit shifting have estimated multinational corporations to be shifting between US$900 billion to US$1,100 billion a year.[2] The State of the Tax Justice 2023 confirms these findings using the most recent aggregated country by country reporting data from the OECD. The shifted profits correspond to around 40 per cent of the profits made abroad by multinational corporations. The corresponding tax revenue losses amount to over US$300 billion a year from direct profit shifting. These manipulations also affect public finances indirectly by fostering a race to the bottom on corporate tax, whereby jurisdictions reduce corporate income tax rates in a typically self-defeating attempt to retain or attract subsidiaries of multinational corporations. These indirect effects (or strategic spillovers) increase the tax revenue losses to US$500 to US$650 billion a year.

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[1]See Ernesto Crivelli et al. 'Base Erosion, Profit Shifting and Developing Countries'. *FinanzArchiv: Public Finance Analysis*, 72(3) (Sept. 2016), pp. 268–301. URL: https://www.jstor.org/stable/24807496 (visited on 15/05/2022). Other work suggests indirect losses may be in a range of 4-6 times larger (Alex Cobham and Petr Janský. 'Global Distribution of Revenue Loss from Corporate Tax Avoidance: Re-Estimation and Country Results'. *Journal of International Development*, 30(2) [2018], pp. 206–232. URL: https://onlinelibrary.wiley.com/doi/abs/10.1002/jid.3348 [visited on 28/05/2018]); or 2-15 times larger (Javier Garcia-Bernardo et al. 'Multinational Corporations and Tax Havens: Evidence from Country-by-Country Reporting'. *International Tax and Public Finance* [2021]. URL: https://doi.org/10.1007/s10797-020-09639-w [visited on 08/05/2022]).

[2]Cobham and Janský, 'Global Distribution of Revenue Loss from Corporate Tax Avoidance'; Javier García Bernardo and Petr Janský. 'Profit Shifting of Multinational Corporations Worlwide'. *ICTD Working Paper*, 119 (Mar. 2021). URL: https://www.ictd.ac/publication/profit-shifting-multinational-corporations-worldwide/ (visited on 26/05/2023); Thomas Tørsløv et al. *The Missing Profits of Nations*. Tech. rep. Working Paper 24701. National Bureau of Economic Research, June 2018. URL: https://www.nber.org/papers/w24701 (visited on 09/12/2022).

In July 2020, the OECD made available for the first time aggregated data from country by country reporting for 2016, and this formed the basis for the estimates in the inaugural State of Tax Justice 2020 report. In November 2022, the third round of data was released months after schedule, with data for 2018. The delay meant the data was not available in time to be used in the 2022 edition of the State of Tax Justice, however, the data is used in this 2023 edition of the report, allowing these estimates to be updated here.

Country by country reporting is an accounting practice that requires multinational corporations to report to tax authorities how much profits and costs they incur in each country in which they operate instead of publishing all of these profits and costs as an aggregated, global sum. Country by country reporting, first proposed by the Tax Justice Network in 2003 and long opposed by the OECD before G20 countries mandated its introduction, is designed to expose profit shifting and helps governments detect and deter corporate tax abuse.

The OECD standard for country by country reporting contains significant flaws. Although it is based on the original Tax Justice Network proposal, some variables were excluded and the quality of the reporting requirements leaves substantial room for imprecision. The OECD's 2020 review of the standard has yet to yield fruit, but the public consultation saw an almost unanimous agreement between civil society respondents and investors with trillions of dollars of assets under management, that the OECD should simply converge to the much more technically robust and comprehensive standard developed by the Global Reporting Initiative (the leading sustainability standards setter).

In addition, the country by country reporting data is not yet required to be public at the individual company level. Instead, the OECD publishes this data only in a highly aggregated form, preventing a detailed assessment. Without a full set of company-level data, it is impossible to be certain of the distortions introduced in that aggregation process. Nonetheless, the data represents the most comprehensive picture yet of the geographic pattern of economic activity and profits of the biggest companies in the world.

Corporate tax abuse by multinationals is an element of the global problem of illicit financial flows and comprises criminal tax evasion; unlawful tax avoidance; and some avoidance which, while technically lawful within the weaknesses of international tax rules, nonetheless contributes to the socially objectionable outcome of misalignment between the location of companies' real economic activity and where their profits are declared for tax purposes.[3]

The data published by the OECD in July 2020 consisted of aggregate information on the country by country reporting data collected by 26 OECD members from multinational corporations based in their jurisdictions. In November 2022, the

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[3]See discussion in Chapter 1 of (Alex Cobham and Petr Janský. *Estimating Illicit Financial Flows: A Critical Guide to the Data, Methodologies, and Findings*. Oxford: Oxford University Press, 2020. URL: https://doi.org/10.1093/oso/9780198854418.001.0001 [visited on 26/05/2023])

delayed third release extended to data collected by 47 countries. In addition, many countries provided additional information on the problem of double-counting of profits that stems from the weakness of the data standard prior to 2020, so this can now be addressed. Overall, this data makes it possible to move beyond previous methods and produce a far wider and more accurate picture of global and national levels of corporate tax abuse, particularly in lower income countries.

4.1 Results

The State of Tax Justice 2023 reports that multinational corporations are shifting US$1.1 trillion worth of profit into tax havens each year, causing governments around the world to lose US$301 billion a year in direct tax revenue. Chapter five of this report estimates a further US$171 billion in direct tax revenue is lost from offshore wealth tax evasion, all of which can be attributed to individual countries.

The State of Tax Justice 2023 estimates direct corporate tax losses by analysing the misalignment between the location of profits and the location of productive economic activity revealed in aggregate country by country reporting data.

It is not possible, however, to estimate indirect corporate tax losses at country levels with the same certainty by using the OECD's country by country reporting data. Indirect losses, or spillover costs, arise as a knock-on effect from direct losses where governments reduce statutory and effective corporate tax rates to counter the direct losses of corporate tax abuse, with the mistaken belief that this will attract multinational corporations and even ultimately raise tax revenue. This belief, often referred to as "tax competition", is contradicted by a wide body of evidence that has shown instead that it leads to even lower tax revenue for all governments – hence the practice is more accurately referred to as the "race to the bottom". The reduction of corporate tax rates affects both the operation of multinationals and domestic firms alike, and so decreases a government's tax revenue overall. The US administration marked an important turning point in this discourse in 2021 by making explicit the goal of an end to the race to the bottom, as the motivation for their support for a global minimum tax rate.

Researchers at the International Monetary Fund estimate that, at a global level, indirect losses from global corporate tax abuse are at least three times larger than direct losses.[4] If we were to adjust the State of Tax Justice 2023's estimate of direct tax losses accordingly, we would see overall losses of at least US$900 billion. This would far exceed both the IMF's original estimates for total losses (using 2013 data) of some US$600 billion, and the Tax Justice Network's more conservative estimate of US$500 billion. While this extrapolation could be considered at a global level, it is not possible to multiply countries' individual

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[4] See Crivelli et al., 'Base Erosion, Profit Shifting and Developing Countries'. Other work suggests indirect losses may be in a range of 4-6 times larger (Cobham and Janský, 'Global Distribution of Revenue Loss from Corporate Tax Avoidance'); or 2-15 times larger (Garcia-Bernardo et al., 'Multinational Corporations and Tax Havens').

direct losses by the IMF's global factor since the complex nature of global tax havenry and the varied movement of profit between jurisdictions imply greater levels of indirect losses for some countries and lower levels for others.

In order to be able to consistently assess the impact of international tax abuse at both the global and country level, and in order to make the most out of the unprecedented level of accuracy and certainty provided by country by country reporting data, the State of Tax Justice 2023 focuses only on direct tax losses arising from global corporate tax abuse. For this reason, the State of Tax Justice's estimate for corporate tax abuse marks a lower bound of the actual damage done by profit shifting.

The State of Tax Justice 2023 finds that higher income countries lose more direct tax revenue to corporate tax abuse (US$257 billion lost a year) than lower income countries (US$44 billion lost a year). The World Bank classifies countries on the basis of gross national income per capita as either low, lower middle, upper middle or high income. Roughly half the world's population live in the two lower income groups, and roughly half in the higher income groups. Accordingly in this report, when referring to "higher income" countries, we refer to high income and upper middle-income countries grouped together, and when referring to "lower income" countries, we refer to lower middle income and low-income countries grouped together.

While higher income countries lose more direct tax revenue to corporate tax abuse than lower income countries, the latter lose more in proportional terms when looking at how their tax losses compare to the tax revenues they typically collect in a year. Lower income countries lose the equivalent of 6.32 per cent of their collected tax revenue to corporate tax abuse a year, while higher income countries lose the equivalent of 1.56 per cent of their collected tax revenue.

The results confirm once more that corporate tax abuse takes a greater toll on lower income countries where tax revenue is urgently needed. And vice versa: lower income countries have more to gain from reprogramming the global tax system to stamp out corporate tax abuse than higher income countries.

At the same time, higher income countries are responsible for 99.3 per cent of all tax lost around the world a year to corporate tax abuse. In other words, countries in this group receive almost every single dollar of profit shifted – although many are among the losers. Lower income countries are responsible for 0.7 per cent.

Enabling corporate tax abuse deprives governments around the world of public funding, favouring multinationals, wealthy individuals and tax havens.
Three-fourths of the US$301 billion corporate tax losses (US$225 billion) are lost to tax havens with an effective tax rate below 10 per cent – such as the United Kingdom, British Overseas Territory Cayman Islands, Singapore, the Netherlands, Hong Kong, Luxembourg, British Overseas Territory Bermuda, US territory Puerto Rico, and British Crown Dependency Jersey. At the same time, these countries collect only US$117 billion in tax revenue from large multinational corporations. For each dollar collected by one of these tax havens, the governments of the

world lose 1 dollar and 92 cents. The continuing tolerance of this corporate tax abuse is extremely inefficient globally, and results in a major transfer of wealth from people and workers around the world to corporate giants and their shareholders among the world's richest households.

4.2 Rule-setting OECD countries responsible for majority of global corporate tax loss

The Tax Justice Network's Corporate Tax Haven Index made headlines in 2021 by revealing that over two thirds of global corporate tax abuse risks are enabled by OECD members and their dependencies, the de facto rule-makers on international tax for the past 60 years. The findings heightened worldwide calls for rule-setting on international tax to be moved from the OECD to the UN.

The Corporate Tax Haven Index assesses the risks of corporate tax abuse that each jurisdiction poses to the world, through the combination of conditions that facilitate abuse and the extent of their global activity. While this is a proxy measure based on objectively verifiable jurisdiction characteristics, the State of Tax Justice uses data based on corporate activity to provide a direct measure of the scale of abuse through and affecting each jurisdiction. Despite these differences in approach, the key findings are common.

The State of Tax Justice 2023 finds, in line with the Corporate Tax Haven Index 2021, that OECD countries and their dependencies are responsible for most global corporate tax abuse: 69 per cent in this case, costing the world US$207 billion in lost corporate tax a year. When including tax losses to offshore wealth tax evasion, OECD countries and their dependencies are responsible for 77 per cent of all tax losses suffered by countries around the world, costing countries about US$365 billion in lost tax every year.

The bulk of the harm dealt by OECD countries, however, stems from just four members: the United Kingdom, the Netherlands, Luxembourg and Switzerland. Many OECD members, including the more recent, also lose out – meaning that global progress can benefit the great majority. Even in the countries that "win", any benefits are not well shared. The tax haven model tends to drive greater inequality, as well as undermining economic growth and the quality of governance over time.

4.2.1 The UK's "second empire" is responsible for nearly a quarter of global corporate tax loss

The State of Tax Justice 2023 finds that the UK together with its network of Overseas Territories and Crown Dependencies is the biggest single actor. This "second empire" is responsible for 24 per cent of all corporate tax losses, making the UK the world's greatest enabler of global corporate tax abuse.

Figure 4.1. Country groups responsible for global inflicted tax loss due to corporate tax abuse

The term "second empire" (also known as "UK spider's web") refers to the way the UK's Overseas Territories and Crown Dependencies often serve as satellite offshore jurisdictions, or nodes in a worldspanning web for facilitating profit shifting and illicit financial flows. At the centre of the web sits the City of London, where corporations can shift their profits after rerouting them via the satellite jurisdictions in order to underpay tax elsewhere. The UK has full powers to impose or veto law-making in these Overseas Territories and Crown Dependencies, and the power to appoint key government officials in Overseas Territories and Crown Dependencies rests with the British Crown.

The Tax Justice Network's Corporate Tax Haven Index 2021 found the UK's second empire to be responsible for 31 per cent of the global corporate tax abuse risks documented by the index. The State of Tax Justice 2023 closely confirms this finding, based on the share of losses driven by profit shifting.

The State of Tax Justice 2023 reveals that over US$262 billion in profit is shifted into the UK's second empire by multinational corporations every year, costing the world over US$72 billion in tax lost to corporate tax abuse. This makes the UK's second empire responsible for 24 per cent of the US$301 billion in tax the world loses to corporate tax abuse every year. When including tax losses to offshore wealth tax evasion, the UK's second empire is responsible for 33 per cent of all tax losses suffered by countries around the world, costing countries over US$157 billion in lost tax every year.

4.2.2 "Axis of tax avoidance" is responsible for more than half of global corporate tax loss

The UK's second empire, along with the Netherlands, Luxembourg and Switzerland are collectively referred to as the "axis of tax avoidance" for their role in enabling the lion's share of global tax abuse. Tax Justice Network's

Corporate Tax Haven Index 2021 found the axis of tax avoidance to be responsible for 46 per cent of the world's corporate tax abuse risks as measured by the index.

The State of Tax Justice 2023 reveals that US$550 billion in profit is shifted into the axis of tax avoidance by multinational corporations every year, costing the world US$151 billion in tax lost to corporate tax abuse. This makes the axis of tax avoidance responsible for more than half of the US$301 billion the world loses to corporate tax abuse every year, which is also in line with the Corporate Tax Haven Index 2021's findings. When including tax losses to offshore wealth tax evasion, the axis of tax avoidance is responsible for 56 per cent of all tax losses suffered by countries around the world, costing countries over US$263 billion in lost tax every year.

Table 4.1, at the end of this section, details the amount of tax each country loses to corporate tax abuse and the amount of tax loss each country inflicts on other countries by enabling corporate tax abuse.

4.3 Methodology

The State of Tax Justice's analysis of corporate tax abuse[5] is based on the aggregated country by country reporting data published by the OECD. The report estimates profit shifting using profit misalignment. Profit misalignment (S_i) of multinationals in country *i* is the difference between reported profits of these companies in country *i* (π_i) and the theoretical profits we would expect from their observed economic activity in the same country (p_i).

$$S_i = \pi_i - p_i \tag{4.1}$$

Theoretical profits (p_i) are calculated on the basis that they would be aligned with the location of real activity (the stated aim of the original Base Erosion and Profit Shifting initiative). We give 50 per cent of the weight to wages the company pays in country *i* (W_i) and 50 per cent to the number of employees in country *i* (E_i). Theoretical profits of a country are therefore calculated by multiplying country *i*'s share of multinationals' employment $\left(\frac{1}{2} \times \frac{W_i}{\sum_i W_i} + \frac{1}{2} \times \frac{E_i}{\sum_i E_i}\right)$ by global multinational profits ($\sum_i \pi_i$), resulting in the profits country *i* would generate if the country's profit share was equivalent to its share of employment. We focus on employment as this variable can hardly be manipulated and data quality is relatively high. Alternative formulas are discussed in the online extended methodology and yield similar estimates.

$$p_i = \left(\frac{1}{2} \times \frac{W_i}{\sum_i W_i} + \frac{1}{2} \times \frac{E_i}{\sum_i E_i}\right) \times \sum_i \pi_i \tag{4.2}$$

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[5]This section entails a simplified description of the methodology used. For a detailed description of the methodology and references to the academic studies this approach follows, please see the online extended methodology: Tax Justice Network. *State of Tax Justice 2023 - Methodology*. Tech. rep. Tax Justice Network, July 2023. URL: http://taxjustice.net/sotj2023/methodology.pdf.

In other words, we compare the profit that multinationals claim to have generated in a country with the profits we would expect from looking at their economic activity in the country (measured by the number of employees and their wage bills). If reported profits are lower than expected based on this real economic activity, multinationals probably shift profits *out of* the country. If reported profits are higher than expected based on real economic activity, multinationals probably shift profits *to* the country, in particular if the country has a low corporate income tax rate.[6]

To estimate the tax revenue loss country *i* incurs due to corporate tax abuse ($Tax\ loss_i$), we multiply profit shifted out of a country by its corporate income tax rate. By doing so, we estimate how much public money societies lose by multinationals' misreporting of profits.

$$Tax\ loss_i = S_i \times corporate\ income\ tax\ rate_i \tag{4.3}$$

The OECD's aggregated country by country reporting data published with a delay in November 2022 includes data only from 47 countries, and there thus remain many countries that did not report. The data is thus largely incomplete. In order to accurately estimate profit shifting despite the data limitations, we diligently clean the data:

A first concern with the country by country reporting data is the double-counting of profits. Country by country reporting data double-count profits as a number of companies include intra-group dividends as profits both in the origin and in the destination country.[7] We use a highly conservative correction in which we correct the domestic profits of multinational corporations using the reports provided by the governments.[8] As a result of our correction, the effective tax rates faced by foreign multinational corporations in a country are similar to the effective tax rates faced by domestic multinational corporations, something that is not the case in the original data and shows that our correction is reasonable. We correct the foreign operations of multinational corporations in two steps. In a first step, we remove stateless income. In a second step, we remove 39 per cent of profits reported in tax havens by US based multinationals and 10 per cent of profits in tax havens reported by multinationals that are not based in the US, following the analysis of double-counting by Garcia-Bernardo, Janský & Zucman.[9]

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[6] As these estimates are calculated on a bilateral basis and aggregated in a second step, a country can attract inward profit shifting and suffer from outward profit shifting at the same time.

[7] Thomas Horst and Alex Curatolo. 'Assessing the Double Count of Pretax Profit In the IRS Summary Of CbC Data for Fiscal 2017'. *Tax Notes International*, 98(4) (2020), pp. 427–32.

[8] For instance, domestic profits reported by U.S. companies are reduced by 74 per cent, following the analysis of double-counting by Garcia-Bernardo, Janský & Zucman (Javier Garcia-Bernardo et al. *Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?* Working Paper. May 2022. URL: https://www.nber.org/papers/w30086 [visited on 12/07/2023])

[9] Garcia-Bernardo et al., *Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?*

A second concern with the OECD data is the high number of missing values which - if systematic - could substantially bias our estimates. To alleviate this concern, we complement the OECD numbers with data from other sources whenever important information is missing. We estimate missing information on the number of domestic employees and sales of multinational corporations by using a linear model based on the number of companies in the country, the GDP, population, the effective tax rates and the total consolidated banking claims on an immediate counter-party basis.[10] We impute wage data by multiplying a country's average salary from the International Labour Organisation with the reported number of employees.

Finally, we make sure that our estimates are not driven by critical methodological choices. First, we show that alternative definitions for estimating real economic activity, for instance based on formulas including total sales or total assets, do not substantially affect our estimates. Second, we assess the uncertainty of our reported estimates. For these sensitivity checks, each model used to impute data was trained on a bootstrapped sample of the data, calculating profit misalignment in each sample. The resulting 95 per cent confidence interval of total profit shifted was found to be US$1,072 to US$1,123 billion.

Full details of our methodological approach as well as the results of robustness and sensitivity checks can be found in the accompanying methodology paper.[11]

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[10] See Table B4 of the Locational Banking Statistics published by the Bank for International Settlements.

[11] Tax Justice Network, *State of Tax Justice 2023 - Methodology*.

Table 4.1. Countries' profit and tax loss to global corporate tax abuse

Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
Africa	3,573	20,844	5,895.1	0.2%	981.2	0.3%
Algeria	-	32	8.3	0.0%	-	-
Angola	-	409	122.7	0.2%	-	-
Benin	-	45	13.5	0.1%	-	-
Botswana	-	30	6.6	0.0%	-	-
Burkina Faso	185	35	9.6	0.1%	50.8	0.0%
Cabo Verde	-	39	9.8	0.5%	-	-
Cameroon	-	123	40.6	0.1%	-	-
Central African Republic	17	-	-	-	4.7	0.0%
Chad	48	1	0.3	0.0%	13.2	0.0%
Comoros	-	26	13.0	1.1%	-	-
Congo	-	1,841	552.3	4.0%	-	-
Democratic Republic of the Congo	12	632	177.0	0.4%	3.3	0.0%
Djibouti	-	28	7.0	0.2%	-	-
Egypt	-	1,138	256.0	0.1%	-	-
Equatorial Guinea	-	17	5.9	0.0%	-	-
Eswatini	819	49	13.7	0.3%	224.9	0.1%
Ethiopia	-	125	37.5	0.0%	-	-
Gabon	-	87	26.1	0.2%	-	-
Gambia	-	51	15.8	0.9%	-	-
Ghana	-	189	47.2	0.1%	-	-
Guinea	296	12	4.2	0.0%	81.3	0.0%
Ivory Coast	29	399	99.8	0.2%	8.0	0.0%
Kenya	-	435	130.5	0.1%	-	-
Lesotho	-	5	1.2	0.0%	-	-
Liberia	224	147	36.8	1.1%	61.5	0.0%
Libya	-	47	9.4	0.0%	-	-

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Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
Madagascar	42	11	2.2	0.0%	11.5	0.0%
Malawi	16	92	27.6	0.3%	4.4	0.0%
Mali	52	85	25.5	0.1%	14.3	0.0%
Mauritania	-	9	2.2	0.0%	-	-
Mauritius	1,169	1,399	209.9	1.4%	321.0	0.1%
Morocco	226	2,891	896.2	0.7%	62.1	0.0%
Mozambique	-	379	121.3	0.8%	-	-
Namibia	-	107	34.2	0.3%	-	-
Nigeria	-	1,074	322.2	0.1%	-	-
Rwanda	-	11	3.3	0.0%	-	-
Senegal	-	187	56.1	0.2%	-	-
Seychelles	157	6	1.8	0.1%	43.1	0.0%
Sierra Leone	-	20	6.0	0.1%	-	-
South Africa	-	4,880	1,366.4	0.3%	-	-
Sudan	51	8	2.8	0.0%	14.0	0.0%
Tanzania	-	346	103.8	0.2%	-	-
Togo	20	45	7.9	0.1%	5.5	0.0%
Tunisia	-	1,062	265.5	0.6%	-	-
Uganda	-	57	17.1	0.1%	-	-
Zambia	-	2,199	769.6	2.9%	-	-
Zimbabwe	210	34	8.5	0.0%	57.7	0.0%
Asia	318,405	141,190	48,355.9	0.2%	87,441.0	29.1%
Armenia	7	101	20.2	0.2%	1.9	0.0%
Bahrain	897	181	-	-	246.3	0.1%
Bangladesh	-	1,445	361.2	0.1%	-	-
Brunei	-	73	13.5	0.1%	-	-
Cambodia	247	1,185	237.0	1.0%	67.8	0.0%
China	-	6,409	1,602.2	0.0%	-	-
Georgia	195	104	15.6	0.1%	53.6	0.0%
Hong Kong	55,651	1,354	223.4	0.1%	15,283.0	5.1%
India	-	63,624	30,740.6	1.1%	-	-

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Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
Indonesia	2,195	10,691	2,672.8	0.3%	602.8	0.2%
Iran	846	68	17.0	0.0%	232.3	0.1%
Iraq	2,248	316	47.4	0.0%	617.3	0.2%
Israel	-	1,551	356.7	0.1%	-	-
Japan	-	12,412	3,691.3	0.1%	-	-
Jordan	694	340	68.0	0.2%	190.6	0.1%
Kazakhstan	-	578	115.6	0.1%	-	-
Kuwait	255	215	32.2	0.0%	70.0	0.0%
Kyrgyzstan	-	3	0.3	0.0%	-	-
Laos	-	121	29.0	0.2%	-	-
Lebanon	-	108	16.2	0.0%	-	-
Macao	-	459	55.1	0.1%	-	-
Malaysia	16,626	3,166	759.8	0.2%	4,565.9	1.5%
Maldives	-	239	35.9	0.7%	-	-
Mongolia	56	460	115.0	0.9%	15.4	0.0%
Myanmar	205	549	137.2	0.2%	56.3	0.0%
Nepal	-	2	0.4	0.0%	-	-
Oman	935	863	129.5	0.1%	256.8	0.1%
Pakistan	-	304	91.2	0.0%	-	-
Philippines	-	9,740	2,922.0	0.8%	-	-
Qatar	-	989	98.9	0.1%	-	-
Saudi Arabia	140,982	2,284	-	-	38,716.7	12.9%
Singapore	65,530	3,443	585.3	0.2%	17,996.0	6.0%
South Korea	29,766	969	266.5	0.0%	8,174.4	2.7%
Sri Lanka	9	1,418	397.0	0.4%	2.5	0.0%
Syria	7	-	-	-	1.9	0.0%
Tajikistan	1	-	-	-	0.3	0.0%
Thailand	-	1,132	226.4	0.0%	-	-
Timor-Leste	609	51	5.1	0.3%	167.2	0.1%
Turkey	-	3,552	781.4	0.1%	-	-

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Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
United Arab Emirates	-	3,212	-	-	-	-
Uzbekistan	410	56	4.2	0.0%	112.6	0.0%
Vietnam	-	7,423	1,484.6	0.5%	-	-
Yemen	34	-	-	-	9.3	0.0%
Caribbean and American islands	171,364	11,310	446.9	0.2%	47,060.3	15.7%
Antigua and Barbuda	23	-	-	-	6.3	0.0%
Aruba	151	4	1.0	0.0%	41.5	0.0%
Bahamas	2,639	344	-	-	724.7	0.2%
Barbados	10,482	241	60.2	1.2%	2,878.6	1.0%
Bermuda	71,484	98	-	-	19,631.1	6.5%
British Virgin Islands	21,366	1,371	-	-	5,867.6	2.0%
Cayman Islands	38,387	7,743	-	-	10,541.9	3.5%
Curaçao	684	17	3.7	0.1%	187.8	0.1%
Dominica	-	4	1.0	0.2%	-	-
Grenada	-	2	0.6	0.1%	-	-
Haiti	14	-	-	-	3.8	0.0%
Jamaica	-	350	87.5	0.6%	-	-
Puerto Rico	23,071	473	184.5	0.2%	6,335.8	2.1%
Saint Vincent and the Grenadines	38	-	-	-	10.4	0.0%
Sint Maarten	-	28	9.8	0.8%	-	-
Trinidad and Tobago	-	187	46.8	0.2%	-	-
Turks and Caicos Islands	-	224	-	-	-	-

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Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
US Virgin Islands	3,025	224	51.7	1.3%	830.7	0.3%
Europe	511,011	332,001	83,567.2	0.4%	140,334.8	46.7%
Albania	-	300	45.0	0.3%	-	-
Andorra	-	994	-	-	-	-
Austria	3,061	2,949	737.2	0.2%	840.6	0.3%
Belarus	-	158	28.4	0.0%	-	-
Belgium	1,951	4,427	1,309.5	0.2%	535.8	0.2%
Bosnia and Herzegovina	129	151	15.1	0.1%	35.4	0.0%
Bulgaria	709	1,356	135.6	0.2%	194.7	0.1%
Croatia	531	465	83.7	0.1%	145.8	0.0%
Cyprus	718	1,337	167.1	0.7%	197.2	0.1%
Czechia	1,931	3,502	665.4	0.3%	530.3	0.2%
Denmark	8,436	2,369	521.2	0.1%	2,316.7	0.8%
Estonia	-	414	82.8	0.3%	-	-
Faroe Islands	21	-	-	-	5.8	0.0%
Finland	7,343	1,443	288.6	0.1%	2,016.5	0.7%
France	-	79,359	27,323.3	1.0%	-	-
Germany	-	54,067	16,125.5	0.4%	-	-
Greece	-	2,135	619.1	0.3%	-	-
Hungary	1,137	3,502	315.2	0.2%	312.2	0.1%
Iceland	49	600	120.0	0.5%	13.5	0.0%
Ireland	40,154	4,799	599.9	0.2%	11,027.2	3.7%
Isle of Man	13,418	236	-	-	3,684.9	1.2%
Italy	-	5,602	1,557.7	0.1%	-	-
Latvia	252	313	62.6	0.2%	69.2	0.0%
Liechtenstein	119	319	39.9	0.6%	32.7	0.0%
Lithuania	40	681	102.2	0.2%	11.0	0.0%
Luxembourg	43,458	5,117	1,330.9	1.9%	11,934.5	4.0%
Malta	3,850	459	22.9	0.2%	1,057.3	0.4%

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Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
Moldova	-	172	20.6	0.2%	-	-
Monaco	-	17	-	-	-	-
Montenegro	8	91	8.2	0.1%	2.2	0.0%
Netherlands	185,574	4,784	1,196.0	0.1%	50,962.7	17.0%
North Macedonia	4	180	18.0	0.1%	1.1	0.0%
Norway	18,228	4,148	954.0	0.2%	5,005.8	1.7%
Poland	-	14,294	2,715.9	0.5%	-	-
Portugal	-	2,206	694.9	0.3%	-	-
Romania	-	7,156	1,145.0	0.5%	-	-
Russia	-	4,735	947.0	0.1%	-	-
Serbia	1,581	725	108.8	0.2%	434.2	0.1%
Slovakia	-	2,334	490.1	0.5%	-	-
Slovenia	61	564	107.2	0.2%	16.8	0.0%
Spain	-	19,319	4,829.8	0.3%	-	-
Sweden	2,070	4,230	930.6	0.2%	568.5	0.2%
Switzerland	58,485	1,274	269.4	0.0%	16,061.3	5.3%
Ukraine	-	2,354	423.7	0.3%	-	-
United Kingdom	117,693	86,364	16,409.2	0.6%	32,321.1	10.8%
Latin America	45,854	66,136	20,440.0	0.4%	12,592.5	4.2%
Argentina	8,041	3,481	1,044.3	0.2%	2,208.2	0.7%
Bolivia	-	243	60.8	0.2%	-	-
Brazil	7,306	22,073	7,504.8	0.4%	2,006.4	0.7%
Chile	-	6,329	1,582.2	0.5%	-	-
Colombia	-	4,706	1,553.0	0.5%	-	-
Costa Rica	1,883	715	214.5	0.3%	517.1	0.2%
Dominican Republic	-	633	170.9	0.2%	-	-
Ecuador	-	91	22.8	0.0%	-	-
El Salvador	-	660	198.0	0.8%	-	-

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Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
Guatemala	-	366	91.5	0.1%	-	-
Honduras	17	656	164.0	0.7%	4.7	0.0%
Mexico	21,481	19,442	5,832.6	0.5%	5,899.2	2.0%
Nicaragua	-	327	98.1	0.8%	-	-
Panama	3,994	1,420	355.0	0.5%	1,096.8	0.4%
Paraguay	378	83	8.3	0.0%	103.8	0.0%
Peru	912	2,360	696.2	0.3%	250.5	0.1%
Uruguay	1,749	270	67.5	0.1%	480.3	0.2%
Venezuela	93	2,281	775.5	0.4%	25.5	0.0%
Northern America	40,086	515,623	139,208.7	0.6%	11,008.5	3.7%
Canada	40,086	5,386	1,443.4	0.1%	11,008.5	3.7%
Greenland	-	27	8.6	0.3%	-	-
United States of America	-	510,210	137,756.7	0.7%	-	-
Oceania	3,965	9,021	2,611.8	0.2%	1,088.9	0.4%
American Samoa	224	-	-	-	61.5	0.0%
Australia	1,452	6,935	2,080.5	0.1%	398.8	0.1%
Fiji	-	36	7.2	0.1%	-	-
French Polynesia	-	1	0.3	0.0%	-	-
Guam	2	90	18.9	0.3%	0.5	0.0%
New Caledonia	6	72	-	-	1.6	0.0%
New Zealand	-	1,537	430.4	0.2%	-	-
Northern Mariana Islands	5	331	69.5	5.3%	1.4	0.0%
Palau	-	2	-	-	-	-
Papua New Guinea	1,199	16	4.8	0.0%	329.3	0.1%
Samoa	244	1	0.3	0.0%	67.0	0.0%

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Country	Shifted profits inward (USD million)	Shifted profits outward (USD million)	Annual tax loss: Corporate tax abuse (USD million)	Annual tax loss: Corporate tax abuse (% of GDP)	Tax loss inflicted on others: Corporate tax abuse (USD million)	Share of global tax loss inflicted: Corporate tax abuse
Vanuatu	833	-	-	-	228.8	0.1%

5. Offshore wealth tax abuse

Financial secrecy remains a defining feature of offshore finance. Secrecy jurisdictions – countries that provide opportunities for non-residents to hide their identity and their wealth from the rule of law – attract an ever-rising volume of financial assets owned by wealthy individuals. Financial secrecy doesn't just enable individuals to abuse their tax responsibilities and launder money - it keeps drug cartels bankable, human trafficking profitable and terrorist financing feasible.

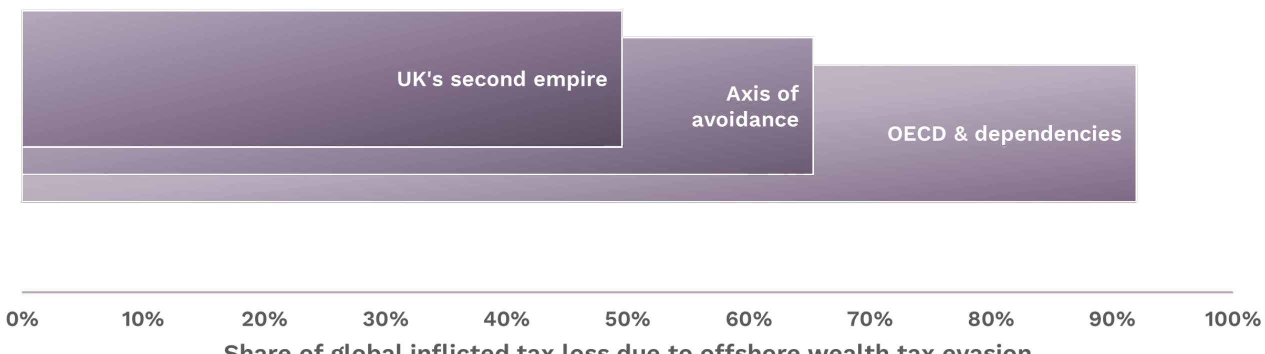
Financial secrecy also limits the ability to address inequalities through progressive taxation of top incomes and wealth, and weakens the social contract. The (accurate) perception that tax and regulation do not apply equally to all can have a corrosive effect on trust and compliance throughout society; and the ability of wealthy elites to abuse their tax responsibilities is also likely to be associated with weaker governance and political accountability. Identifying jurisdictions that host the offshore wealth of other countries, the scale of that wealth and the likely tax revenue losses is therefore of great importance to prioritising national and international policy responses.

5.1 Results

The State of Tax Justice 2023 reports that in 2018, the world lost US$171 billion in tax to offshore wealth tax evasion related to financial wealth alone.

In absolute terms, higher income countries lose far more tax revenue to offshore tax evasion (over US$169 billion lost a year) than lower income countries (over US$2 billion lost a year). But higher income countries also bear almost all of the responsibility. Higher income countries are responsible for 99.7 per cent of all tax lost around the world in a year to offshore wealth tax evasion. Lower income countries are responsible for 0.3 per cent.

Figure 5.1. Country groups responsible for global inflicted tax loss due to offshore wealth tax abuse



5.2 OECD countries are responsible for most of the global tax losses to offshore wealth

The Tax Justice Network's Financial Secrecy Index 2022,[1] a ranking of countries' complicity in global financial secrecy, assessed OECD countries and their dependencies to be responsible for enabling 48 per cent of the world's financial secrecy risks. But the State of Tax Justice 2023 reports that OECD countries and their dependencies are responsible for an overwhelming 92 per cent of the US$171 billion the world loses to offshore wealth tax evasion every year – about US$158 billion a year.

As with corporate tax abuse, many OECD members lose out. The UK, Netherlands, Luxembourg and Switzerland are again collectively responsible for the bulk of the harm here. And as with corporate tax abuse, the gains are not well shared by their citizens – so almost everyone could be made better off by eliminating offshore evasion.

5.2.1 The UK's second empire and the axis of tax avoidance

The worst offenders among OECD countries are again the UK and its network of Overseas Territories and Crown Dependencies, often referred to as the UK's second empire, and the wider axis of tax avoidance, which consists of the UK's second empire along with the Netherlands, Luxembourg and Switzerland.

The State of Tax Justice 2023 reports that the UK's second empire is responsible for almost half of the US$171 billion in tax the world loses to offshore wealth tax evasion every year, costing the world nearly US$85 billion in lost tax.

[1] Tax Justice Network, *Financial Secrecy Index 2022*.

The axis of tax avoidance is responsible for over 65 per cent of the US$171 billion the world loses to offshore wealth tax evasion every year, costing the world over US$112 billion in lost tax.

5.3 Methodology

The State of Tax Justice builds on existing approaches and develops a methodology which uses recent data to provide new estimates of tax revenue losses that arise from wealth hidden in secrecy jurisdictions, and to provide these estimates across all asset classes and for as many countries as possible. None of the existing approaches, including inevitably the one we are taking here, are perfect, because they all necessarily rely on the limited available data and some necessary assumptions. But the orders of magnitude found consistently by quite different approaches confirm confidence in the accuracy of approaches taken and confirm the importance of transparency in this area. A positive effect of progress on transparency will be increasingly accurate quantification.

Two main approaches to the scale of offshore wealth have been developed in the literature on the subject. The first strand of literature uses the "sources-and-uses" method which is based on balance of payments statistics. The method measures the difference between recorded net capital inflows and outflows, and aggregates these over time to derive an estimate of offshore wealth. Using this method, James Henry[2] estimated that by 2010, investors from developing countries had accumulated US$7 to US$9 trillion of offshore wealth. In the same study, Henry provides an estimate for global offshore wealth across all asset classes (ie including non-financial wealth) of US$21 to US$32 trillion, although with no country-level breakdown available due to lack of available data.

In the second strand of literature, on which this analysis builds, discrepancies in macroeconomic statistics have been used to estimate the scale of offshore financial wealth in a series of papers published in highly-regarded academic journals.[3] Under this method, the difference between globally reported portfolio investment assets and liabilities is attributed to unrecorded offshore wealth. The estimates are then extended to cover other financial assets such as bank deposits, but not non-financial assets such as real estate, gold, luxury yachts or art. For a more detailed description of these methods, see recent reviews of this literature.[4]

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[2] James S. Henry. *The Price of Offshore Revisited: New Estimates for "Missing" Global Private Wealth, Income, Inequality, and Lost Taxes*. Tech. rep. Tax Justice Network, 2012. URL: http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_26072012.pdf (visited on 07/05/2022).

[3] Gabriel Zucman. 'The Missing Wealth of Nations: Are Europe and the US Net Debtors or Net Creditors?' *The Quarterly Journal of Economics*, 128(3) (2013), pp. 1321–1364. URL: http://qje.oxfordjournals.org/content/128/3/1321.short (visited on 08/05/2022); Annette Alstadsæter et al. 'Who Owns the Wealth in Tax Havens? Macro Evidence and Implications for Global Inequality'. *Journal of Public Economics*. In Honor of Sir Tony Atkinson (1944-2017), 162 (June 2018), pp. 89–100. URL: https://www.sciencedirect.com/science/article/pii/S0047272718300082 (visited on 22/07/2021).

[4] Cobham and Janský, *Estimating Illicit Financial Flows*; Niels Johannesen and Jukka Pirttilä. 'Capital Flight and Development An Overview of Concepts, Methods, and Data Sources'. *UNU-WIDER Working Paper Series*, 2016/95 (2016). URL: https://www.wider.unu.edu/sites/default/files/wp2016-95.pdf

In addition to estimating the scale of offshore wealth, a pressing question concerns its ownership. The lack of available data on privately held offshore wealth for most asset classes means that assumptions are required to attribute measured wealth to originating countries. In 2016, the Bank for International Settlements started publishing suitable data on one important asset class, cross-border bank deposits, for many countries, including some of the most important secrecy jurisdictions. The State of Tax Justice's approach, similar to the pioneering work by Alstadsaeter, Johannesen, and Zucman[5] and several subsequent studies by other researchers,[6] makes use of this data to estimate the distribution of offshore wealth.

The State of Tax Justice's approach can be summarized in four steps and the full details can be found in the accompanying methodology paper.[7] In the first step, we identify what we call "abnormal deposits". We start by identifying jurisdictions that (a) attract amounts of bank deposits that are disproportionally large in comparison to the size of their economy and (b) offer strong bank secrecy laws. For our purposes, we define these jurisdictions as those that have high Secrecy Scores on the Financial Secrecy Index for the category of ownership registration. Combining these two indicators (ie high score on financial secrecy and high intensity of inward bank deposits), we identify jurisdictions with significant abnormal deposits due to secrecy as follows: countries with an inward bank deposit intensity of 30 per cent of GDP and a secrecy score of more than 50, and those with an inward bank deposit intensity of 15 per cent of GDP and a secrecy score of more than 70. These countries are highlighted in Figure 5.2.

We have only slightly adjusted our approach in this step since the original State of Tax Justice 2020 report, with the aim to better capture the jurisdictions in which secrecy is likely responsible for the abnormal deposits (previously, the criterion was inward bank deposit intensity of 15 per cent and a secrecy score of at least 20 on the first secrecy indicator on Bank secrecy).

Using regression analysis, we then estimate the expected amount of inward bank deposits in these jurisdictions based on the strong relationship between GDP and bank deposits in countries that do not provide opportunities for secrecy arbitrage (ie those countries with lower secrecy scores for banking secrecy and a relatively low ratio of bank deposits to GDP). "Abnormal deposits" are then quantified as the difference between the observed deposits and the expected deposits in each jurisdiction. We argue that these abnormal deposits are located in these

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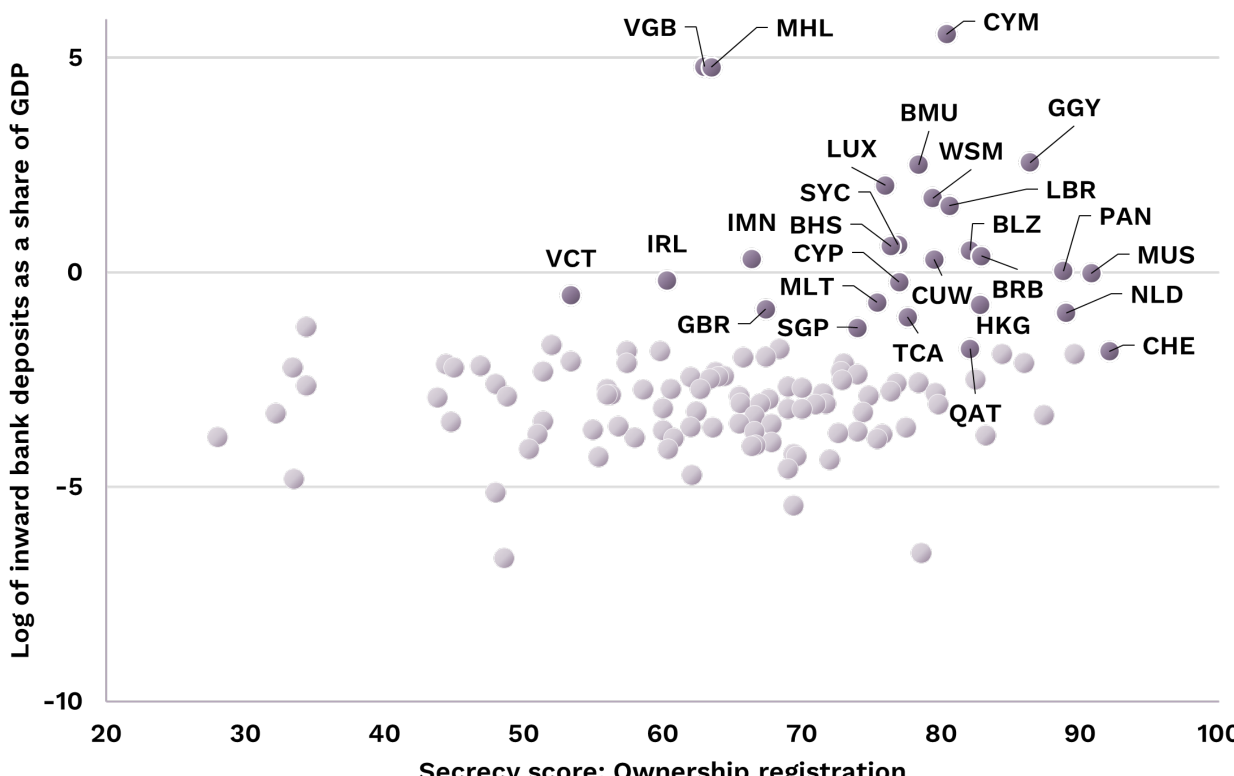
(visited on 07/09/2016); Charles Vellutini et al. *Estimating International Tax Evasion by Individuals*. Working Paper 76. European Commission, 2019. URL: https://op.europa.eu/en/publication-detail/-/publication/10854d45-f549-11e9-8c1f-01aa75ed71a1/language-en/format-PDF/source-120453070.

[5] Alstadsæter et al., 'Who Owns the Wealth in Tax Havens?'

[6] Vellutini et al., *Estimating International Tax Evasion by Individuals*; ECORYS. *Monitoring the Amount of Wealth Hidden by Individuals in International Financial Centres and Impact of Recent Internationally Agreed Standards on Tax Transparency on the Fight against Tax Evasion*. Tech. rep. Brussels, Belgium: European Commission DG TAXUD, 2021.

[7] Tax Justice Network, *State of Tax Justice 2023 - Methodology*.

Figure 5.2. Intensity of inward bank deposits vs. secrecy score in ownership registration



jurisdictions precisely due to the fact that these jurisdictions provide financial secrecy.

In Figure 5.3, we show the relationship between GDP and inward bank deposits, and highlight those jurisdictions that have significant intensities of inward bank deposits and at the same time offer large opportunities for individuals to hide their identity and wealth.

We find that almost 50 per cent of global bank deposits can be considered abnormal as per our definition, meaning that they are located in secrecy jurisdictions in quantities that are higher than would be expected based on the size of these jurisdictions' economies. For each such jurisdiction, our approach allows us to quantify how much money is considered to represent abnormal bank deposits and how large a share of each jurisdiction's total bank deposits these abnormal deposits represent. Table 5.1 provides an overview of the top 15 jurisdictions with the highest value of abnormal deposits.

Figure 5.3. Inward bank deposits vs. GDP, 2018

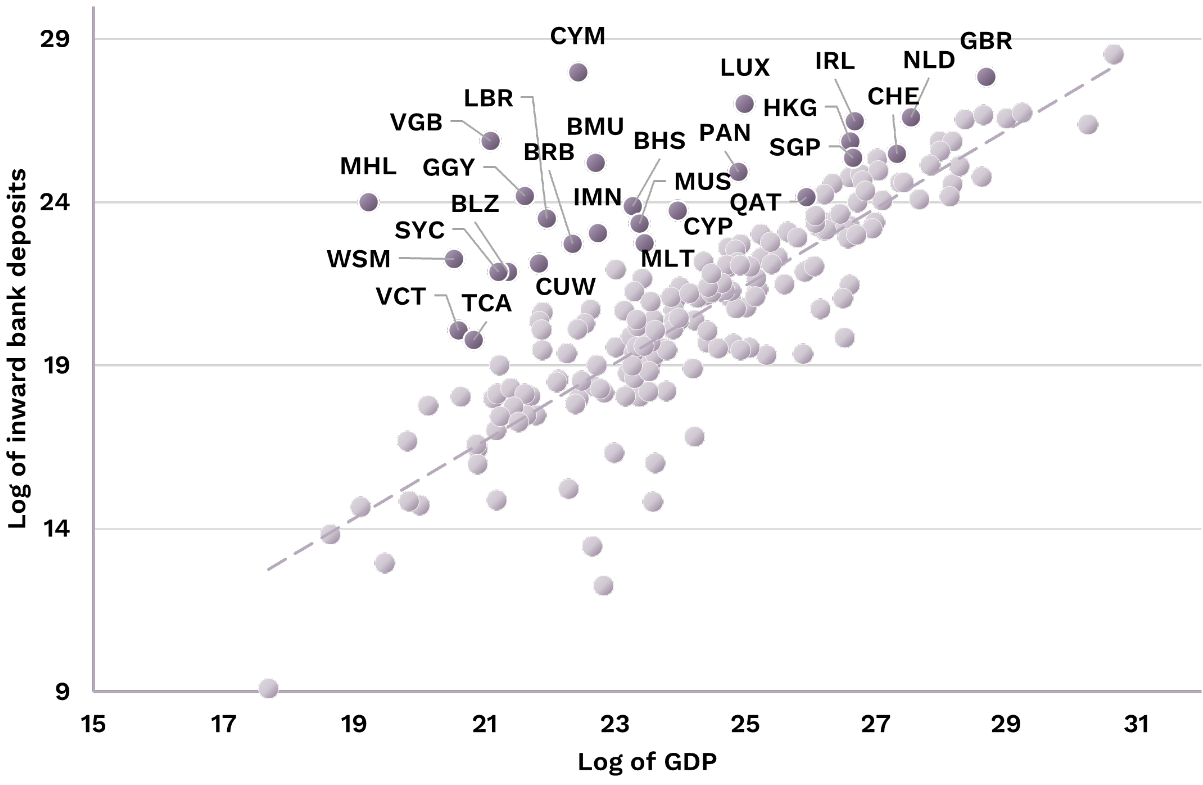


Table 5.1. Top 15 jurisdictions with the highest value of abnormal deposits

Country	Secrecy score: Ownership registration	Total deposits (USD bn)	Abnormal deposits (USD bn)	Abnormal deposits (share of total)	BIS reporting
Cayman Islands	80	1431	1431	99.97%	No
United Kingdom	67	1231	975	79.2%	Yes
United States of America	86	2477	665	26.88%	Yes
Luxembourg	76	543	537	98.84%	Yes
Ireland	60	319	285	89.37%	Yes
Netherlands	89	356	275	77.36%	Yes
British Virgin Islands	63	175	174	99.93%	No
Italy	57	334	149	44.79%	Yes
France	65	385	139	36.12%	Yes
Hong Kong	82	169	137	81.16%	Yes
Bermuda	78	89	88	99.28%	No
Singapore	74	103	70	67.84%	No

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Country	Secrecy score: Ownership registration	Total deposits (USD bn)	Abnormal deposits (USD bn)	Abnormal deposits (share of total)	BIS reporting
Panama	88	67	61	91.45%	No
Switzerland	92	117	52	44.53%	Yes
Belgium	52	99	51	51.95%	Yes

In the second step of our approach, we attribute these abnormal deposits to their origin countries. To do so, we broadly follow Alstadsaeter, Johannesen, and Zucman's approach and use the Bank for International Settlements' (BIS) Locational Banking Statistics. This dataset contains information on the origin of bank deposits in high secrecy jurisdictions which report this data to the BIS. As indicated in the last column of Table 5.1, some of the most popular secrecy jurisdictions now do report to the BIS. Similarly to the study of Alstadsaeter, Johannesen, and Zucman, we evaluate the distribution of origin countries for deposits stored in the BIS-reporting jurisdictions and assume that this distribution also holds in the non-BIS-reporting secrecy jurisdictions.

In the third step, we combine existing estimates of total global offshore wealth with our estimated country shares, to derive the value of offshore wealth originating from each individual country. In particular, we use the most recent estimate[8] of global offshore financial wealth of US$9.9 trillion in 2018. It is important to note that this estimate only includes financial assets and not non-financial wealth, which is likely to exceed financial wealth in value by a factor of 3 to 4.[9] The second column of Table 5 shows our estimates of the share of global offshore financial wealth owned by the citizens of each country, and the third column translates these shares into US dollars.

In the fourth and final step, we derive the tax revenue losses resulting from wealth being stored in secrecy jurisdictions. Following Zucman's approach in his 2015 study, we assume a 5 per cent return on offshore investment (which includes a combination of securities, bonds, bank deposits and other financial assets). We then multiply these returns by the personal income tax rates that would have been applied in the assets' origin countries, had these assets not been moved to secrecy jurisdictions. The fifth column of Table 5 shows the resulting estimates on tax revenue loss for each country.

In the sixth and seventh column of Table 5, we show the estimated contribution of each country to the problem of offshore wealth and the respective tax loss

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[8] ECORYS, *Monitoring the Amount of Wealth Hidden by Individuals in International Financial Centres and Impact of Recent Internationally Agreed Standards on Tax Transparency on the Fight against Tax Evasion*.

[9] Henry, *The Price of Offshore Revisited: New Estimates for "Missing" Global Private Wealth, Income, Inequality, and Lost Taxes*.

inflicted on other countries. Many of the countries with the biggest losses themselves, such as the US, UK, Ireland and Luxembourg, also impose major losses on others, emphasising the lose-lose nature of enabling global tax abuse. British Overseas Territory Cayman Islands is responsible for the largest share on this metric (at 8.14 per cent), alone causing a tax revenue loss of over US$45 billion globally.

Table 5.2. Countries' wealth and tax loss due to offshore financial wealth

Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Africa	1.54%	153.2	42.8%	2,161.6	1,069.8	0.6%
Algeria	0.03%	3.1	1.8%	54.8	-	-
Angola	0.22%	22.2	24.8%	188.8	-	-
Benin	0.00%	0.2	1.1%	2.3	-	-
Botswana	0.00%	0.4	2.2%	5.0	-	-
Burkina Faso	0.00%	0.2	1.1%	2.4	-	-
Burundi	0.00%	0.1	4.5%	1.9	-	-
Cabo Verde	0.00%	0.1	4.1%	1.2	-	-
Cameroon	0.02%	1.7	4.2%	24.3	-	-
Central African Republic	0.00%	0.0	1.3%	0.4	-	-
Chad	0.00%	0.4	3.2%	5.1	-	-
Comoros	0.00%	0.0	2.0%	0.3	-	-
Congo	0.01%	0.8	6.0%	11.4	-	-
Democratic Republic of the Congo	0.01%	1.4	2.7%	27.2	-	-
Djibouti	0.00%	0.3	8.4%	4.1	-	-
Egypt	0.16%	15.6	5.1%	175.0	-	-
Equatorial Guinea	0.00%	0.3	3.0%	4.1	-	-
Eritrea	0.00%	0.0	0.5%	0.5	-	-
Eswatini	0.00%	0.1	2.8%	2.1	-	-
Ethiopia	0.01%	0.9	0.9%	15.2	-	-
Gabon	0.02%	1.8	10.7%	21.1	-	-
Gambia	0.00%	0.1	5.8%	1.5	-	-
Ghana	0.04%	3.8	5.6%	66.0	44.0	0.0%
Guinea	0.00%	0.2	1.7%	3.2	-	-
Guinea-Bissau	0.00%	0.1	8.3%	1.7	-	-
Ivory Coast	0.01%	1.3	2.3%	19.5	-	-
Kenya	0.03%	2.9	3.0%	42.8	-	-

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Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Lesotho	0.00%	0.0	1.9%	0.7	-	-
Liberia	0.12%	11.7	379.9%	162.7	499.0	0.3%
Libya	0.04%	4.3	8.2%	50.0	-	-
Madagascar	0.01%	0.8	5.6%	11.1	-	-
Malawi	0.00%	0.3	2.6%	4.3	-	-
Mali	0.01%	0.5	2.9%	7.1	-	-
Mauritania	0.00%	0.3	4.0%	6.1	-	-
Mauritius	0.13%	12.9	92.0%	96.9	394.9	0.2%
Morocco	0.03%	3.4	2.8%	63.8	-	-
Mozambique	0.01%	1.4	9.4%	22.9	38.8	0.0%
Namibia	0.01%	1.3	10.0%	23.4	-	-
Niger	0.00%	0.1	0.7%	1.2	-	-
Nigeria	0.19%	18.7	4.2%	223.9	-	-
Rwanda	0.00%	0.1	1.3%	1.8	-	-
Sao Tome and Principe	0.00%	0.0	2.3%	0.1	-	-
Senegal	0.01%	1.3	5.4%	25.4	-	-
Seychelles	0.08%	7.8	491.0%	120.8	93.2	0.1%
Sierra Leone	0.00%	0.1	2.7%	0.8	-	-
Somalia	0.00%	0.0	0.4%	0.3	-	-
South Africa	0.24%	23.4	6.7%	527.5	-	-
South Sudan	0.00%	0.0	0.1%	0.1	-	-
Sudan	0.00%	0.1	0.4%	0.9	-	-
Tanzania	0.01%	1.1	1.7%	15.8	-	-
Togo	0.00%	0.2	2.5%	2.6	-	-
Tunisia	0.02%	2.0	5.2%	35.8	-	-
Uganda	0.01%	0.7	2.1%	14.8	-	-
Zambia	0.02%	1.7	7.4%	32.4	-	-
Zimbabwe	0.01%	1.0	6.1%	26.5	-	-
Asia	15.63%	1,554.4	14.3%	24,594.5	7,925.0	4.6%
Afghanistan	0.00%	0.2	1.1%	2.1	-	-

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Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Armenia	0.00%	0.2	1.8%	4.4	-	-
Azerbaijan	0.02%	1.9	4.0%	22.6	-	-
Bahrain	0.06%	5.7	14.9%	0.0	29.0	0.0%
Bangladesh	0.02%	1.7	0.6%	26.1	-	-
Bhutan	0.00%	0.0	0.3%	0.1	-	-
Brunei	0.02%	2.0	14.9%	0.0	-	-
Cambodia	0.02%	1.5	5.6%	15.1	-	-
China	4.52%	449.4	3.1%	10,112.4	-	-
Georgia	0.00%	0.5	2.7%	4.7	-	-
Hong Kong	1.33%	131.8	36.3%	988.5	4,306.8	2.5%
India	0.10%	10.1	0.4%	181.5	-	-
Indonesia	0.05%	4.6	0.4%	69.4	-	-
Iran	0.01%	0.8	0.3%	9.2	-	-
Iraq	0.00%	0.3	0.2%	2.6	-	-
Israel	0.30%	30.2	7.7%	756.0	-	-
Japan	1.82%	180.9	3.6%	5,061.3	-	-
Jordan	0.05%	5.0	11.3%	50.3	-	-
Kazakhstan	0.14%	13.4	7.4%	67.1	-	-
Kuwait	0.55%	54.6	40.1%	0.0	-	-
Kyrgyzstan	0.00%	0.4	4.1%	5.4	-	-
Laos	0.00%	0.1	0.7%	2.0	-	-
Lebanon	0.13%	12.6	24.3%	126.5	-	-
Macao	0.09%	9.1	16.6%	54.8	55.0	0.0%
Malaysia	0.21%	20.7	5.7%	290.2	-	-
Maldives	0.00%	0.1	1.3%	0.6	-	-
Mongolia	0.01%	0.6	4.5%	3.2	17.1	0.0%
Myanmar	0.00%	0.1	0.1%	0.9	-	-
Nepal	0.01%	0.6	1.8%	8.6	-	-
Oman	0.09%	8.7	11.4%	0.0	58.7	0.0%
Pakistan	0.03%	3.2	1.2%	32.3	-	-
Palestine	0.00%	0.3	1.9%	3.4	-	-

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Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Philippines	0.13%	13.2	3.5%	230.5	-	-
Qatar	0.27%	27.0	15.3%	0.0	460.9	0.3%
Saudi Arabia	0.94%	93.4	11.8%	0.0	-	-
Singapore	1.67%	166.5	44.5%	1,831.3	2,198.8	1.3%
South Korea	0.21%	20.5	1.2%	431.2	-	-
Sri Lanka	0.01%	0.5	0.6%	6.2	-	-
Syria	0.00%	0.4	2.0%	3.9	-	-
Taiwan	1.55%	153.9	25.2%	3,077.3	-	-
Tajikistan	0.00%	0.0	0.6%	0.7	-	-
Thailand	0.38%	37.3	6.9%	652.7	-	-
Timor-Leste	0.00%	0.0	0.4%	0.1	-	-
Turkey	0.23%	22.9	3.0%	400.7	-	-
Turkmenistan	0.00%	0.1	0.1%	0.6	-	-
United Arab Emirates	0.64%	63.4	15.1%	0.0	798.8	0.5%
Uzbekistan	0.01%	0.5	0.9%	7.9	-	-
Vietnam	0.03%	2.7	1.0%	46.8	-	-
Yemen	0.00%	0.5	1.9%	3.5	-	-
Caribbean and American islands	12.90%	1,282.3	2763.2%	704.7	54,245.0	31.6%
Anguilla	0.00%	0.0	2.5%	0.0	-	-
Antigua and Barbuda	0.00%	0.2	11.6%	2.4	-	-
Aruba	0.01%	0.7	22.6%	22.0	0.1	0.0%
Bahamas	0.54%	53.5	393.9%	0.0	703.3	0.4%
Barbados	0.06%	6.3	120.8%	125.9	220.5	0.1%
Belize	0.09%	8.6	433.0%	100.5	93.6	0.1%
Bermuda	0.83%	82.4	1100.6%	0.0	2,770.4	1.6%
British Virgin Islands	2.84%	282.0	18939.2%	0.0	5,478.0	3.2%

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Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Cayman Islands	8.31%	826.1	13917.7%	0.0	44,836.0	26.1%
Curaçao	0.15%	15.1	487.7%	355.5	119.9	0.1%
Dominica	0.00%	0.3	60.0%	4.0	0.1	0.0%
Grenada	0.00%	0.2	17.7%	2.5	-	-
Guyana	0.00%	0.1	2.7%	1.6	-	-
Haiti	0.00%	0.2	1.7%	3.5	-	-
Jamaica	0.00%	0.5	3.1%	7.2	-	-
Montserrat	0.00%	0.0	22.4%	0.2	-	-
Puerto Rico	0.00%	0.0	0.0%	0.2	-	-
Saint Kitts and Nevis	0.00%	0.1	5.3%	0.9	-	-
Saint Lucia	0.01%	0.5	24.7%	6.1	-	-
Saint Vincent and the Grenadines	0.02%	2.1	252.3%	24.4	13.9	0.0%
Sint Maarten	0.00%	0.2	14.7%	4.3	-	-
Suriname	0.01%	0.5	12.9%	10.3	-	-
Trinidad and Tobago	0.02%	1.6	7.0%	20.4	-	-
Turks and Caicos Islands	0.01%	0.8	67.3%	12.5	9.2	0.0%
US Virgin Islands	0.00%	0.0	0.2%	0.1	-	-
Europe	44.34%	4,408.6	299.7%	97,906.7	83,791.5	48.9%
Albania	0.00%	0.3	2.1%	3.6	-	-
Andorra	0.02%	1.6	49.5%	7.8	19.4	0.0%
Austria	0.22%	21.4	4.8%	589.9	-	-
Belarus	0.00%	0.1	0.2%	0.9	-	-
Belgium	1.01%	100.5	18.9%	2,513.5	1,624.1	0.9%
Bosnia and Herzegovina	0.00%	0.3	1.4%	1.4	-	-
Bulgaria	0.03%	2.9	4.3%	14.6	-	-

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Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Croatia	0.01%	0.9	1.5%	16.8	22.2	0.0%
Cyprus	0.52%	52.0	208.3%	909.5	568.0	0.3%
Czechia	0.07%	7.2	2.9%	79.0	-	-
Denmark	0.46%	45.9	13.1%	1,282.5	803.5	0.5%
Estonia	0.01%	1.3	4.1%	12.9	-	-
Faroe Islands	0.00%	0.1	3.6%	1.7	8.0	0.0%
Finland	0.24%	23.5	8.7%	630.4	698.5	0.4%
France	2.22%	220.7	8.1%	5,408.2	4,362.9	2.5%
Germany	4.52%	449.5	11.6%	10,114.4	-	-
Gibraltar	0.11%	10.7	322.8%	213.1	-	-
Greece	0.40%	39.6	19.3%	890.0	-	-
Guernsey	0.33%	32.4	1282.1%	324.1	991.5	0.6%
Hungary	0.08%	7.7	4.7%	57.5	-	-
Iceland	0.02%	1.5	6.1%	35.0	-	-
Ireland	5.57%	553.7	138.9%	13,289.1	8,953.1	5.2%
Isle of Man	0.20%	19.7	254.9%	196.7	300.2	0.2%
Italy	1.55%	154.6	7.7%	3,323.6	4,692.4	2.7%
Jersey	1.46%	145.5	4099.8%	1,454.5	-	-
Latvia	0.02%	1.8	5.3%	28.4	-	-
Liechtenstein	0.05%	5.0	71.3%	56.2	12.6	0.0%
Lithuania	0.01%	1.2	2.3%	9.3	-	-
Luxembourg	4.44%	441.2	620.6%	10,100.1	16,838.7	9.8%
Malta	0.18%	18.4	120.7%	321.4	196.3	0.1%
Moldova	0.00%	0.1	0.8%	0.8	-	-
Monaco	0.00%	0.0	0.6%	0.0	-	-
Montenegro	0.00%	0.2	3.1%	0.8	1.8	0.0%
Netherlands	3.53%	350.7	38.7%	9,110.5	8,631.8	5.0%
North Macedonia	0.00%	0.4	3.4%	2.1	-	-
Norway	0.29%	28.8	7.1%	670.5	398.9	0.2%
Poland	0.09%	9.3	1.6%	149.1	-	-

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Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Portugal	0.21%	20.9	8.7%	501.0	395.5	0.2%
Romania	0.02%	2.2	0.9%	11.2	-	-
Russia	0.55%	54.9	3.3%	356.7	-	-
San Marino	0.00%	0.3	21.6%	5.4	1.1	0.0%
Serbia	0.01%	0.9	1.7%	4.4	-	-
Slovakia	0.04%	4.3	4.1%	53.6	-	-
Slovenia	0.04%	4.5	8.2%	111.6	-	-
Spain	0.70%	69.7	5.0%	1,567.4	1,450.6	0.8%
Sweden	0.52%	52.0	9.8%	1,489.6	644.4	0.4%
Switzerland	2.25%	224.1	30.6%	4,482.3	1,632.2	1.0%
Ukraine	0.03%	2.8	1.8%	25.4	-	-
United Kingdom	12.28%	1,221.2	43.1%	27,478.1	30,543.8	17.8%
Latin America	2.18%	216.6	17.7%	3,268.4	1,921.0	1.1%
Argentina	0.18%	17.4	3.9%	305.2	-	-
Bolivia	0.02%	2.1	5.1%	30.7	-	-
Brazil	0.18%	18.2	1.0%	250.6	-	-
Chile	0.08%	8.4	3.0%	146.6	-	-
Colombia	0.18%	17.8	5.5%	311.6	-	-
Costa Rica	0.06%	5.6	8.8%	42.1	-	-
Cuba	0.00%	0.4	0.4%	5.1	-	-
Dominican Republic	0.06%	6.4	7.2%	79.9	-	-
Ecuador	0.07%	6.9	6.4%	120.7	-	-
El Salvador	0.03%	2.5	9.4%	38.0	-	-
Guatemala	0.06%	6.2	8.1%	21.8	-	-
Honduras	0.02%	2.3	9.2%	29.0	-	-
Mexico	0.43%	42.7	3.4%	746.8	-	-
Nicaragua	0.02%	2.4	18.7%	35.5	-	-
Panama	0.41%	40.8	61.1%	509.7	1,921.0	1.1%
Paraguay	0.01%	1.0	2.8%	5.2	-	-

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Country	Share of global offshore wealth owned by citizens of country	Offshore wealth owned by citizens of country (USD billion)	Offshore wealth owned by citizens of country (% of GDP)	Tax revenue loss: Offshore wealth (USD million)	Tax loss inflicted on other countries (USD million)	Share of global offshore tax loss inflicted by country
Peru	0.08%	8.4	3.7%	125.7	-	-
Uruguay	0.06%	5.9	9.6%	105.4	-	-
Venezuela	0.21%	21.1	9.8%	358.7	-	-
Northern America	22.30%	2,217.0	11.8%	40,744.2	21,463.5	12.5%
Canada	1.36%	135.0	7.8%	2,228.1	590.6	0.3%
Greenland	0.00%	0.2	6.2%	3.0	13.1	0.0%
United States of America	20.94%	2,081.8	9.7%	38,513.1	20,859.8	12.2%
Oceania	1.10%	109.2	704.1%	2,092.5	1,067.9	0.6%
Australia	0.76%	75.1	5.4%	1,690.2	11.6	0.0%
Fiji	0.00%	0.1	0.9%	0.5	-	-
French Polynesia	0.01%	0.5	8.3%	8.2	3.3	0.0%
Kiribati	0.00%	0.0	6.4%	0.2	-	-
Marshall Islands	0.12%	11.9	4978.5%	71.5	830.7	0.5%
Micronesia	0.00%	0.0	8.4%	0.5	-	-
Nauru	0.00%	0.0	1.2%	0.0	-	-
New Caledonia	0.01%	0.6	6.2%	10.1	79.1	0.0%
New Zealand	0.10%	9.6	4.6%	157.6	-	-
Papua New Guinea	0.00%	0.1	0.2%	1.2	-	-
Samoa	0.11%	10.8	1271.5%	146.3	143.2	0.1%
Solomon Islands	0.00%	0.1	7.4%	1.7	-	-
Tonga	0.00%	0.0	0.7%	0.0	-	-
Tuvalu	0.00%	0.0	5.1%	0.0	-	-
Vanuatu	0.00%	0.3	32.2%	4.4	-	-

6. Conclusion

The estimates presented here show the continuing scale of cross-border tax abuse by multinational companies and by individuals with wealth hidden offshore. They confirm the findings of the High Level Panel on Illicit Financial Flows out of Africa in its 2015 report, that corporate tax abuse is, and remains, the largest element of the problem.

The findings confirm, too, that higher income countries lose the greatest amounts of revenue in absolute terms; and also that they are responsible for the greatest share of the problem, globally.

Lower income countries incur the most intense losses, losing by far the greatest share of their current tax revenues or public spending needs.

All countries see their ability to pursue progressive taxation stifled by the threat of cross-border abuse. And so *all* societies, in countries at all levels of per capita income, are condemned to suffer deeper inequalities, and to be less able to respond to major societal threats including the climate crisis.

The measures to end cross-border tax abuse are known, and within reach. They encompass a widely accepted platform of transparency measures, including the ABC: automatic exchange of information about financial accounts; beneficial ownership transparency to end anonymous control of companies and other legal vehicles; and public country by country reporting by multinationals to lay bare the scale and nature of their profit shifting. These measures must be delivered fully, and with all countries included in the benefits.

Major rule changes are also needed, to reverse the League of Nations' decision to adopt the arm's length principle a century ago - a decision which underpins the huge growth of corporate tax abuse, to the point where the trillions of dollars of profit being illicitly shifted each year are likely to amount to a material distortion in the accounts of the global economy.

The OECD, the club of rich countries, has set international tax rules since the 1960s. It has been struggling to deliver meaningful reforms for the last decade, as the scale of abuse has rocketed and become a source of public anger in countries all around the world.

But the OECD has failed. It has failed to include non-members in its decisions, it has failed to ensure transparency or accountability for the people of the world, and it has failed to produce effective measures to curb tax abuse.

The countries of the world committed in 2022 to intergovernmental discussions on a UN tax convention and a new framework under UN auspices. The same countries committed in 2015 to curb illicit financial flows, and to make tax the primary means of implementing the Sustainable Development Goals - the common plan to improve human well-being in all countries.

The US$4.7 trillions of tax losses identified in this State of Tax Justice 2023, are the potential benefits from curbing tax abuse over a decade. This is the scale of the prize, if policymakers can begin formal negotiations and deliver a comprehensive UN tax convention, setting inclusive standards and creating a UN tax body to agree rules to end abuse, once and for all.

This year can be crucial. We should make sure our governments know it.

State of Tax Justice Calendar

2023

JULY

27 - 28 July, Cartagena, Colombia
Ministerial conference: Towards an Inclusive, Sustainable, and Equitable International Tax Order.
https://www.minhacienda.gov.co/webcenter/portal/TributacionIncluyente/pages_TributacionIncluyente

AUGUST

9 August
International Day of the World's Indigenous Peoples 2023
https://social.desa.un.org/issues/indigenous-peoples/events/international-day-of-the-worlds-indigenous-peoples-2023 https://www.un.org/en/observances/indigenous-day

SEPTEMBER

5 - 19 September, New York, US
UN General Assembly (UNGA 78)
https://www.un.org/en/ga/

9 - 10 September, New Delhi, India
G20 Leaders Summit
https://www.g20.org/en/g20-india-2023/new-delhi-summit/

18 - 19 September, New York, US
SDG Summit
https://www.un.org/en/conferences/SDGSummit2023

OCTOBER

2 - 6 October, Geneva, Switzerland
Working Group on the Issue of Human Rights and Transnational Corporations and other Business Enterprises (36th session)
https://www.ohchr.org/en/events/sessions/2023/36th-session-working-group-issue-human-rights-and-transnational-corporations

9 - 15 October, Marrakesh, Morocco
World Bank Group/International Monetary Fund Annual Meetings
https://www.worldbank.org/en/meetings/splash/about#sec2
https://openmorocco2023.com/en/

16 - 20 October, Abu Dhabi, United Arab Emirates
UNCTAD Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)
https://isar.unctad.org/2019/11/26/isar-40/

17 October, Geneva, Switzerland
27th Session of the Committee of Experts on International Cooperation in Tax Matters
https://financing.desa.un.org/events/27th-session-committee-experts-international-cooperation-tax-matters

23 October, Paris, France
Financial Action Task Force Plenary and Working Group meetings, Paris (tbc)
https://www.fatf-gafi.org/en/home.html

25 - 27 October, Geneva, Switzerland
UNCTAD Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, sixth session
https://unctad.org/meeting/multi-year-expert-meeting-enhancing-enabling-economic-environment-all-levels-support-7

NOVEMBER

7 - 9 November, Punta del Este, Uruguay
2023 Data for Development Festival
https://www.data4sdgs.org/festival-de-datos-2023

1 - 3 November, Geneva, Switzerland
Intergovernmental Group of Experts on Financing for Development (7th session)
https://unctad.org/meeting/intergovernmental-group-experts-financing-development-seventh-session

30 November - 12 December, Dubai, United Arab Emirates
UN Climate Change Conference (UNFCCC COP 28)
https://unfccc.int/cop28

DECEMBER

International Anti-Corruption Day, 9 December

International Human Rights Day, 10 December

International Universal Health Coverage Day, 12 December

4 - 8 December, Geneva, Switzerland
UN Conference on Trade And Development eWeek 2023: Shaping the Future of the Digital Economy

2024

FEBRUARY

26 - 29 February, Abu Dhabi, United Arab Emirates
13th WTO Ministerial Conference
https://www.wto.org/english/news_e/events_e/events_e.htm

MARCH

11 - 22 March, New York, US
Commission on the Status of Women (68th Session)
https://www.unwomen.org/en/csw/csw68-2024

APRIL

15 - 21 April, Washington DC, US
World Bank/International Monetary Fund Spring Meetings

JULY

15 - 25 July, New York, US
High-level Political Forum on Sustainable Development (HLPF) 2024
https://hlpf.un.org

SEPTEMBER

10 - 24 September, New York, US
79th Session of the UN General Assembly (UNGA 79)
https://www.un.org/en/ga/

NOVEMBER

18 - 21 November, Medellin, Colombia
Fifth UN World Data Forum 2024
https://unstats.un.org/unsd/undataforum/about

Annex

Largest contributors to the global problem of tax havens and financial secrecy

Country	Share of total global inflicted tax loss	FSI 2022 rank	FSI 2022 share	Secrecy score in FSI 2022	CTHI 2021 rank	CTHI 2021 share	Haven score in CTHI 2021
United Kingdom	13.32%	13	1.61%	47.2	13	3.12%	69.2
Netherlands	12.63%	12	1.63%	64.6	4	5.54%	79.9
Cayman Islands	11.73%	14	1.52%	72.6	2	5.99%	100.0
Saudi Arabia	8.2%	25	1.06%	69.0	-	-	-
Luxembourg	6.1%	5	2.36%	55.0	6	4.10%	74.0
Bermuda	4.75%	49	0.72%	70.1	3	5.67%	100.0
United States of America	4.42%	1	5.74%	67.4	25	1.16%	46.9
Singapore	4.28%	3	3.43%	67.2	9	3.87%	84.6
Ireland	4.23%	27	1.05%	47.2	11	3.30%	77.1
Hong Kong	4.15%	4	2.73%	65.0	7	4.08%	77.9
Switzerland	3.75%	2	3.43%	70.0	5	5.11%	88.6
Canada	2.46%	28	1.03%	51.1	-	-	-
British Virgin Islands	2.4%	9	1.83%	70.7	1	6.45%	100.0
South Korea	1.73%	16	1.47%	63.8	-	-	-
Puerto Rico	1.34%	64	0.52%	78.3	-	-	-
Mexico	1.25%	82	0.41%	53.1	31	0.73%	54.1
Norway	1.15%	48	0.74%	53.3	-	-	-
Italy	0.99%	21	1.16%	54.9	27	1.00%	57.6
Malaysia	0.97%	39	0.87%	65.8	-	-	-

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Country	Share of total global inflicted tax loss	FSI 2022 rank	FSI 2022 share	Secrecy score in FSI 2022	CTHI 2021 rank	CTHI 2021 share	Haven score in CTHI 2021
France	0.92%	30	1.01%	47.9	18	2.05%	66.9
Isle of Man	0.84%	61	0.56%	65.0	20	1.92%	100.0
Denmark	0.66%	80	0.41%	49.0	34	0.67%	56.4
Barbados	0.66%	63	0.52%	73.7	-	-	-
Panama	0.64%	18	1.40%	72.7	28	0.93%	72.2
Finland	0.58%	88	0.35%	51.8	32	0.69%	59.8
Argentina	0.47%	111	0.24%	49.1	68	0.08%	32.1
Belgium	0.46%	26	1.06%	52.5	16	2.20%	72.8
Brazil	0.43%	83	0.40%	49.1	64	0.12%	29.3
Spain	0.31%	29	1.02%	56.6	22	1.55%	64.8
Bahamas	0.3%	22	1.13%	75.5	12	3.28%	100.0
Malta	0.27%	38	0.91%	54.5	21	1.72%	79.1
Sweden	0.26%	67	0.50%	44.6	26	1.05%	60.7
Guernsey	0.21%	10	1.79%	70.7	17	2.16%	98.3
Marshall Islands	0.18%	51	0.69%	71.2	-	-	-
Austria	0.18%	44	0.79%	54.6	33	0.68%	55.7
US Virgin Islands	0.18%	87	0.35%	71.9	-	-	-
United Arab Emirates	0.17%	8	1.91%	79.2	10	3.76%	98.3
Cyprus	0.16%	15	1.50%	61.5	14	3.12%	85.3
Mauritius	0.15%	55	0.64%	70.1	15	2.29%	81.4
Iraq	0.13%	-	-	-	-	-	-
Indonesia	0.13%	66	0.50%	55.8	-	-	-
Liberia	0.12%	40	0.84%	73.2	46	0.42%	67.7
Czechia	0.11%	92	0.34%	50.0	37	0.61%	58.3
Costa Rica	0.11%	105	0.27%	55.8	40	0.57%	67.5
Uruguay	0.1%	71	0.48%	58.0	-	-	-
Qatar	0.1%	20	1.21%	73.6	-	-	-
Serbia	0.09%	110	0.25%	54.4	-	-	-
Australia	0.09%	37	0.94%	56.1	-	-	-
Portugal	0.08%	57	0.59%	56.9	50	0.35%	48.9

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Country	Share of total global inflicted tax loss	FSI 2022 rank	FSI 2022 share	Secrecy score in FSI 2022	CTHI 2021 rank	CTHI 2021 share	Haven score in CTHI 2021
Papua New Guinea	0.07%	-	-	-	-	-	-
Oman	0.07%	47	0.75%	73.5	-	-	-
Hungary	0.07%	76	0.46%	55.2	24	1.35%	72.0
Curaçao	0.07%	90	0.35%	76.0	29	0.80%	72.5
Bahrain	0.06%	60	0.56%	68.2	-	-	-
Peru	0.05%	107	0.26%	54.1	60	0.15%	42.5
Iran	0.05%	-	-	-	-	-	-
Vanuatu	0.05%	112	0.24%	76.0	-	-	-
Eswatini	0.05%	-	-	-	-	-	-
Samoa	0.04%	104	0.27%	73.0	-	-	-
Bulgaria	0.04%	106	0.26%	52.8	48	0.38%	58.4
Jordan	0.04%	65	0.50%	71.9	-	-	-
Croatia	0.04%	100	0.30%	53.1	53	0.30%	55.7
Timor-Leste	0.04%	-	-	-	-	-	-
Seychelles	0.03%	89	0.35%	72.2	49	0.37%	68.5
Uzbekistan	0.02%	-	-	-	-	-	-
Paraguay	0.02%	117	0.21%	66.2	-	-	-
Belize	0.02%	115	0.22%	75.1	-	-	-
Guinea	0.02%	-	-	-	-	-	-
New Caledonia	0.02%	-	-	-	-	-	-
Kuwait	0.01%	35	0.98%	74.6	-	-	-
Latvia	0.01%	95	0.33%	55.3	42	0.54%	73.1
Cambodia	0.01%	-	-	-	-	-	-
Morocco	0.01%	79	0.43%	66.0	-	-	-
Zimbabwe	0.01%	-	-	-	-	-	-
Myanmar	0.01%	-	-	-	-	-	-
Macao	0.01%	31	1.00%	63.1	47	0.39%	58.1
Georgia	0.01%	-	-	-	-	-	-
Burkina Faso	0.01%	-	-	-	-	-	-
Liechtenstein	0.01%	54	0.64%	72.2	35	0.66%	70.7

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Country	Share of total global inflicted tax loss	FSI 2022 rank	FSI 2022 share	Secrecy score in FSI 2022	CTHI 2021 rank	CTHI 2021 share	Haven score in CTHI 2021
Ghana	0.01%	70	0.49%	52.7	61	0.15%	51.7
Aruba	0.01%	75	0.47%	70.9	56	0.21%	70.1
Mozambique	0.01%	-	-	-	-	-	-
Bosnia and Herzegovina	0.01%	-	-	-	-	-	-
Mongolia	0.01%	-	-	-	-	-	-
Venezuela	0.01%	69	0.49%	71.9	-	-	-
Saint Vincent and the Grenadines	0.01%	122	0.15%	66.5	-	-	-
Andorra	-	114	0.24%	55.0	62	0.15%	61.3
Slovenia	-	137	0.07%	35.9	58	0.21%	51.9
Iceland	-	126	0.13%	42.5	-	-	-
Lithuania	-	103	0.28%	51.0	54	0.28%	56.6
Turks and Caicos Islands	-	120	0.17%	75.7	36	0.66%	100.0
Antigua and Barbuda	-	127	0.13%	77.0	-	-	-
Montenegro	-	119	0.18%	60.7	-	-	-
Sri Lanka	-	50	0.71%	75.8	-	-	-
San Marino	-	140	0.03%	60.4	67	0.09%	60.5
North Macedonia	-	124	0.14%	62.0	-	-	-
Guam	-	134	0.09%	70.3	-	-	-
Dominica	-	128	0.13%	65.2	-	-	-
Romania	-	62	0.52%	59.4	41	0.56%	61.9
Philippines	-	72	0.48%	67.1	-	-	-
Ukraine	-	85	0.37%	58.9	-	-	-
Poland	-	86	0.36%	46.0	52	0.33%	46.4
Vietnam	-	24	1.10%	80.9	-	-	-
Russia	-	43	0.80%	59.6	-	-	-
Rwanda	-	98	0.31%	72.1	-	-	-

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Country	Share of total global inflicted tax loss	FSI 2022 rank	FSI 2022 share	Secrecy score in FSI 2022	CTHI 2021 rank	CTHI 2021 share	Haven score in CTHI 2021
Saint Lucia	-	133	0.10%	72.2	-	-	-
South Africa	-	46	0.77%	60.0	45	0.45%	49.4
Taiwan	-	17	1.42%	60.1	55	0.22%	43.5
Tanzania	-	93	0.33%	68.8	65	0.11%	47.8
Slovakia	-	101	0.30%	53.2	51	0.35%	55.2
Thailand	-	23	1.12%	69.8	-	-	-
Trinidad and Tobago	-	130	0.12%	69.0	-	-	-
Tunisia	-	102	0.30%	59.6	-	-	-
Turkey	-	59	0.59%	61.1	-	-	-
Saint Kitts and Nevis	-	68	0.49%	77.2	-	-	-
Pakistan	-	74	0.47%	66.3	-	-	-
Egypt	-	56	0.62%	68.2	-	-	-
Dominican Republic	-	84	0.37%	64.7	-	-	-
Ecuador	-	116	0.21%	52.2	66	0.10%	42.7
El Salvador	-	97	0.32%	60.5	-	-	-
Estonia	-	125	0.14%	44.2	38	0.58%	70.0
Fiji	-	121	0.17%	70.3	-	-	-
Colombia	-	108	0.26%	54.3	-	-	-
China	-	11	1.70%	66.5	19	2.03%	62.5
Chile	-	73	0.47%	59.8	-	-	-
Cameroon	-	81	0.41%	70.2	-	-	-
Brunei	-	136	0.08%	73.3	-	-	-
Botswana	-	113	0.24%	56.8	59	0.18%	54.9
Bolivia	-	109	0.26%	79.2	-	-	-
Bangladesh	-	52	0.68%	74.6	-	-	-
Anguilla	-	58	0.59%	75.5	39	0.58%	100.0
Angola	-	33	0.99%	79.5	-	-	-
Algeria	-	34	0.99%	79.1	-	-	-
Gambia	-	138	0.06%	72.7	69	0.03%	49.8
Germany	-	7	2.00%	56.7	23	1.43%	58.0

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Country	Share of total global inflicted tax loss	FSI 2022 rank	FSI 2022 share	Secrecy score in FSI 2022	CTHI 2021 rank	CTHI 2021 share	Haven score in CTHI 2021
Gibraltar	-	96	0.32%	66.8	30	0.79%	66.4
Nigeria	-	42	0.80%	64.8	-	-	-
New Zealand	-	53	0.68%	63.0	-	-	-
Nauru	-	139	0.04%	59.1	-	-	-
Namibia	-	94	0.33%	71.3	-	-	-
Montserrat	-	141	0.01%	73.8	70	0.01%	65.3
Monaco	-	118	0.19%	73.5	44	0.46%	67.4
Maldives	-	91	0.34%	75.2	-	-	-
Albania	-	123	0.14%	54.5	-	-	-
Greece	-	99	0.30%	52.8	57	0.21%	46.5
Kenya	-	41	0.83%	66.7	63	0.14%	49.7
Kazakhstan	-	78	0.43%	62.9	-	-	-
Jersey	-	19	1.35%	63.5	8	3.89%	100.0
Japan	-	6	2.25%	63.1	-	-	-
Israel	-	32	0.99%	59.3	-	-	-
India	-	36	0.94%	54.7	-	-	-
Guatemala	-	45	0.78%	74.8	-	-	-
Grenada	-	132	0.11%	65.9	-	-	-
Lebanon	-	77	0.44%	64.6	43	0.50%	75.1
American Samoa	-	135	0.09%	69.3	-	-	-
Cook Islands	-	131	0.11%	69.8	-	-	-
Kosovo	-	129	0.12%	68.9	-	-	-

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