

Thank you co-facilitator

Distinguished delegates, ladies and gentlemen,

I would like to make a few brief remarks on the current international tax system and its effect on developing countries. My remarks are based on UNCTAD's research in this area, the results of which were published in the 2014 Trade and Development Report. For those of you who do not have a copy, the TDR is available in our NY office.

First, I would like to make it clear that international tax leakages represent a massive loss of public revenues in both developed and developing countries. Many tax avoidance schemes exist worldwide, but evidence suggests that in developing countries trade and transfer mispricing are the main vehicles for tax avoidance. Estimating revenue losses associated with illicit financial flows suggests that developing countries lose at least USD 160 billion a year from non-taxed corporate profits due to transfer mispricing and falsified invoicing in international trade. These losses alone amount to one and a half times the combined aid budgets of all developed countries in 2007.

Since international cooperation across countries on tax matters remains limited, it is difficult for individual tax administrations to control mispricing and other tax avoidance practices. This is particularly true in low-income countries whose governments have fewer resources to fight tax-related capital flight and tax base erosion than corporations that plan their tax matters aggressively.

Regarding global offshore financial wealth, estimates range from USD 6 trillion to USD 30 trillion. The loss of public revenue resulting from assets held in tax havens is enormous. If an unreported USD 30 trillion in offshore centres had earned a return of just 3 percent a year and those returns had been taxed at 30 percent, income tax revenues of around USD 200 billion would have been generated. A similar calculation for developing countries yields a tax gap of around USD 70 billion, which is about two-thirds of total ODA.

Although a number of efforts are taking place at the international level to tackle tax leakages, UNCTAD believes that further global cooperation is required in this area in order to achieve a significant increase in public revenues.

Thank you very much.