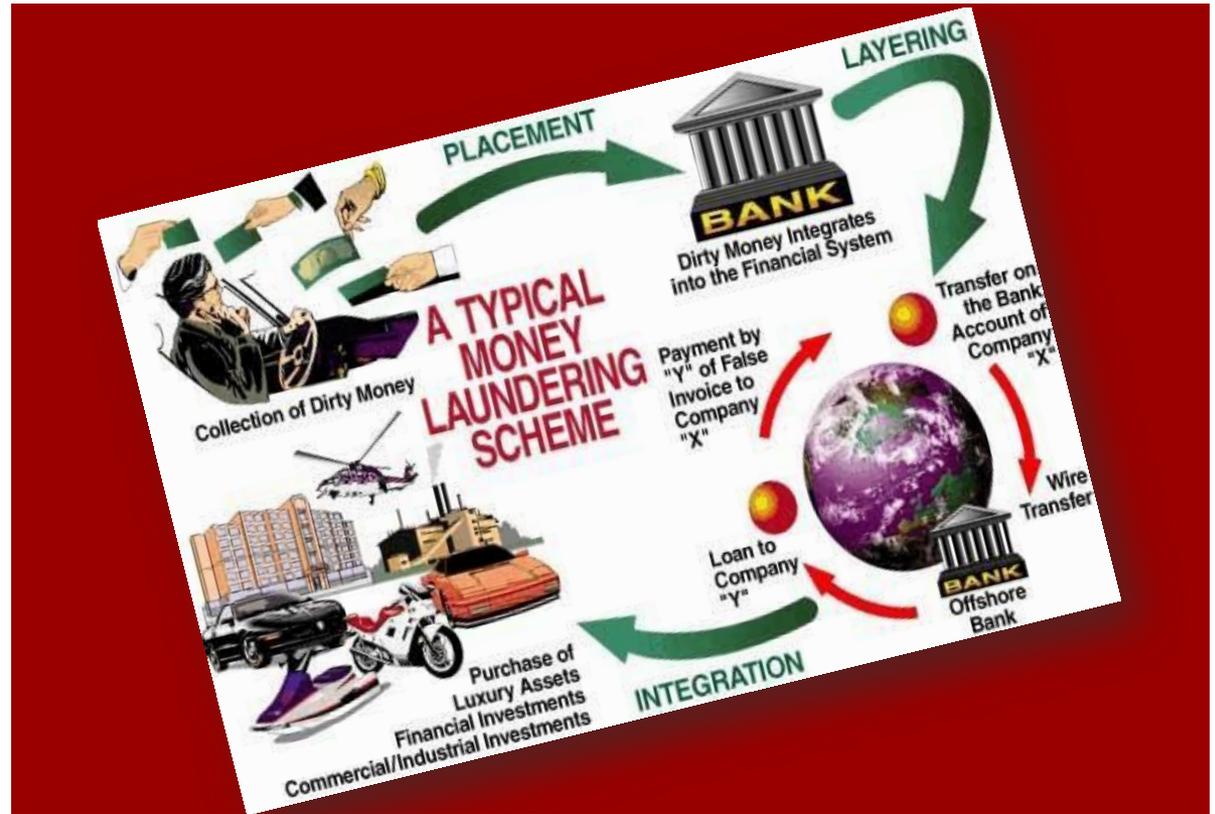


# বঙ্গবাজার



## Illicit Financial Flow and Political Economy

EquityBD

# Objectives

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- To promote mass critical awareness and possible agreement on remedies on Illicit Financial Flows, shadow economy and its practices, especially among the policy makers of the country who have major role
  - Draw recommendations for curbing IFFS and the size of black economy to enhance revenue mobilization
- 



# Overview of Bangladesh & Its economy (1)

- Bangladesh is newly enlisted Low Middle Income Country (LMIC) of South Asia
- Bangladesh aspires to become a middle income economy by 2021 according govt. declared "Vision-2021"
- The largest LDC
- 8th largest remittance receiving country
- Low revenue-GDP ratio
- Higher dependence on indirect taxes



# Overview of Bangladesh & Its economy (2)

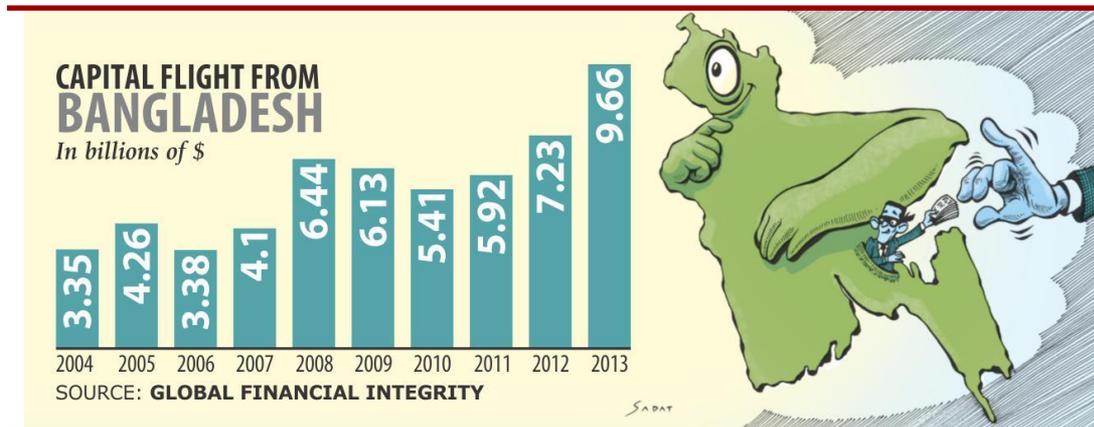
- Inadequate tax reforms and enforcement
- GDP of Bangladesh: Tk.17,16,700 crore (FY 2015-16).
- National budget: Tk.2,95,100 crore (17% of GDP) where deficit budget : Tk.80,857 crore (5% of GDP).
- Annual Development Program (ADP): Tk.1,02,559 (6% of GDP and 35% of national budget).
- Revenue mobilization : Tk.1,82,244 (62% of Budget and 11% of GDP)



# Evidence of IFFs in Bangladesh

GFI estimates from 2004-2013 (Report 2015)

- Top country among the LDCs
- Average IFF from Bangladesh stood about BDT 435.83 billion in last ten years.
- Average Trade Misinvoicing stood about BDT 383.23 billion in last ten years.
- Average Illicit Hot Money Outflow (Balance of Payment) stood about BDT 52.60 billion in last ten years.
- Ever highest IFFs happened in 2013 and amount is Tk.750 billion. It is about 7% of GDP and 11 times than the foreign aid received of that year. 2/3 Padma bridge could be built through this amount.



# Bangladesh Bank, NBR and other analysis

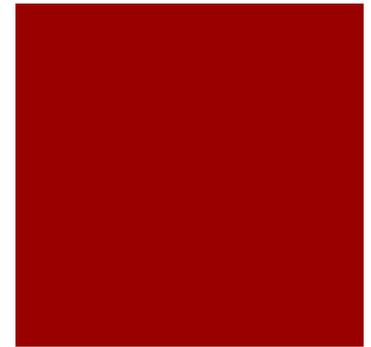
- Every year an estimated of
  - BDT 20,000crore through hoondi,
  - BDT 10,000 to 16,000 crore through under invoicing and
  - around BDT 5,000 crore through other different ways to illicit cross-border financial flows.
- As per monetary policy of BBank, one person is not illegible to send above US\$ 5,000 to any foreign country. Then how these money has been laundered ?



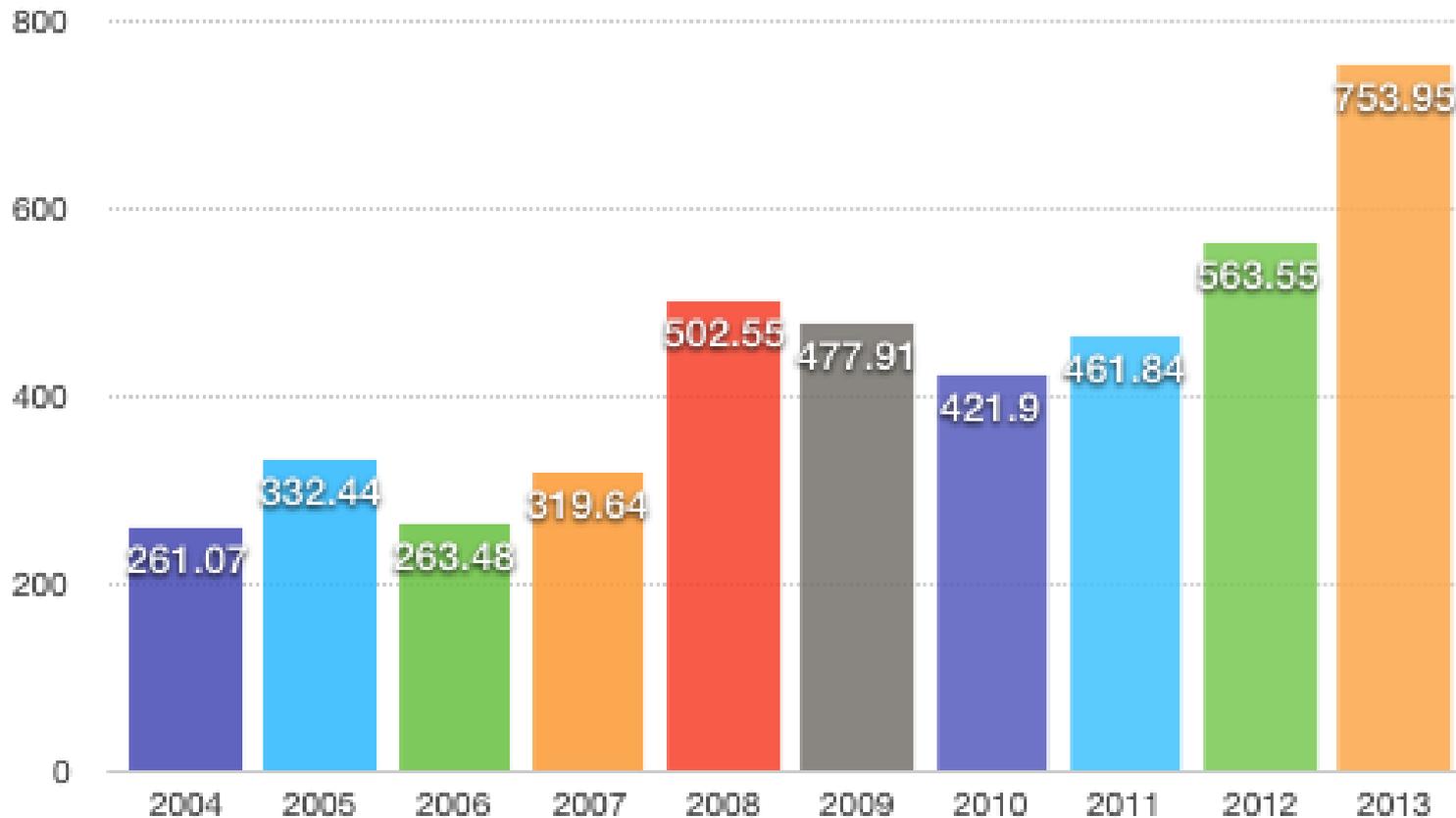
National Board of Revenue, Bangladesh  
জাতীয় রাজস্ব বোর্ড, বাংলাদেশ

# IFF from Bangladesh

from 2014-2013

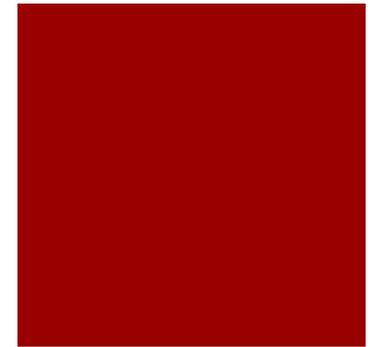


Illicit Financial Flow (Amount in BDT in Billion)

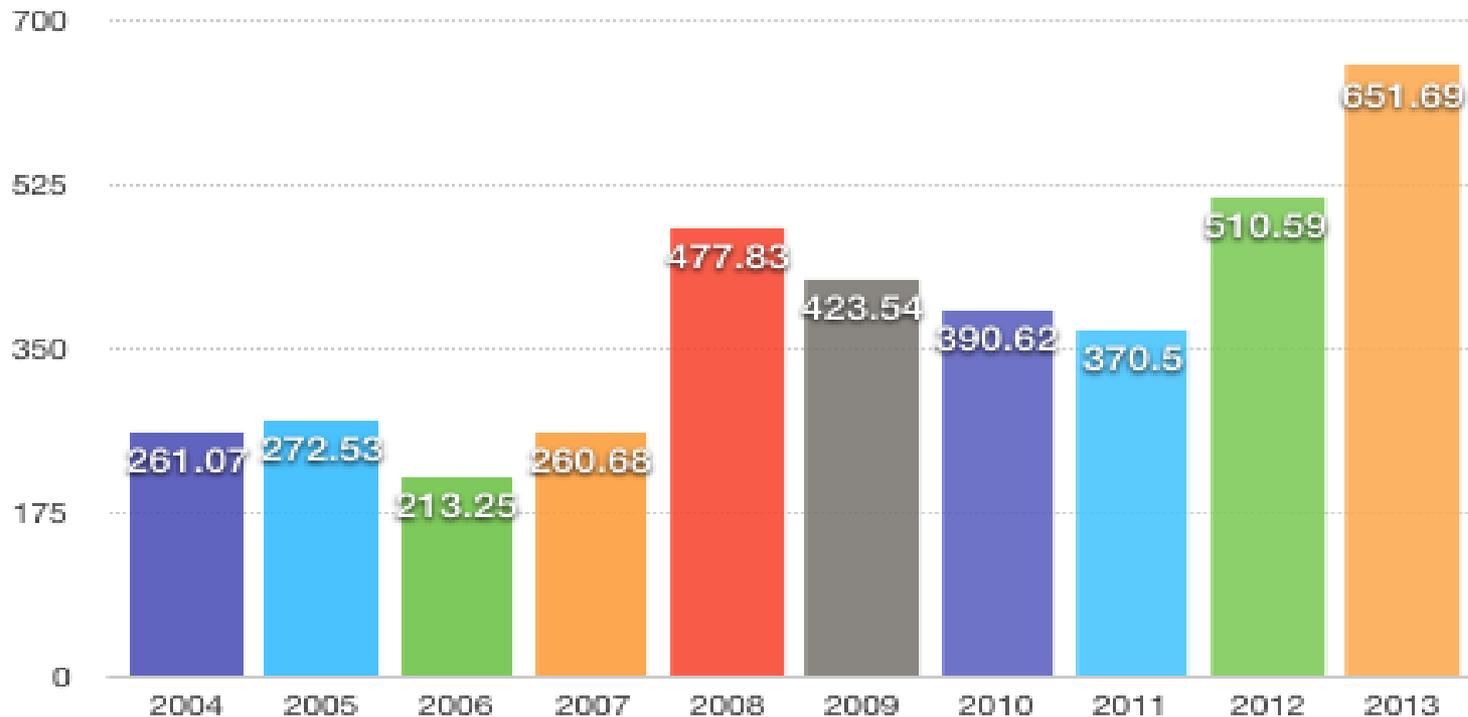


# Trade Missinvoicing from Bangladesh

from 2014-2013

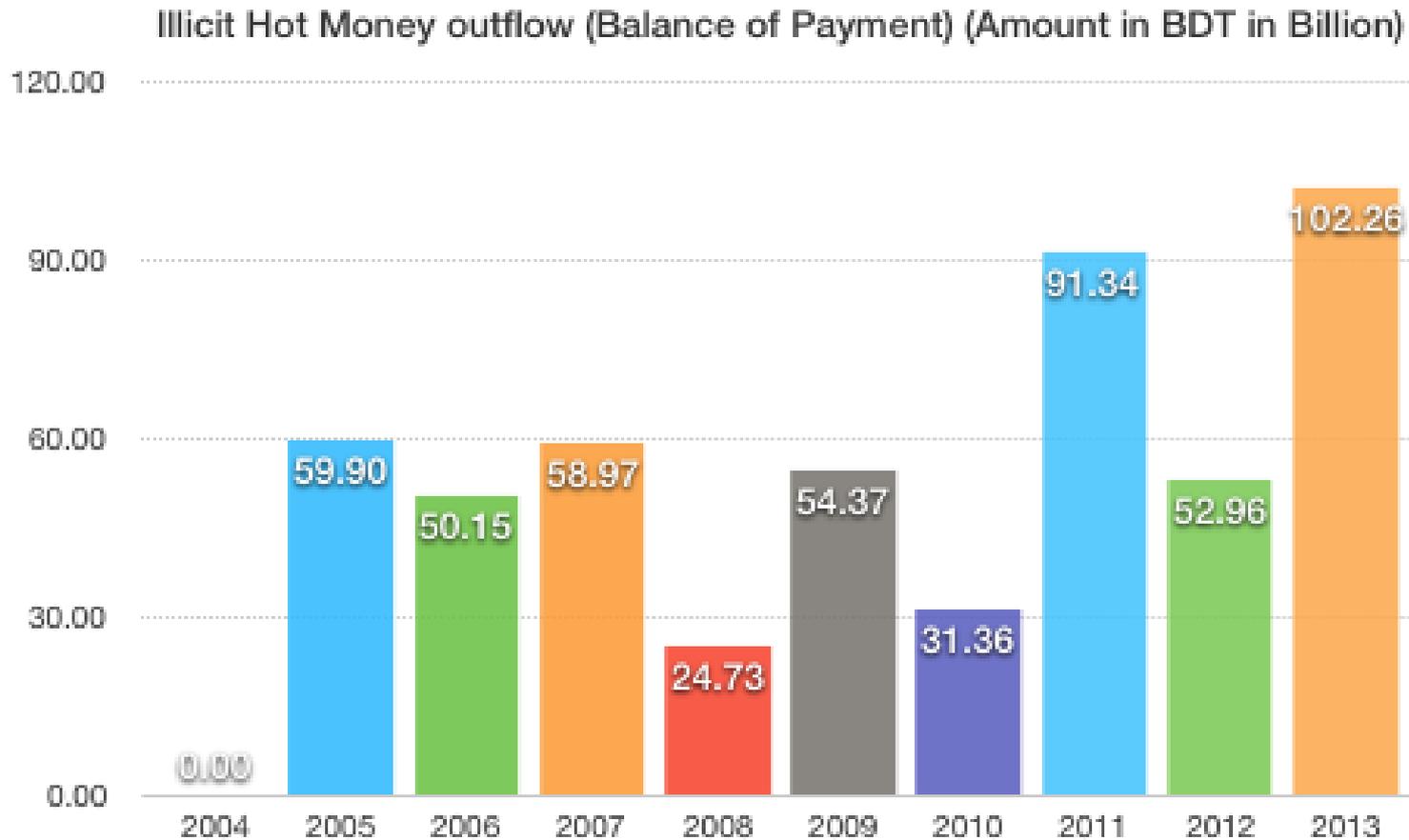
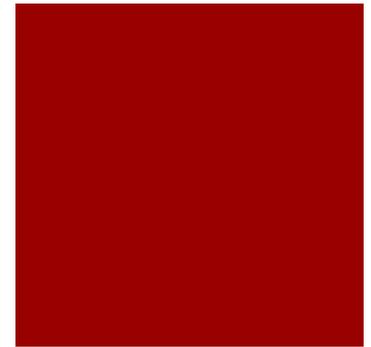


Trade Misinvoicing (Amount in BDT in Billion)



# Illicit Hot Money outflow

(Balance of Payment)



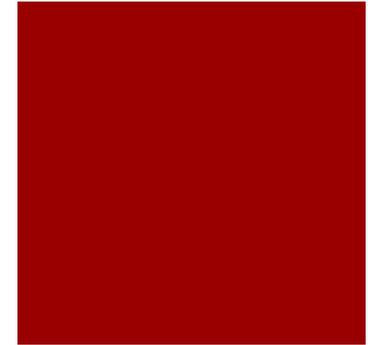
# Financial Secrecy Index- 2015

By TJN, UK

- An estimated US\$ 21 to \$32 trillion of private financial wealth is located, untaxed or lightly taxed, in secrecy jurisdictions around the world
- Since the 1970s African countries alone are estimated to have lost over US\$ 1 trillion in capital flight, dwarfing their current external debts of US\$200 billion and made Africa a major net creditor to the world.
- An estimated at \$1-1.6 trillion IFF a year, dwarfing the US\$ 135billion or so in global foreign aid i.e. Developing countries pay back US\$10 for every Dollars of aid provided by OECD countries.
- The top countries are Switzerland, Hong Kong, USA, Singapore, Cayman Islands, Luxembourg, Lebanon, Germany, Bahrain and UAE.
- Singapore, Malaysia, Philippines and Srilanka are turning to tax heaven countries In Asia.



# Source of Underground Economy



## Dimensions of an underground economy

<b>Illegal economic activities</b>	<b>Legal but not reported in national accounts</b>
Bribery, gambling, smuggling, extortion, drug dealing, black marketing, work done by illegal immigrants, corruption, manipulations in import, exploitation of loopholes of laws, tax evasion, land & building registration, extraordinary professional fee, adulterate food production and sales, not refund the bank loan, illegal arms business, loss of govt. companies, domestic and international tender agreement, govt. purchase, money laundering & hundi business, terrorism activates, housing business, tax free vehicles by MPs etc.	Tax evasion , Tax avoidance, etc.

# Money Plundered from Banks

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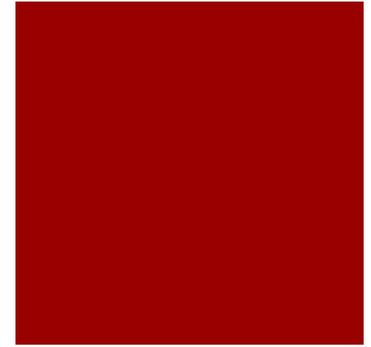
- Since 2011 thousands of money has been plundered by the influential and the groups like Hall Mark, Destiny, UNI Pay, Bismillah group, Nurjahan group from different national and private banks even from share market.
  - Source : Subsidy from Rental and quick rental, Fake LC and bank account open, Share market, Govt purchase etc.
  - Tk.20,000 crore has been plundered from different Govt. banks (Sonali, Janata, Rupali, Agrani and BASIC Bank).
  - Action could not taken due to political influential (Stated by Finance Minister)
  - BB reserve US\$ 10.10 crore hacked from US Federal bank (Philippine:\$8.10crore, Srilanka:\$2.00 crore). BB officials are engaged in this process (Said, Finance Minister)
-

# Money Plundered from different Banks

Name of Bank	Plundered amount from different Br.)
Sonali Bank	Tk.10,000 crore (Tk.3,541 crore from a particular Br.)
BASIC Bank	Tk.4,368 crore
Rupali Bank	Tk.1,500 crore
Janata Bank	Tk.1,090 crore
Krishi Bank	Tk.621 crore
Agrani Bank	Tk.250 crore
Mercantile Bank	Tk.40 crore
Prime Bank	Tk.408 crore
IFIC Bank	Tk.350 crore
Jamuna Bank	Tk.164 crore
Shahjalal Islami Bank	Tk.148 crore
Primier Bank	Tk.63 crore

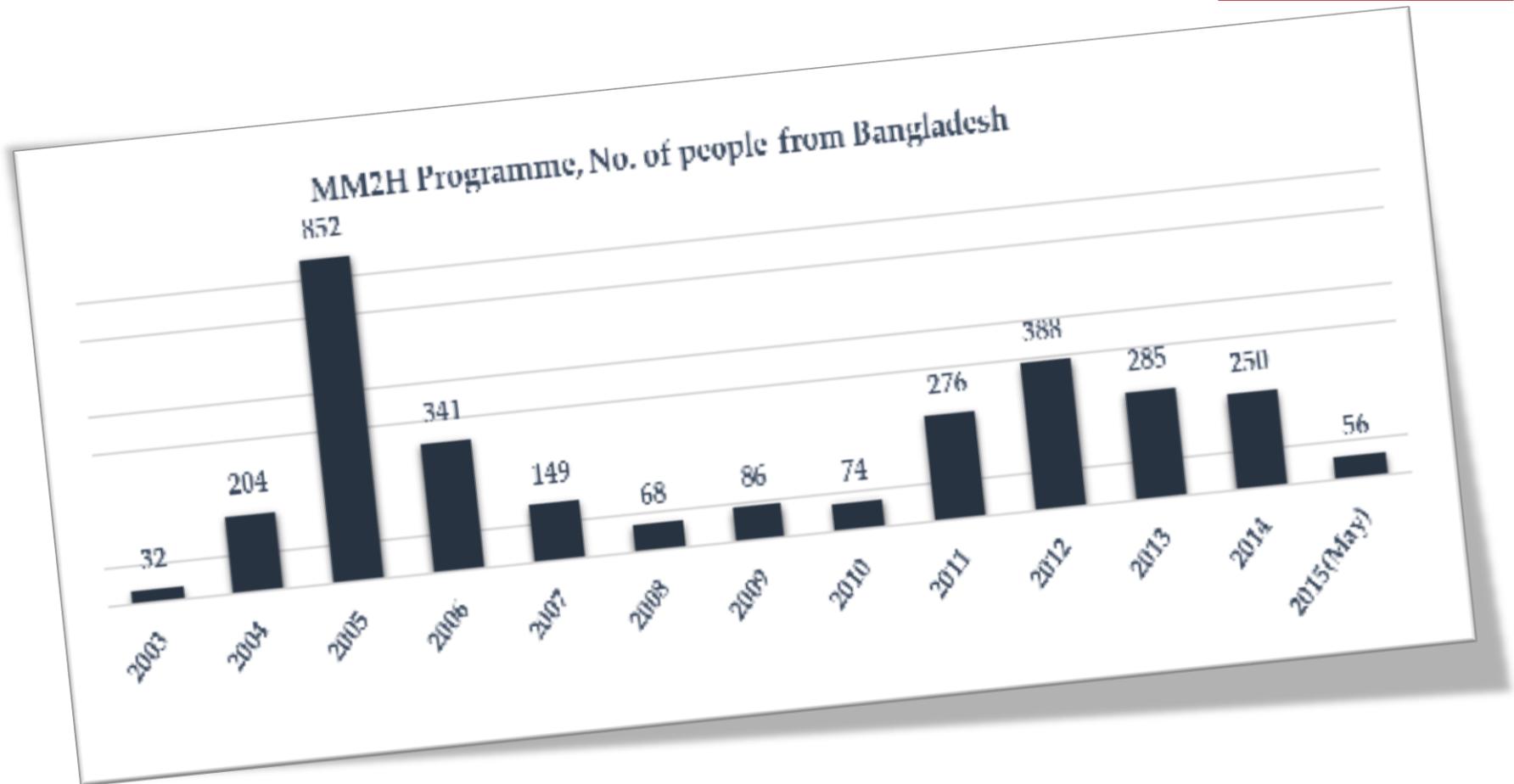
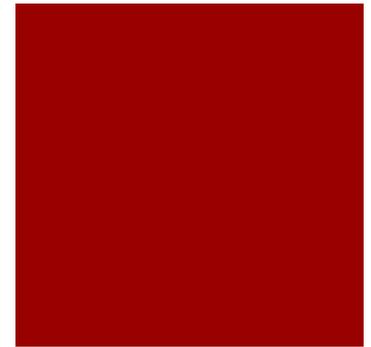
**Source: Amader Budhbar, 19.08.2015**

## Malaysia as My Second Home (MM2H)



- Since its inception in 2002, a total of 3061 Bangladeshis received this “Second Home” package until May 2015 are ranked third after China and Japan.
- More than BDT 10,000 crore has been transferred to Malaysia during the last ten years (Tk.6,000 crore for 2nd Home package and Tk.4,000 crore for Flat and Plot).
- BB observed that, money has been transferred through leakage of export-import, remittance and hoondi.
- Bangladeshis (3,061) comprise 11.2% of the total MM2H beneficiaries and are ranked third after China and Japan
- Opportunities are available in Australia, Singapore, Switzerland, Canada and USA

## Malaysia as My Second Home (Cont.)



# Deposits in ‘Swiss Bank Accounts’

- Annual report “Banks in Switzerland 2014” published by central bank of Swiss (SNB), it is observed that when the illicit financial flows from developed countries to Switzerland is declining at a record low rate, in the same time it is skyrocketing from Bangladesh.
- In a frequency of one year deposits in Swiss Banks, it has been increased up to 40.70% by Bangladeshis year-on-year in 2014
- At the end of 2014 total of Swiss Franc 50.60crore (Tk.4,554 crore) deposited by Bangladeshis.



## Deposits in 'Swiss Bank Accounts (Cont.)

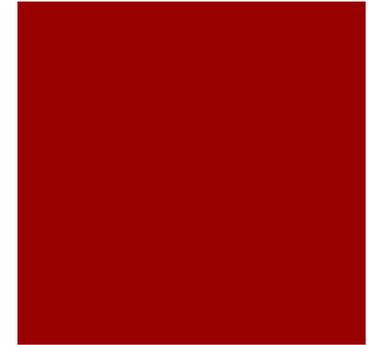
### Deposit by Bangladeshis in Swiss banks:

Year	Swiss Frank (in Crore)	BDT (in Crore)	% of Increase
2014	50.60	4,554	40.7%
2013	37.19	3,237	69.7%
2012	22.89	1,908	47.3%
2011	15.23	1,295	-34.2%
2010	23.60	1,968	58.6%
2009	14.90	1,241	39.1%
2008	10.70	892	

**Source: "Banks in Switzerland 2014" by Swiss central bank (SNB)**

# MNCs Tax Evasion

- 04 phone operators (GP, BLink, Robi and Airtel) evaded taxes of about Tk 31 billion by selling new SIM cards in the name of replacement.
  - Grameen Phone (major share by Telenor of Norway) evaded BDT 15.62 billion during 2007 to 2011
  - Banglalink (Major share by Orascom of Egypt) evaded Tk. 7.62 billion of taxes from June 2009 to March 2011.
  - Robi (major share by Singtel of Singapore) evaded Tk 6.47 billion of taxes from March 2007 to June 2011.
  - Airtel (major share by Airtel of India) evaded tax of Tk 390 million from January 2010 to June 2011
- British American Tobacco Bangladesh (BATB) evaded tax about Tk 19.24 billion by making false price declaration on their two brands cigarette during 2009 to 2013.



**BRITISH AMERICAN  
TOBACCO**

# Step taken by India government in respect of IFFs and Black Money

A. Tax Collection from Cross-border Collection: Under the Tax Information Exchange Agreement (TIEAs) India has collected INR1,170 billion in last 10 years.

Year	Collected Tax by DIT, India
2002-03	INR.1,356 crore
2003-04	INR.1,29 crore
2004-05	INR.4,418 crore
2005-06	INR.8,049 crore
2006-07	INR.9,147 crore
2007-08	INR.11,790 crore
2008-09	INR.15,740 crore
2009-10	INR.16,198 crore
2010-11	INR.21,509 crore
2011-12	INR.27,442 crore

*Source: White paper on Black money, India 2012*

## Step taken by India government in respect of IFFs and Black Money (Cont)

### B. Proposed legislation on Black Money held Abroad

The key features of the bill to tackle money stashed abroad will include:

- Punishment up to 10 years for concealment of income and assets and evasion of tax in relation to foreign assets.
- This offense will be made non-compoundable and offenders will not be permitted to approach the Settlement Commission.
- Penalty for such concealment of income and assets at the rate of 300%.
- Non-filing of return or filing of return with inadequate disclosure of foreign assets will be punishable of up to 7 years.

## Step taken by India government in respect of IFFs and Black Money (Cont)

### B. Proposed legislation on Black Money held Abroad (Cont.)

- Property in false name will be treated as black money and such property will now be subject to forfeited.
- A personal identification number (PIN) is being made mandatory for any purchase or sale exceeding of \$2,000. Cash would no longer be acceptable for above this amount.
- To improve enforcement, Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC) will leverage technology and have access to information in each other's database

# Our Demands

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- Each Bangladeshi citizen or a Bangaldeshi with dual citizenship who has asset and bank account in foreign countries will have to submit annual financial statement. Punishiery measure should be taken in respect of concealment of information and tax evasion.
  - White paper has to be published by scrutinizing the financial information who received citizenship in foreign countries including Malayasia illegally.
  - Inter-country Agreement regarding transparency of financial transaction should be signed with different countries including Switzerland.
  - Money transfer through hoondi should be stopped by keeping legal provision of punishment.
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# Our Demands (Cont.)

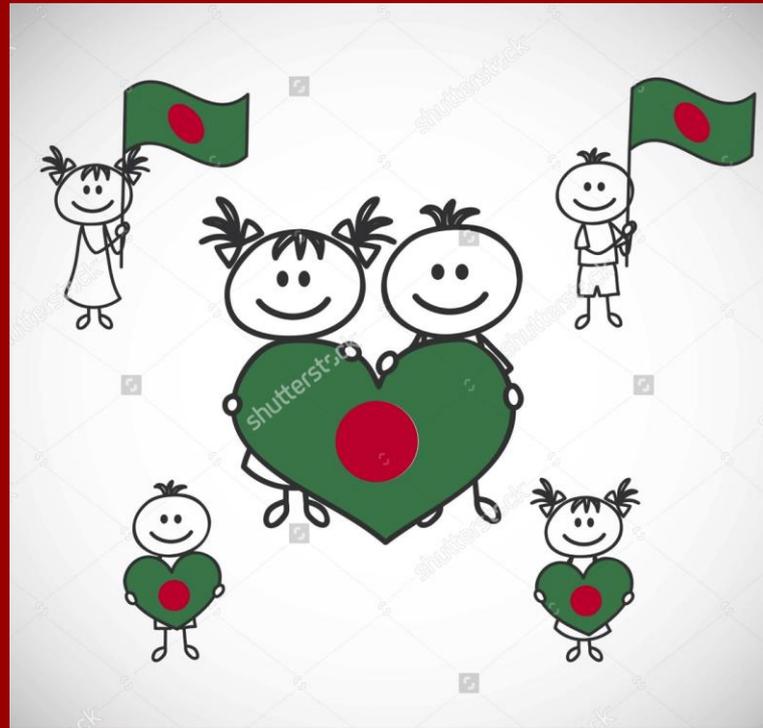


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- Laws to be formulated to protect purchasing of "assets without representation" like India. For example:
  - Personal Identification Number (PIN) has to be used for purchasing over US\$ 2000 and cash transaction will no longer be accepted in such cases.
  - This type of assets will be forfeited, if identified.
  - White Paper will have to be published on the money plundered through share market and national and private banks by the groups like Hall Mark, Bismillah and other influential.
-

# Our Demands (Cont.)

- Money transaction through mobile banking to Thailand and Malaysia regarding recent human trafficking of Bangladeshi and Rohingya need to be investigated thoroughly.
- MNCs usually transfer the money to abroad by evading their real income through different way specially by over/under invoicing. Their income and investment should have to be properly audited and disclosed publicly
- Confrontational politics has to be stopped for curbing capital flight and foreign remittance. Congenial atmosphere has to be established so that business men and others get a sense of security for investing the money.
- To show zero tolerance to undisclosed money and apply the law more strictly on sources of black money.





**Thank You**