

## **Major Challenges and Best Practices in the Utilisation of Non-repatriated Illicit Funds with View to Supporting the Achievements of the Goals of the 2030 Agenda for Sustainable Development**

The Sustainable Development Goals (SDGs) regard domestic revenue as fundamental for countries to meet their developmental goals. However, the shadow financial system is increasingly limiting the ability of governments to raise revenue on their own. Whether it is through anonymous companies or because of limited capacity of national tax authorities, illicit financial flows (IFFs) have explicit detrimental effects on financing of sustainable development. **SDG target 16. 4 states that by 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.**

IFF constitutes stolen assets of a country, which could have been used in the home country for the purpose of development. The central government has initiated certain steps to reduce illicit financial flows by engaging in a dialogue with different countries.

### ***Major Challenge in India:***

The progressive realisation of human rights and availability of public services such as education, health, nutrition, drinking water and sanitation, etc. depend on how effectively national governments mobilize resources in the country. An integral part of this is national tax policy. While progressive and effective national tax policies are vital to raising domestic resources, the secrecy mechanisms of the shadow financial system limit the ability of governments to raise revenue on their own. The result is illicit financial flows – cross-border movement of funds generated through a range of activities – including tax evasion, misappropriation of state assets, laundering proceeds of crime, and artificial profit shifting by multi-national corporations by abuse of tax laws and bilateral tax treaties. Illicit financial flows, directly aided by secrecy in the global financial system, are deeply corrosive of national revenue, inhibit the realization of human rights and undermine institutional accountability.

### ***Best practices in India in the utilization of non-repatriate illicit funds:-***

IFFs are a complicated and multi-faceted issue, and need several nuanced measures to curb them. **India has adopted and supported a few transparency reforms to further global financial transparency:**

- **Automatic Exchange of Financial Account Information between Jurisdictions:** India signed up to the standard of Automatic Exchange of Information in June 2015. The OECD and the G20 have designed this standard to allow exchange of financial account information automatically, at regular intervals with the account holder's home country – which will allow countries to have access to their overseas citizens' financial account information. India will start exchanging information with other countries starting September 2017.
- **Registry of Beneficial Ownership of Companies:** Anonymously owned companies facilitate embezzlement and secrecy. In 2016, India introduced a provision for creating a registry of true human owners, requiring all companies to report their 'significant beneficial owners'. The provision is currently being debated in Parliament.
- **Country-by-Country Reporting (CbCR) of Multi-National Corporations' Operation and Tax Data:** There is a lack of transparent information about the operation of MNCs – they operate in various countries but report their operational and tax data as a consolidated entity in the jurisdiction where they are registered. OECD's Base Erosion and Profit Shifting project (designed to equip governments with domestic and international instruments to check tax avoidance) requires MNCs with annual consolidated revenue of over 750 million Euros to report their operational information in a disaggregated, country-by-country basis. India announced the adoption of CbCR requirements for MNCs in 2016, which will ensure big corporations operational in India to report their data to Indian authorities.
- **Supporting a Global Tax Body:** International tax standards are currently shaped by the G20 and OECD – both of which are clubs of rich, elite countries. Most developing countries therefore, do not shape these norms that affect them directly. Since 2011, India has been vocal in its support for the establishment of a global, democratic, intergovernmental tax body under the auspices of the UN, maintaining that it would be "crucial for the effective implementation of the 2030 agenda".

- India has signed MoU with different countries in curbing the flow of illicit funds. Such as **India and Switzerland signed a new pact last year with regards to the automatic exchange of information about accounts with black money lying around.**