Submission to the 6th BRICS Summit
Fortaleza July 15-17, 2014

The FTC encourages greater transparency in financial rules in order to remove barriers to economic development and create economic opportunity for everyone. The Financial Transparency Coalition (FTC) brings together nine leading Non-Governmental Organisations (Centre for Budget and Governance Accountability, Christian Aid, Eurodad, Global Financial Integrity, Global Witness, Latindadd, Tax Justice Network, Tax Justice Network-Africa, and Transparency International) across five continents, 150 civil society allies, 13 governments, and dozens of the world's foremost experts on illicit financial flows (IFFs).

During the 2013 Summit in South Africa, the BRICS reaffirmed their commitment to cooperation and solidarity towards a stable world economy, more equitable development and inclusive global growth. The following priority areas will contribute to the shared goals of BRICS countries, as well as demonstrate the leadership of BRICS as important emerging economies in the global stage.

We urge the BRICS leaders to:

I. Prioritise and promote increased tax revenues as the most sustainable financing source for development; focus international actions, including the post 2015 targets on addressing illicit financial flows that undermines domestic resource mobilisation

II. Play an important role through the BRICS Development Bank in facilitating the adoption of transparency measures to address illicit financial flows through its lending/financing policies

III. Support and contribute resources to strengthening and upgrading the United Nations Tax Committee

IV. Set up an institutional mechanism for cooperation of BRICS tax authorities and promote cooperation in their regions on tax and transparency

I. Prioritise and promote increased tax revenues as the most sustainable financing source for development; focus international actions, including the post 2015 targets on addressing illicit financial flows that undermines domestic resource mobilisation

Research by FTC member Global Financial Integrity shows that the developing world lost US$946.7 billion in illicit outflows in 2011, an increase of 14 percent over 2010. This is more than seven times the amount the developing world received in aid the same year. Curbing illicit financial flows out of developing countries must be at the heart of financing development. Greater transparency in the global financial system is crucial towards addressing this challenge that is undermining efforts towards domestic resource mobilisation. With this in mind, we urge the BRICS nations to prioritise actions to curb such flows in their approach to the post 2015 process, both as regards the targets and financing. Three key areas that need such international action are:

- **Automatic Exchange of Information**: We urge the BRICS countries to demonstrate leadership in ensuring that developing country concerns on the issue are given due consideration in designing the standard. Ensure that the automatic exchange process adapt to, and effectively assist, developing countries with their needs, interests and
capacities, allowing developing countries to access the benefits of automatic information exchange while they adjust to the costs.

- **Country-by-Country Reporting**: We urge the BRICS leaders to commit to making public country-by-country reporting the new global standard, specifically through Action 13 of the G20/OECD Base Erosion and Profit Shifting. If companies were required to report sales, profits, and taxes paid in all jurisdictions in their audited annual reports and report tax returns, it would make it difficult to hide money offshore and help curb the billion dollar drain. Additionally, the reported information must be public, in order to enable all tax administrations, including those in the poorest countries, to respond to base erosion and profit shifting.

- **Beneficial Ownership**: Commit to recognizing public registries of beneficial ownership as the emerging global standard for corporate transparency through their national legislations and participation in G20, FATF and similar forums. Corruption, crime, and tax evasion are facilitated by people’s ability to hide their identity through secretive shell companies and other legal structures. Requiring the collection of beneficial ownership information, meaning the natural person who owns or benefits from the company, trust or foundation, and making the information available in accessible national public registries will help create a transparent corporate structure and foster a better functioning global financial system.

II. **Play an important role through the BRICS Development Bank in facilitating the adoption of transparency measures to address illicit financial flows through its lending/financing policies**

The Durban BRICS Summit in 2013 stated that the Bank would focus on ‘mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries’. With the focus on the Bank continuing in 2014 as well, we urge the BRICS nations to consider the important role it can play through its lending/financing policies, in facilitating the adoption of corrective policy measures (such as the ones noted above) that promote transparency in the global financial system.

III. **Support and contribute resources to strengthening and upgrading the UN Tax Committee**

The Fifth BRICS Summit Declaration in 2013 also noted the United Nations (UN) as the foremost multilateral forum for sustainable development and the commitment of BRICS countries to continue cooperation under the UN. Against this background, we urge the BRICS leaders to contribute resources towards strengthening the UN Tax Committee, currently the only inclusive forum for cooperation on international tax matters. We also urge the BRICS leaders to support the G77’s call for upgrading the UN Tax Committee to an inter-governmental universal body of the UN to allow all countries to have an equal say on issues related to tax matters.

IV. **Set up an institutional mechanism for cooperation of BRICS tax authorities and promote cooperation in their regions on tax and transparency**

In light of the recent developments towards reform of international tax system led by G20 and OECD (through the Base Erosion and Profit Shifting project), the greater prominence and leverage of BRICS in international tax discussion will benefit from an institutionalised forum for intra-BRICS cooperation, including research and policy coordination across the members. As non-OECD members in the BEPS process, BRICS cooperation could help ensure that diverse contexts and challenges from their countries as well as other developing countries are reflected in the suggested reforms. This would require BRICS members to also lead efforts in their own regions to promote regional cooperation on tax and transparency, especially assisting the participation of developing countries.