

Financial Secrecy Index 2018

Introduction

The Financial Secrecy Index (FSI) 2018 ranks 112 jurisdictions according to their secrecy and the scale of their offshore financial activities. A politically neutral ranking, it is a tool for understanding global financial secrecy, tax havens or secrecy jurisdictions, and illicit financial flows or capital flight. A global industry has involves the world's biggest banks, law practices, accounting firms and specialist providers who design and market secretive offshore structures for their tax- and law-dodging clients. In providing secrecy, the offshore world corrupts and distorts markets and investments, shaping them in ways that have nothing to do with efficiency. The secrecy world creates a criminogenic hothouse for multiple evils including fraud, tax cheating, escape from financial regulations, embezzlement, insider dealing, bribery, money laundering, and plenty more.

The FSI reveals that the world's most important providers of financial secrecy are mostly not small, palm-fringed islands as many suppose, but some of the world's biggest and wealthiest countries. General results show that **Slovenia** is ranked as the least secretive country with the score of 41.83 while **Vanuatu** being the most secretive country with the score of 88.54.

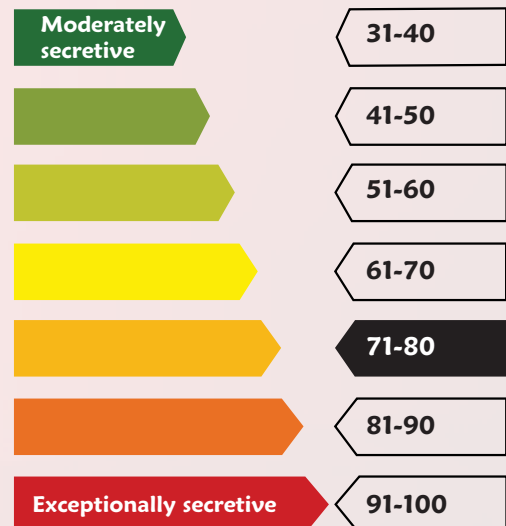
Results in Tanzania

The United Republic of Tanzania scored a high secrecy score of 73. Surprisingly, even with these attractive secrecy policies, it is only recently that the jurisdiction has been brought under the spotlight.

Financial Investment

Following the liquidation of five banks by the central bank, it has been noted that the Government supports the campaign against money laundering, but it has maintained its position of securing the confidentiality of the information of the principal owner of the accounts, unless appropriate documents are presented to them. A number of Chinese and Indians have considered Tanzania as the best destination for their wealth.

Although the tax laws have always been favorable to investors, it is only recently that Tanzania has gained popularity as a secrecy jurisdiction. Even with laws in place, there are weaknesses in the actual implementation of due diligence checks by banks.



Beneficial ownership in the extractives industry

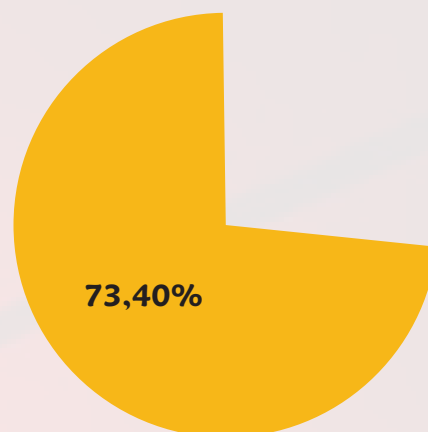
The extractives industry has been marred by secrecy and corruption leading to scandals. Recently, Acacia Mining Plc, a London based company, was found to have been understating its tax liabilities in Tanzania.

During the London Anti-Corruption Summit held on May 2016, the government pledged that beneficial ownership of companies active in the extractive industry will become publicly available. Yet the legal framework with regards to beneficial ownership has been wanting, for the extractive industries (mining, oil and gas) companies are required to publish the names of their owners under the Tanzania Extractive Industries (Transparency and Accountability) Act 2015; however, no regulations are in place to operationalize this provision.

However through the Tanzania Extractive Industry Transparency Initiative (TEITI) Tanzania has joined other countries in establishing the beneficial ownership of the extractive companies operating in its jurisdiction; disclosure of beneficial owners is mandatory for EITI implementing countries from 2020.

To date, the TEITI Committee has agreed on its roadmap to implement beneficial ownership disclosure, including establishing a materiality threshold of 1% stake for the disclosure of beneficial ownership and establishing a central registry to house information from extractive companies. This is extremely a good sign for future days.

Tanzania - Secrecy Score



Recommendations

- ▶ Creating a public registry of beneficial ownership of companies.
- ▶ Current steps to develop a modern financial sector are accompanied by a commitment to legal and financial transparency.
- ▶ Directly confronting offshore secrecy and the global infrastructure that creates it.
- ▶ To identify and avoid as accurately as possible the jurisdictions that make it their business to provide offshore secrecy.



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