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TAX HAVEN COUNTRIES AND THEIR RELATIONSHIP TO INTERNATIONAL TAX EVASION

Dr. Khairi Ibrahim Murad / Assistant Professor
Duhok of University - College of Law
Khairi.murad@uod.ac

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Abstract:

The first appearance of tax havens was associated with attracting foreign investments, but they have become one of the most important mechanisms for international tax evasion in the current era, by enabling negative practices of individuals and companies, which costs the global tax system a loss of 724 billion dollars annually, 74.64% of the total losses. Therefore, this study came to shed light on this phenomenon, which has witnessed a significant expansion in recent years, and to urge the establishment of international strategies to limit its expansion.

Keywords: tax; tax system Paradise countries are taxed; international tax evasion; tax losses

INTRODUCTION

The first appearance of tax havens was associated with attracting foreign investments, but they have become one of the most important mechanisms for international tax evasion in the current era.

The countries of tax havens are financial or financing centers for international companies in particular, and international companies and groups in general. It represents, with what it decides of tax concessions and privileges that often amount to tax exemptions for some types of income and activities, a suitable and more suitable climate for investments.

Therefore, international companies are trying to create in these countries centers for nascent companies to achieve their main purpose towards maximizing their profits and reducing their tax burdens.

The countries of tax havens are centers for loans and credit in a non-local currency and without interest at all, or at least with a simple interest that is negligible. It collects income that international groups and companies do not want to fall into the hands of the tax authority in which they reside and whose tax rate is usually high.

Internationally active companies, by using tax havens, have benefited twice: on the one hand, they have been able to reduce their tax burden in the home country, and on the other hand, they have benefited from investments in tax haven countries where the tax system is light, and thus they have obtained their profits in full without any Little tax deductions.

It is worth noting that one of the most famous tax havens is Switzerland.

Study problem:

The problematic of the study is about the role of the tax haven countries in international tax evasion. Therefore, the problematic of the study revolves around answering the following questions:

Do the tax side countries play a role in achieving international tax evasion? What makes these countries attractive to foreign investment?

- What is the reason for these countries to attract capital to them?
- What are the incentives achieved by the tax haven countries for these capitals or investments?

Study hypothesis:

In order to address this problem, we formulate the following hypotheses:

Tax haven countries depend on a set of specifications that allow them to attract capital towards their environment and thus escape tax accountability.

Tax haven countries are among the strongest mechanisms for international tax evasion

Study plan:

This study came to shed light on this phenomenon, which has expanded greatly in recent years, as a means of international tax evasion.

Accordingly, we will discuss here everything related to tax haven countries and their relationship to international tax evasion, as follows:

The first topic is the concept of tax paradise countries
The first requirement is definition
The second requirement: characteristics The third requirement: types
The second topic: tax evasion by tax havens
The first requirement: tax evasion by transfer prices
The second requirement: the losses of international tax systems resulting from tax havens
The third requirement: the tax losses of the global system due to international tax evasion

the importance of studying:

This study gains its importance from the growing interest in the recent years in the subject of paradise Taxation by researchers and international organizations

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Its size and research solutions needed to reduce its breadth, to reduce the leakage of more tax revenues from the system
global tax.

Objectives of the study:

The objectives of the study are:

1. Attempting to define tax havens and common characteristics among countries classified as tax havens.
2. Shedding light on the size of the responsibility of tax authorities for the losses of the global tax system.
3. An attempt to estimate the losses of the global tax system from lost tax revenues in tax havens..

Study methodology:

To address the problem of the study and the sub-questions, the descriptive approach was used in presenting the issues
The theory related to the study, in addition to the analytical approach through analyzing the losses of the global tax system
Due to tax crimes, depending on the data and information available from its
.official sources

Study hypotheses:

The main hypotheses of the study are:
1-The global tax system incurs huge tax losses in view of the expansion and growth of the phenomenon of tax havens.
-2 As the official sponsor of capital smuggling outside its official system.
-3 Developing countries are the parties most affected by such phenomena

THE FIRST TOPIC

The concept of tax paradise countries

To reach the research goal of this study, we will divide this topic into the following three demands: The first requirement shows what the tax gardens are, and the second requirement indicates the types of tax gardens, and the third requirement will be devoted to a statement of the characteristics of tax gardens.

The first requirement What are tax havens

It seems from the term tax havens that it is mainly related to the tax system of these countries. There are many terms that can be applied to these countries, with some calling it a tax haven (Refuge Fiscal), and others prefer to call it a tax oasis (Oasis Fiscal)[1], as it is more appropriate than the term tax havens, or tax holiday countries (Vacancies Fiscal). As for the Anglo-Saxon countries, it was called Tax Haven, which in French is called Paradis Fiscal.
Whatever the names, what is important to us in this regard is to develop a specific definition that shows what is meant by tax haven countries.
In fact, financial and economic jurisprudence does not have a specific definition of the tax committee, so thinkers in this regard have striven to define it specifically. There are those who tried to define it as (a national region in which the tax deductions as a whole are less than others in any other place, and where the matter comes from a practical point of view to the absence of a tax at all)
As defined by the Organization for Economic Cooperation and Development and the Financial Working Group, in addition to other financial bodies, that tax havens are (countries and regions in which there is a general regulation of national financial activities, in parallel with an exceptional regulation of international activities in order to bring about great and renewed economic dynamism).
As others have defined it (it is a jurisdiction that may be a country, state, or region, in which the tax on income or profit is very low or non-existent and

[1]Dr. Suzy Adly Nashed - The phenomenon of international tax evasion and its effects on the economies of developing countries - Al-Halabi Human Rights Publications - Beirut - First Edition - 2008 - p. 84.

works to attract money depending on this feature, and these jurisdictions usually give another advantage, which is confidentiality, and it is necessary for anyone who wants to evades paying tax in his country).
There is also another definition that the tax paradise (are areas characterized by low or almost non-existent tax pressure, and these are countries whose banking and financial systems are very strict with regard to the confidentiality of information belonging to their foreign customers)[2].
Finally, some define it as (it is a country or territory that grants individuals and companies little or no tax liability in a stable political and economic environment, and tax havens do not exchange with foreign tax authorities any information or exchange specific information, and do not usually require residence or commercial presence for individuals and companies to benefit of their tax policies).
Based on these definitions, we can say that tax havens are external places that enable evasion
Tax havens for individuals and companies The facilities granted by tax havens: Tax havens are designed to be secret, discreet and non-transparent.

* Absence of tax on income and profits.
* Absence of fees on donations
* The bank does not require knowledge of the customer's identity (maintaining bank secrecy) banking secrecy and acceptance of anonymous accounts
* The bank did not disclose the amount of profits

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achieved in the commercial transactions of the account holder

* Does not monitor financial transactions
* The act of money laundering is not criminalized.

On our part, we believe that the tax haven countries are sovereign states whose tax legislation determines many advantages and tax exemptions (preferential or privileged treatment) with regard to incomes of foreign origin, which negatively affects their tax revenues compared to other countries.

[2] . LEVINE Pierre – la lute contre l, evasion Fiscale de Caractere International en L absence et en Presence de Conventions Internationals – These, Paris I, 1986. Referred to in Appendix d. Suzy Adly Nashed - previous source - p. 84

Widad Bou Qala / Misbah Harraq - Tax Paradises and Losses of the Global System - Research published in the International Journal of Economic Performance - Issue 1 - Volume 4 - Year 2021 - P. 81. Within the following website:https://www.asjp.cerist.dz/revues/640/call-for-reviewers

Through this definition, we can define the elements of a tax paradise, taking into account that the mere existence of a tax system in the state that determines tax advantages and exemptions for foreign projects and a low tax rate is not sufficient alone to make the decision regarding the establishment of foreign projects and investments, but rather other conditions, standards and guarantees must be available. for the foreign investor.

It must be noted that there are some countries that are considered a tax paradise in which the tax rate is lower than other countries, i.e. it is not required to decide tax exemptions or advantages. An example of French law, where the latter considered that if the country imposes a tax at a lower rate than that imposed in France, then it is considered a country with a distinct tax system. Based on the foregoing, the French Tax Authority decided to list exclusively the tax haven countries and classified them into three groups[3]:

1- Foreign countries or territories that do not impose tax at all on profits from professional activities or on income.

2- Foreign countries or territories that do not impose tax on profits or incomes of foreign origin.

3- Countries or territories outside France where the tax on profits or income is less high than the French tax, whether by application of the law or any other special legal system.

The second requirement Types of tax havens

The world includes more than 60 areas of tax havens that represent the tax bliss of the wealthy, and their classifications have varied according to the multiplicity and different criteria adopted, including:

Inclusion criterion: According to this criterion, tax havens are classified into two types[4]:

The first type: general tax gardens: It is the common and widespread type, and it is a country and regions whose tax and investment legislation includes special tax systems that apply to everyone, and grant a number of tax and financial

[3] Widad Bou Qala / Misbah Harraq - Tax Paradises and Losses of the Global System - Research published in the International Journal of Economic Performance - Issue 1 - Volume 4 - Year 2021 - P. 81. Within the following website: https://www.asjp.cerist.dz/revues/640/call-for-reviewers

[4] Dr. Ahmed Youssef Al-Shahat - International Companies Activity and Transfer of Technology to Underdeveloped Countries with a Case Study of the Egyptian Economy - Dar Al Shafei Publications - Egypt - 1991 - p. 199.incentives for foreign investments in general, for example: Monaco and Switzerland.

The second type: special tax havens: they are countries and regions that establish special tax systems for specific types of companies, an example of which is Luxembourg's establishment of a special tax system for holding companies.

As for the criterion of imposing taxes: According to the criterion of imposing taxes or not, it is possible to distinguish between types of tax committees, as follows[5]:

1- Tax havens without tax burden: (Nil tax haven) are countries that do not impose taxes on income and profits, and do not conclude double taxation treaties with other countries, such as: Monaco, Bermuda, Vanuatu, Turks and Caicos Islands; However, it should be noted that the zero-tax feature that characterizes this type of tax haven does not mean that non-residents are not subject to taxes in an absolute way, as they are subject to taxes by other means, such as licensing and registration fees, and/or the requirement to keep fictitious local managers, and all the The tax charges fees for operating non-resident entities, for example in Vanuatu where it costs US$420 to register a company and US$150 to keep it in the Companies Registry, while in the Isle of Man the annual fee for a non-resident company is)) about 320 pounds sterling.

2- Tax havens that exempt foreign resources (Foreign source example havens): They are countries that do not impose taxes on income obtained from external sources resulting from activities outside the territory of the state, such as: Costa Rica, Hong Kong, Seychelles, Singapore and Panama.

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3- Low tax havens: These are the countries that impose taxes on the income of the population all over the world, and grant tax benefits and opportunities to use special treaties for double taxation in order to reduce the financial burden, such as Austria, Barbados and the Netherlands.

[5] Mahmoud Ramzy and Mohamed Ramzy - the shadow economy mafia and offshore banks. Egypt - University Education House Publications - Cairo - p. 444

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The third requirement Characteristics of tax haven countries

The tax paradise exists under certain political, economic, financial and administrative conditions, so as to provide an atmosphere of tax confidence for foreign projects and form a suitable climate for them.

The characteristics of the tax paradise are as follows[6]:

1- Low tax rate

2- Political, economic, legal and social stability

3- Confidentiality of banking and commercial transactions 4- The stability and strength of the national currency

5- Modern and advanced communications and transportation These characteristics will be discussed in detail

section First Low tax price

The most important thing that distinguishes tax gardens is the tax advantages that are decided by the tax legislation, especially with regard to foreign investments and incomes, in order to attract them to develop their economy.

These countries are usually small or developing, so they have no other way but to decide on these exemptions. It sacrifices its tax revenues in order to develop its revenues from investments and foreign currencies.

One of the examples of these countries is the Caribbean countries, as they suffer from poverty, and they do not find a way to get out of this suffering except by determining the advantages of foreign investments.

Also, an example of these countries in our Arab region is Bahrain, as this Gulf country is considered one of the best countries in tax havens, as it attracts a lot of capital to invest in it, and the credit goes back to its absolute tax exemption.

[6] Israa Katea Fayyad, Israa Abd al-Rahman Farhan, and Rasha Khaled Shuhaib - Tax Safe Havens / Geographical Distribution and Economic Effects - Journal of Administration and Economics - Baghdad - Issue 125, Year 2020 - Pages 440 442

A legitimate question may arise here: Is every country in which the tax rate is low called a tax paradise?

To answer, we say that the presence of a region with low taxes, although it is a necessary condition for considering the region a tax haven, is not sufficient alone to call this capacity on the territory of the state, but other factors must be available.

In the field of defining the tax haven, there are two elements that must be taken into consideration: the personal element, which means that there are two types of regions with a low tax rate: the first region, in which tax deductions are low because the public treasury does not require large deductions or because the expenditures of these regions are low Or because other sources of revenue, other than tax sources, are sufficient to meet the burdens of the state, such as the Kingdom of Saudi Arabia. In fact, these regions are not considered a tax paradise in the correct sense, because no effort has been made to attract and stimulate international investments and re-internationalize them. As for the second region, it is related to other regions with a low tax system, but it has a special tax system that was specially designed to encourage and stimulate foreign investments. It is these areas that are tax heaven[7].

As for the objective element, it is meant by the combination of a group of factors in the tax paradise represented in the freedom of entry and exit of capital, that the tax burden be low, and that it is distinguished by the secrecy of banking transactions.

The policy of these countries (the countries of tax havens) is represented in two things: the first is that it does not impose a tax at all on all income groups. The second is that it imposes a simple tax on the nationals of the state, excluding foreigners. Based on this characteristic, these countries can be divided into the following sections[8]:

1- Countries that do not impose any tax on entry or on the added value of capital, for example, the Bahamas, the Kingdom of Bahrain in the Arab region, the French Principality of Monaco, noting that the exemption here includes only natural persons.

[7] Mohamed Saad Eddin Belkhiri, and Rima Dhafri - Tax havens and their role in international tax evasion - the double Irish case -
And the Dutch sandwich for Google - Financial and Business Economy Magazine, Volume 04, Issue 01 - Year 2020 - Pg. 86

[8] Nicholas Chixon - Addressing Tax Havens - Research published in the Journal of Finance and Development, International Monetary Fund, Issue 56 - Year 2019 (September), p. 7

With regard to this section, countries do not conclude any tax treaties or agreements with other countries, because they do not impose a tax at all, and therefore double taxation or tax evasion cannot occur.

2- Countries in which tax is imposed on income or profits based on the principle of territoriality, and then profits that are realized from deals or operations that took place outside the territory of the state are exempted. An example of these countries is Costa Rica, Hong Kong, Venezuela, and Britain. For the latter, the exemption is only for non-resident companies.

3- Countries in which the tax rate is slightly high or fixed, or countries in which the tax rate can be reduced based on the tax treaties that they conclude.

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One of these countries, which represents this model, is Lichteichen, Switzerland.

4- Countries that provide special tax benefits for holding companies or off-shore companies, such as the Caribbean countries, Luxembourg, the Netherlands, and Singapore.

5- Countries that provide tax exemptions for industries that would increase exports, for example, Ireland.

6- The countries that offer other advantages to some types of companies such as these countries are Antigua, Grenada, and Jamaica.

Section two

Political, economic, legal and social stability

This is the most important characteristic of these countries, as it must enjoy the greatest degree of stability in all fields, so that it becomes a characteristic close to it at the international level. Internationally active companies and international groups are not only concerned with privileges and tax exemptions, but also, and perhaps more so, that these countries enjoy the greatest degree of security and guarantee of their investments.

Political stability means that the state has a clear political system with which there is no fear of any coup or political movement that would affect foreign investments at home.

As for economic stability, it means stability in the long term, so that projects and investments are not exposed to the risk of emergency nationalization, or interference by the state in the work of these projects.

Legal stability is represented in the non-occurrence of any sudden or expected changes in the legal legislation related to regulating the work of foreign investments.

Finally, social stability means that the services needed by foreign companies, such as lawyers, accountants, service companies, consulting companies, and all that is needed for a balanced and stable social structure to be available.

Section III

Confidentiality of banking and commercial transactions

Internationally active companies seek to deal with banks at the highest level of efficiency and confidentiality, as all transactions of these companies such as transfers, deposits, loans, etc. are carried out by these banks. Therefore, for these companies, these banks represent an important element in the country in which they are invested, to ensure the confidentiality of banking and commercial transactions, trust and credit.

A contract is usually concluded between the bank and the customer according to which the bank is committed to ensuring the confidentiality of the customer's financial transactions, so that his civil liability ensues in the event of failure to fulfill this obligation. The burden of proving failure to fulfill the aforementioned obligation rests with the customer, and some countries decide criminal penalties for violating this obligation[9].

Based on the foregoing, the tax haven countries are distinguished by the importance of the banking sector in their economy in a way that exceeds its importance in countries with a regular tax system, and non-residents (foreigners) are treated distinctly from their nationals in terms of banking transactions or taxes imposed on bank transactions or financial control.

The State of Switzerland embodies this characteristic clearly, as it is the most distinguished tax haven in the banking sector and the confidentiality of banking and commercial transactions, and imposes severe penalties for violating this confidentiality. This includes confidentiality, in addition to the work of banks, the work of lawyers and notaries.

Section IV

strength of the national currency

It is intended that the national (local) currency be highly stable and have weight at the international level with its convertibility.

The convertibility of the national currency is one of the most important elements of this characteristic. The tax haven countries represent the largest refuge for investments with a foreign component. Hence, any profits or income are transferred to the country of origin. Therefore, any obstacles or problems in the transfer represent an obstacle to these investments.

The conversion is usually made to each of the US dollars, the pound sterling or the European euro, as they are the strongest currencies on the global level and the most used in international investment operations.

As for the control of cash, the situation in tax havens is usually divided into two sides, one of which is for state nationals, and control over cash (exchange) is applied to them, and the other is related to foreigners, where they are exempted from being subject to cash control as a kind of encouragement for their investments and opening the door for their transfers.

Section V

Modern and advanced communications and transportation

One of the most important characteristics of tax haven countries is their geographical location. It must have a privileged and well-known location at the international

[9] Jamil Al-Sabouni - Tax Havens - Breastfeeding Bank Guarantee, Volume 07 - Research published on the following website: http://arab-ency.com.sy/law/overview/164929

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level, which represents an important attraction for foreign investments. Don't be in a remote area or just a secluded and unknown island. In other words, this means that it should be well-known and gain wide and stable fame internationally. In addition to that, it must possess a wide and advanced network of means of transportation and communications, and advanced airlines (several airports) that make it easy to communicate between the mother country and its dependencies, especially since in most cases it is heaven. Tax famous islands. A good example is the Cayman Islands.
Where there is a modern and developed communication and telephone service, as most of these countries (the countries of tax havens) use English as a basic language to facilitate transactions and communication and its use at the international level.
Also, the Caribbean countries that use the English language in their international transactions, despite the fact that it is not their original language. The tax haven countries are keen to conclude the largest number of tax treaties in order to benefit from the advantages and exemptions granted by those treaties.
Based on the foregoing, it is not sufficient for tax benefits and exemptions to be available in the tax legislation of a country in order to call it a tax paradise. Rather, it must be a country with a privileged location and has a degree ofpresence at the international level with a stable and fixed currency and enjoys a minimum level of political and economic stability and stability. in banking and commercial transactions.

The second topic
Tax evasion by tax havens[10]

The characteristics mentioned in the first section of this study represent a fertile ground and a suitable climate for the activity of international companies. Where the parent company usually establishes nascent companies or its affiliated fixed establishments in order to take advantage of the largest amount of privileges and exemptions decided by the tax system for activities carried out in that country, especially for large-scale foreign projects. Many developed industrial countries decide on special advantages for projects (China, the Netherlands, Luxembourg).
The organization of international companies is based on the international division of labor for its activities, so the parent company, which is usually in a country with a high tax system, is specialized in carrying out activities that do not generate direct profit, such as scientific research activities, technology and technical know-how, to ensure that the tax burden is reduced in the mother country, given that these activities They are usually tax-exempt or very low-taxed.
As for the nascent companies and their subsidiaries, which are usually in a country with a reduced tax system or from tax haven countries, they are concerned with production, marketing and distribution activities that create profits and income for these companies. However, these profits and incomes enjoy advantages and tax exemptions. Thus, the company has evaded tax in the home country and the host country alike, according to the concept of tax evasion from an economic point of view. The international company has been able to reduce its total tax burden, thus reducing costs and expenses, thus increasing profits, and this is what these companies seek.
Tax evasion may be done by using the tax committee either before or after the distribution of profits.
[10] For more details, see: Dr. Jad Khalifa - Tax havens between rejection and adoption - a research published in the Arab Economic Research Journal - Issue 52 - Year 17 - Fall 2010Before distributing profits, evasion is done by increasing or decreasing expenses and costs in a sham manner, so as to reduce the tax burden to the least possible extent in countries with a high tax system and increase it in tax haven countries.
But after distributing the profits, the nascent company located in the tax paradise does not transfer those profits to the parent company so as not to impose a high tax on it, but rather it either reinvests these profits in the tax paradise, or transfers them to another country that decides a tax system that is light in relation to foreign investments, or transfers them. To the parent company under false names as tax-exempt expenses.
Tax evasion here is evasion in its economic sense. There is no violation of the law, but evasion is done by taking advantage of tax advantages and exemptions. Evasion here affects the national economy as a whole, as a large part of the tax revenues of those countries is wasted.
So, evasion by using the tax paradise is done on the basis of taking advantage of the difference in tax burden or pressure between countries.
One of the most important mechanisms used in tax evasion at the international level through tax havens is the transfer prices, as there is a close link between tax evasion using the tax committee and transfer prices, and this we will address in the first requirement of this topic.

The first requirement
Tax evasion by transfer rates[11]

There are economic relations between related companies, whether they are an international group or companies with international activity, which result in each party obtaining certain revenues from the other,

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whether profits, interests, salaries, ... or incurring special expenses. The relationship between the parent company and its branches in different countries affects the determination of the value of these revenues or expenditures. There is nothing to prevent the exploitation of this relationship in determining unreal values for these revenues or expenditures with the aim of maximizing the revenues in which the main center or one of the branches is located and in which the tax burden is less and to reduce the revenues whenever possible in the country where the tax burden is high.

In order to reach the research goal of this study, we will divide this requirement into the following branches. As for the first section, we will devote it to the

[11] Dr. El-Sayed Abdel-Mawla - Taxes and Financial Transactions - Dar Al-Nahda Al-Arabiya Publications - Cairo - 1998 - pg. 290 definition of transfer prices, and as for the second section, we will single it out for the forms of profit transfer. As for the third and final section, we will deal with tax evasion through transfer prices.

Section First Definition of conversion rates

Financial jurisprudence differed in a statement that defines a comprehensive definition of transfer prices, as some have defined it as (the price at which the parent company sells goods and services to one of its fledgling companies located abroad, or it is the price at which the newborn company sells a commodity or service to another newborn company)

Another aspect of financial jurisprudence has defined it as (the price determined by the parent company for selling or renting tangible and intangible funds such as goods, services and technology to the new company, or from the new company to another new company, provided that dealing is limited to transactions that take place within the framework of the company's international activity group).

From our side, we see a more accurate definition statement, which is (they are the prices of visible and invisible transactions that take place between the different production units belonging to a unit or interconnected group of transnational companies). Although it focuses mainly on commodity exports and imports, it extends to include the prices of technological services, trademarks, patents, fees for training and consulting services, and interest rates on loans[12].

The absence of fixed criteria upon which the parent company relies when determining the transfer prices within the group, in addition to the absence of a specific definition, has resulted in the occurrence of many tax problems, the most important of which is double taxation, because the transfer price is mainly based on the transfer of the tax burden to countries with a low tax system. What happens in practice is that transfer prices are manipulated with the intention of reducing taxable income to the lowest possible extent in countries with a high system, which may lead to subjecting income to the same tax in more than one country, as each country will try to protect its tax revenues based on the differences Jurisprudence in defining an accurate concept of transfer prices. This problem is confronted by determining the

[12] See that:

Dr. Al-Sayyid Abd al-Mawla - the same source - p. 290
Dr. Osama Al-Fouli - Transfer Prices and International Tax Evasion - Research published in the Journal of .Financial and Tax Legislation - Issue 250 - Year 1991 - P. 3source of income or profits in each country separately so that tax accounting is done in the country that is the source of income without double taxation occurring. This is what drives companies with international activity to establish nascent companies affiliated with them in tax haven countries to avoid the problem of double taxation arising from the different concept of transfer prices from one country to another.

And since the parent company (the company with international activity) wants to make a profit, what matters to it here is the tax factor, and this is done by reducing its expenses and tax burdens. Therefore, what preoccupies the parent company when determining the transfer prices in transactions with the newborn company or between the newborn companies to each other is the tax system of the different countries in which these companies are located and the level of tax rates on profits. If the host country has a high tax system, then the transfer prices are also high for purchases or sales in order to reduce the profit rate that represents the difference between the selling price and the cost of production. Profit Ratio.

The transactions that are the subject of dealings between the parent company and the newborn company are represented in the sale of manufactured or semi-finished products, raw materials, mutual services between the two companies, borrowing, patents, licenses, technical knowledge, and technical assistance[13].

Tax evasion may be done by using transfer prices if the host country does not allow the nascent company to deduct from its taxable income the salaries and wages that must be paid to the parent company in return for services or patents. In this case, the nascent company transfers profits or income at a high transfer rate because, in fact, it includes those salaries and wages.

In this case, the mother company can issue an invoice

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with the price of the products it received from the newborn company at a high price, and later deduct these salaries and wages from the income when calculating the taxable profits in the parent company. Thus, the newborn company has benefited from the high transfer prices to evade paying the tax in her country, she gave an unreal character to these payments, and the parent company also benefited by obtaining these payments without paying a total tax on them, and then the total tax paid becomes less than it should be.

The phenomenon of transferring profits would lead to the impoverishment of a country, usually the host country, and the enrichment of another country, usually the mother country. Therefore, many countries have resorted to placing

[13] Dr. Suzi Adly Nashed - previous source - p. 85.

restrictions on the percentage of profits transferred from them with the aim of setting limits for transferring their revenues abroad to limit these companies' raising transfer prices and maximizing their profits, but rather forcing them in many cases to reinvest these profits inside the country, which represents a great benefit from investments foreign. The countries in which these companies are located are trying to reach the real price that is dealt with between the parent company and the fledgling company, which is called the real or neutral transfer price. However, determining this price is not a simple and easy process, but rather it is carried out according to certain standards and controls. These criteria are divided into basic methods that include: the free price method - the resale price method - the total cost method plus a certain percentage of the profit. There are alternative methods that include the method of mixing the basic methods - the method of comparing profits - the method of return on invested capital - the expected net proceeds method.

Section two

Forms (photos) of transferring profits

In this regard, the problem of transferring revenues (capital or profits) arises from the host country to the mother country and vice versa, which in fact takes two forms (two forms): an organized legal form, which is called the direct transfer of profits, and an illegal form that has no specific organization, which is known as transfer. indirect earnings[14].

First: The regulated legal form or the direct transfer of profits

According to this form, any income of the company is distributed to the companies that contribute to achieving it. This is the usual method where income is distributed in proportion to owning shares of the income-generating company. This transfer is carried out in accordance with specific and organized legal procedures. The distribution is carried out by the general assembly of the company and is recorded in the project accounts and announced to the tax administration.

If the beneficiary of the distribution is a company residing abroad, specific legal procedures must be followed with regard to recording the transferred profits, the method of transferring them, and after making sure that the tax due on them has been deducted.

[14] Dr. Khari Ibrahim Murad - The Role of Tax Policy in Encouraging Investment in Iraq - A Comparative Study - Publications of the Comparative Law Library - First Edition - 2019 - p. 104

In fact, here, tax evasion does not occur except in the narrowest scope, because it is done through legitimate and legal channels and according to certain legal and tax procedures that are subject to supervision and control by the tax authorities (the financial authority).

It is worth mentioning that the developed countries have tightened the organization of the direct financial transfer process, especially if it is the country from which the capital exits in the form of profits, as these countries were keen to develop legislation that regulates the exit of the profits of the capital of foreign companies operating in them and from their lands and deals at the same time with any exit indirect to it.

As for the developing countries that import capital, the situation is completely different, as there is no regulation of this process due to the inability of these countries to apply these regulations with high efficiency, which represents an element of temptation for foreign investment working on their lands on indirect transfer in order to achieve the maximum possible profit.

The second: the unorganized form or the indirect transfer of profits[15]

This form of transfer is an illegal process based on falsification or manipulation of sale or rent prices within the internationally active company. This form is of interest in this study (research), as it is the path that international companies take to reduce their tax burden to the lowest possible extent, i.e. tax evasion at the international level. It is the most widespread form (images) and the least controlled by the financial (tax) authorities.

Internationally active companies have taken advantage of transfer prices related to financial and commercial transactions that take place between their units to transfer profits to the country they want, which is usually a country with a low tax rate or a tax haven, and the consequent decrease in the tax revenues of the country concerned.

In sum, the transfer prices are limited to the internal transactions of the international companies with each other, and therefore there are no rules and regulations by which these prices are determined.

The reality shows us that the parent company monopolizes the determination of transfer prices and is in the process of setting it according to its own interest in a way that leads to achieving tax economy on the one hand and maximizing profits on the other hand, taking advantage of the discrepancy in the tax systems of the countries in which its nascent companies are located. Internationally active companies manipulate the transfer prices with an

Dr. Osama Al-Fouli - previous source - p. 7 [15]

increase or decrease according to what achieves their interest and maximizes their profits, and therefore they predetermine the profit they achieve as the rate of profit increases in countries with a light tax system and its rate decreases or may reach the degree of loss in countries with a high tax system. Thus, it gets rid of the tax burden that affects the total profits of a group of these companies with international activity. All of this would affect the total tax revenues of the host country.

Based on the foregoing, the parent company is usually located in a country with a high tax system, while nascent companies and established establishments are located in countries with a low tax system, and in most cases they are based in developing countries that seek to attract or attract foreign investments in order to develop their economy. The National, whatever the price you pay, is at the expense of its proceeds from tax revenues.

Finally, it should be noted that tax evasion in the host countries by using transfer prices does not mean the need to evade them in the home country. On the contrary, exemption from tax in the host country is sometimes in favor of the home country that will subject the transferred profit to tax, which is what It would have happened if the tax had been paid on it in the host country, according to the tax credit system. As a result, the mother country will be enriched and the host country will be impoverished.

Section III

Pictures of tax evasion through transfer prices

Transfer prices represent the most important mechanisms of international tax evasion for international companies. The value of the profits is determined in advance according to the transfer prices on which the sale and purchase of goods and services within the group of companies are based, and then it is easy to reduce the tax burden according to this mechanism.

The principle is that the profits achieved by the group of companies with international activity from specific operations must all be poured into the parent company, as it is the headquarters of the company's main center and has decision-making authority and has the right to monitor and control the entire company.

However, what may happen in practice is that the profits are not transferred to the parent company based on the high tax rate in the country of the parent company. More clearly, the country in which the tax rate is high will lose an important part of its tax revenues, while the country in which the tax rate is low will gain an important part of its tax revenues.Accordingly, tax evasion can be done by using transfer prices in two forms: before the distribution of profits, when the profits are distributed. This is what I will deal with here according to the two aforementioned images.

1- The first picture: tax evasion before the distribution of profits

Tax evasion is done through this image on the basis of manipulation of the taxable material, whether by increasing or decreasing expenses on the part of the parent company to benefit from the discrepancy between tax systems in different countries and benefit from the tax system that is most appropriate for it and to achieve its interests.

The parent company can achieve what it seeks according to the following two hypotheses[16]:

The first hypothesis: that the nascent company is located in a tax haven country and then it will try to increase its taxable profits, especially if the parent company is located in a country with a strict tax system. This is done by decreasing its expenses and increasing its revenues, and thus the tax imposed on the total profit in the home and host country becomes less, and this is what international companies seek.

The second hypothesis: If the nascent company is located in a country with a strict tax regime in relation to the parent company, then the nascent company will try to reduce its profits in the host country by increasing expenses and decreasing revenues.

In both cases, an economy of the tax occurs through the fictitious increase or decrease of expenditures, and includes within the framework of expenditures each of the turnover, interest on loans, royalties, and service fees.

* Turnover: It is meant to be the difference between the production costs of a commodity and the selling price or the value that is added to it, and then it is sold at a higher price.

Therefore, if the nascent company is located in the territory of a country with a reduced tax system, it will try to increase its profits and sell at high prices to the parent company, and this results in an increase in profit for the nascent company and a decrease in the

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profit for the parent company, and thus the total taxable profit becomes little. Based on this, it is possible to manipulate the buying and selling prices so that the turnover is high or low according to the tax system followed by the parent company or its subsidiaries. This is

[16] Dr. Mukhtar Abdel Hakim Tolba - Tax Treatment of International Activity Companies in Egyptian Law and Comparative Law / An Analytical and Critical Study of the Concerned Texts in Tax Laws and Model and Bilateral Tax Agreements - Publications of Dar Al Nahda Al Arabiya - Cairo - 1998 - p. 171.

usually done by issuing invoices at unreal prices to take advantage of the discrepancy in tax systems.

* As for the benefits: Internationally active companies may benefit from considering that the interest rate is one of the expenses that are not subject to tax, by setting a high interest rate on loans other than the truth. Thus, the interest rate involves two things, the real interest rate plus the transferred profits.

The fact of the matter is that this hypothesis is permissible only from a purely theoretical point of view, without the practical aspect, as it is difficult to implement, especially since the interest rate must be commensurate with the value of the borrowed amount. Therefore, if the interest rate is large and not commensurate with the volume of the borrowed amounts, then this is considered conclusive evidence of manipulation in this rate and its invalidity. Add to that the other difficulties that this method may face under tax control and financial authorities with a high degree of efficiency and experience[17].

* Royalties: It refers to the payments that are paid in return for the exploitation, concession, or use of the copyright on his literary, artistic, and scientific works, and in return for the exploitation of the patent, trade mark, industrial, designs, models, plans, and secret manufacturing methods, as well as in return for the use of industrial, commercial, or scientific equipment.

Based on this definition, the term royalties include all intangible and technological money, which makes it easy for an international company to include under this item any expenses it makes, even if they are not true, as they are exempt from taxes, and thus an economy in tax is achieved.

Here, the international company transfers the profits before distributing them under the item of those royalties, so it achieves a reduction in its tax burden.

* As for remuneration for services:

It means all payments or expenses related to services, including rent of movable and real estate, study and scientific research expenses, remuneration or wages of intermediaries, transportation, publicity and advertising. And everything related to the administrative affairs of the group is carried out by the parent company, and the same applies to them with regard to interest rates and royalties, given that they are among the expenses that are not subject to tax[18].

[17] Dr. Al-Sayyid Abd al-Mawla - previous source - pg. 291 Dr. Osama Al-Fouli - previous source - pg. 4 [18]

The second requirement
Losses of international tax systems resulting from tax havens

The most important goal of tax reform, whether in developed or developing countries, is to improve the efficiency and effectiveness of the tax system to increase its profitability. However, this goal remains dependent on a number of challenges, including international tax evasion for individuals and companies using tax havens. The losses of the global tax system and the most important parties responsible for these losses, based on the results of the report
Tax Justice Network.

As for the geographical distribution of tax havens, the geographical presence of the countries and regions of tax havens has led to dividing them into four groups[19]:

1- European tax havens: It includes Switzerland and Luxembourg, which is classified as one of the largest tax havens in the world. It began operating in 1929 as the first tax haven in Europe, and the Netherlands, in which offshore funds represent about $18 trillion, in addition to Austria, Belgium, and macro-European countries such as Monaco and Liechtenstein. and the Portuguese Madeira Islands.

2- The British tax paradise area: It includes the group of islands belonging to the British crown represented in Jersey, Guernsey and the Isle of Man, as well as the overseas areas such as the Cayman Islands, Bermuda, Virgin Islands, Turks and Caicos, and Gibraltar. These areas are under British control, and within the scope of this The region we also find Hong Kong, the Bahamas and the islands of Vanuatu in the South Pacific, in addition to Ireland;

3- The American tax haven: it represents the American offshore, and it is divided into three levels:

A/ Banks that legally accept the proceeds of some crimes that are committed abroad, such as dealing in stolen money.

B/ Latin minority banks such as the Florida state banks that specialize in sheltering the money of drug dealers' gangs.

[19] Haitham Mohamed Nasr El-Din Hamed - The role of tax havens in tax avoidance at the international level - published on the following website:
https://ssrn.com/abstract=2684810

C/ The islands belonging to America, such as Marshall

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Island, which is considered a major center for registering ships abroad, and Panama, which was ranked among the largest money laundering areas in the world;

4- Unclassified marginal places: It includes countries such as Uruguay, Somalia, Gabon, Djibouti and Dubai. These regions play a major role in facilitating the work of offshore companies.

The third requirement

Tax losses of the global system due to international tax evasion

International tax evasion costs state treasuries about $724 billion annually, as a result of companies and individuals transferring their money to tax havens. In this context, Alex Cobham Alex (Chief Executive Officer of the Tax Justice Network) says that the global tax system that loses more than $724 billion annually is not a tax system. Down, it's a system programmed to fail. Under pressure from corporate giants and tax haven authorities like the Netherlands and Britain, our governments have programmed the global tax system to prioritize the desires of corporations and wealthier individuals over the needs of everyone else[20].

As for the responsibility of tax havens for global tax losses, Gabriel Zucman indicated in his book entitled "The Hidden Wealth of Nations and the Epidemic of Tax Paradise", that the world's financial wealth estimated at about $4.4 trillion has been hidden in regions such as Switzerland, Bermuda, and the Isles. Cayman, Singapore, Luxembourg, etc. This wealth exceeds what the poorest half of the world's population owns by far. This figure should have been included in the tax base of the countries of the world, and the inability of rich countries such as Europe and North America and even emerging countries to collect taxes for the rich affects Tax justice and equality.

Conclusion

Through this study, we tried to shed light on the tax havens and the extent of their responsibility for the tax losses of the global tax systems, by enabling them to tax abuses for individuals and companies with the aim of evading paying taxes in their countries of origin, and we have reached a set of results as we suggest some recommendations:

[20] Jamil Al-Sabouni - Tax havens - previous source - published on the following website: http://arab-ency.com.sy/law/overview/164929

CONCLUSIONS

We summarize the results of the study in the following points:

1- Although it is difficult to define a comprehensive definition of tax offences, most researchers prefer to use two terms to express tax offences, "evasion" in "external places".

2- With regard to the conditions for classifying the state as a tax haven, they differ from one organization to another, and among the most important features of tax havens we find: low or no taxes; confidentiality; not sharing information; General lack of transparency.

3- 3- The Tax Justice Network estimated the total losses of the global tax system from tax revenues due to international tax evasion at $724 billion, resulting from corporate tax evasion and the rest resulting from individual tax evasion.

4- High-income countries lose more in taxes than low-income countries, but the loss of the latter is greater when compared with the tax revenues collected and the expenditures allocated to the health sector.

5- The largest contributors to the tax losses of other countries are: The Cayman Islands, the United Kingdom, the Netherlands, - Luxembourg, the United States of America.

6- The countries most affected by tax havens and which recorded the largest tax losses are the rich countries, led by the United States of America, the United Kingdom, and some European countries.

RECOMMENDATIONS:

Study Recommendations: Based on the results of the study, we present the following recommendations

1- Reforming global tax systems to improve their efficiency in order to adapt them to the current situation.

2- Expanding the tax base to include foreign assets and income streams through the enactment of a wealth tax and a tax on profits for individuals and companies.

3- Developing mechanisms and means to control capital flows to and from the state.

4- Developing a global information system for exchanging information between different countries of the world based on artificial intelligence technologies.

5- Tracking and addressing loopholes in international laws and treaties that individuals and companies can exploit to evade their tax obligations.

6- Enacting more legislation and laws to regulate capital flows, with tougher penalties for individuals and companies who evade paying taxes.

7- Enhancing the principles of transparency and disclosure and issuing an international law that criminalizes all types of secrecy that would cover illegal financial flows, money laundering crimes, international tax evasion, and oblige financial

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institutions to know their customers.

8- Developing countries, in particular, must work to develop their own infrastructure, upgrade the national economy, and grant more advantages and incentives to local investors to improve the competitiveness of the national economy.