

M'sia among 20 capital flight countries, says researcher
MalaysiaKini.com
July 22, 2012

Malaysia is among the top 20 countries in the world when it comes to capital flight, according to the London-based Tax Justice Network.

According to a report by influential London-based daily The Guardian, Tax Justice Network's researcher James Henry estimated that US\$283 billion (RM892 billion) has been transferred to tax havens from 1970 to 2010.

For comparison, the amount is three and a half times more than Malaysia's foreign debt of RM257.2 billion in 2011 and is second to Nigeria (US\$306 billion or RM964 billion).

Globally, Henry's research - which involved sifting through Bank for International Settlements (BIS) and International Monetary Fund (IMF) data - concluded that at least US\$21 trillion to as much as US\$32 trillion were siphoned abroad to avoid tax.

Tax Justice Network's estimates of capital flight from Malaysia is far more conservative than that of Washington-based financial watchdog Global Financial Integrity (GFI).

In a report published in December last year, GFI estimated by US\$47 billion (RM150 billion) were illegally siphoned out of Malaysia in 2009 alone.

For the period of 2000 and 2008, GFI estimated that there was US\$291 billion (RM927 billion) in illicit outflows from Malaysia.

The Najib administration disputed GFI's figures and cited a much lower figure of RM135.3 billion for illicit capital outflow for 2000 to 2009.

92,000 super-rich tax evaders

Henry, a former chief economist at McKinsey Consultancy and a tax haven expert, explained that the net effect of illicit capital outflow was tax evasion.

His colleague John Christensen explained to The Guardian that this hurts public coffers and causes a large gap in income inequality.

Disparity between rich and poor in Malaysia "Inequality is much, much worse than official statistics show, but politicians are still relying on trickle-down to transfer wealth to poorer people.

"This new data shows the exact opposite has happened: for three decades extraordinary wealth has been cascading into the offshore accounts of a tiny number of super-rich."

Henry's research estimates that 10 million around the world have assets offshore, but only 92,000 people own almost half of the minimum estimate of US\$21 trillion - US\$9.8 trillion.

Flaws in measuring income gap

He said that if governments could figure out how to tax the offshore wealth or at least entice its owners to reinvest and pay for global problems such as climate change.

According to The Guardian, the sheer scale of the hidden assets by the super-rich suggests that standard measures of inequality - surveys of household income or wealth - are severely underestimating the true income gap.

It cited Milorad Kovacevic, chief statistician of the UN Development Programme's Human Development Report, explaining that the very wealthy and the very poor tend to be excluded from mainstream calculations of inequality.

"People that are in charge of measuring inequality based on survey data know that the both ends of the distribution are under-represented - or, even better, misrepresented," he says.

"There is rarely a household from the top one percent of earners that participates in the survey. On the other side, the poor people either don't have addresses to be selected into the sample, or when selected, they misquote their earnings - usually biasing them upwards."

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