Arm's Length Principle (ALP)
A method of calculating transfer price between related entities belonging to the same parent organisation, such that the net business income which an entity might expect to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions.

Common Reporting Standard (CRS)
A set of guidelines developed by the OECD which provides countries various details about how to engage in automatic exchange of information with other countries.

Country-by-Country Reporting (CBCR)
A form of financial reporting in which multinational corporations produce certain financial and organisational data (revenue, cost, payroll, etc.) disaggregated by each country in which they operate.

Domestic Resource Mobilisation
Generation of government revenue from domestic sources, from tax or non-tax sources (royalties, licenses, levies or other income), towards the objective of sustainable development financing.

Double Tax Agreements (DTAs), or Double Tax Avoidance Agreements (DTAAs)
Agreements between two (or more) countries to allocate taxing rights on income generated from cross border capital flows between them, primarily for the avoidance of double taxation.

Equalisation Levy
A withholding tax in India, which requires that all businesses operating in India that pay any foreign entity in lieu of specified service received from that foreign entity, to withhold 6% of the payment amount.

Financial Secrecy Index (FSI)
A ranking methodology developed by the Tax Justice Network that ranks jurisdictions according to their secrecy and the scale of their offshore financial activities. It is a tool for understanding trends of global financial secrecy, tax havens or secrecy jurisdictions, and illicit financial flows or capital flight.

Foreign Account Tax Compliance Act (FATCA)
A U.S. law which requires financial institutions outside the United States to determine whether they have any customers who are U.S. citizens and report their financial information to the U.S. Internal Revenue Service (IRS).

General Anti-Avoidance Rules (GAAR)
Rules which provides tax authorities power to investigate and re-characterise the financial transactions, which are conducted without commercial substance and are aimed at tax avoidance.

Hawala
An informal process of funnelling money from one country to another through a trusted and widespread network of hawaladars (or hawala facilitators) where the money is hardly physically moved around.

Illicit Financial Flows (IFFs)
An umbrella term which covers cross-border movements related to tax avoidance, tax evasion, regulatory abuses, bribery and the theft of state assets, the laundering of the proceeds of crime and the financing of terrorism.
International Tax Competition
A process in which a country provides more beneficial tax regime to attract foreign investment, in reaction to the tax policy of its competitor country(ies). The benefits can be in form of reduced tax rates or increased tax incentives.

Millennium Development Goals (MDGs)
A set of development goals targeted by UN to be achieved by 2015, to reduce poverty, improve health and education access, etc.

Money Laundering
A process through which proceeds generated from illegal activities are integrated in the mainstream financial system to hide the origin and nature of proceeds, and make them appear legal.

Offshore Financial Centres
Countries or jurisdictions that provide financial services to non-residents on a disproportionate scale to the domestic economy as a result of financial incentives, such as minimum government interference and very low or zero tax rates.

Secrecy Jurisdictions
Jurisdictions, countries, cities or regions within countries that offer financial and corporate secrecy, and lack transparency and effective exchange of information.

Shell Companies
A limited liability entity which has little or no physical presence in the jurisdiction it is registered in, few or zero employees and commercial activity. These companies are usually formed in a tax haven or secrecy jurisdiction and their primary purpose is to insulate the real beneficial owner from taxes, disclosure or both.

Special Economic Zones (SEZs)
Demarcated area within a jurisdiction, such that businesses operating here are granted various tax and non-tax incentives, as well as regulated by laws different from those that govern the rest of the country.

Sustainable Development Goals (SDGs)
A collection of 17 global development goals to address poverty, hunger, health, education, gender and economic inequality, water and sanitation, climate change, etc. by 2030.

Tax Avoidance
The legal practice of seeking to minimise a tax bill by taking advantage of a loophole or exception to the rules, or adopting an unintended interpretation of the tax code. It usually refers to the practice of seeking to avoid paying tax by adhering to the letter of the law but opposed to the spirit of the law.

Tax Evasion
The illegal non-payment or under-payment of taxes, usually by deliberately making a false declaration or no declaration to tax authorities – such as by declaring less income, profits or gains than the amounts actually earned, or by overstating deductions.

Tax Havens
Tax havens are jurisdictions, countries, cities or regions within countries that have low or no taxes (especially to foreigners), lack of transparency, lack of effective exchange of information, and no substantial value creation activity.

Tax Incentives
Any special tax provision granted to qualified projects or firms that provides favourable deviation from the general tax code of a country.

Trade Mis-invoicing
A method for moving money illicitly across borders which involves the deliberate falsification of the value or volume of an international commercial transaction of goods or services by at least one party to the transaction.

Transfer Pricing Abuse
Manipulation of the arm’s length principle of transfer pricing, especially by multinational corporations, in order to avoid paying taxes in jurisdictions where they create value.

Unitary Taxation with Formula Apportionment
A method to allocate the combined profit of a corporation among the different subsidiaries situated in different countries. This is advocated as the replacement of current arm’s length principle used for transfer pricing.