Tax crimes related to the trade in gold

Loss of Tax Revenues in the Mining Sector – New Insights and Best Practices for Policy and Administration

SWISSAID

Marc Ummel

July 23, 2025

ATI General Assembly

Overview

- Studies on illicit gold flows and tax evasion
- ASGM – non declared production/exports
- Factor explaining the non-declaration of ASGM (production/exports)
- Key findings (similarities/differences)
- Recommendations

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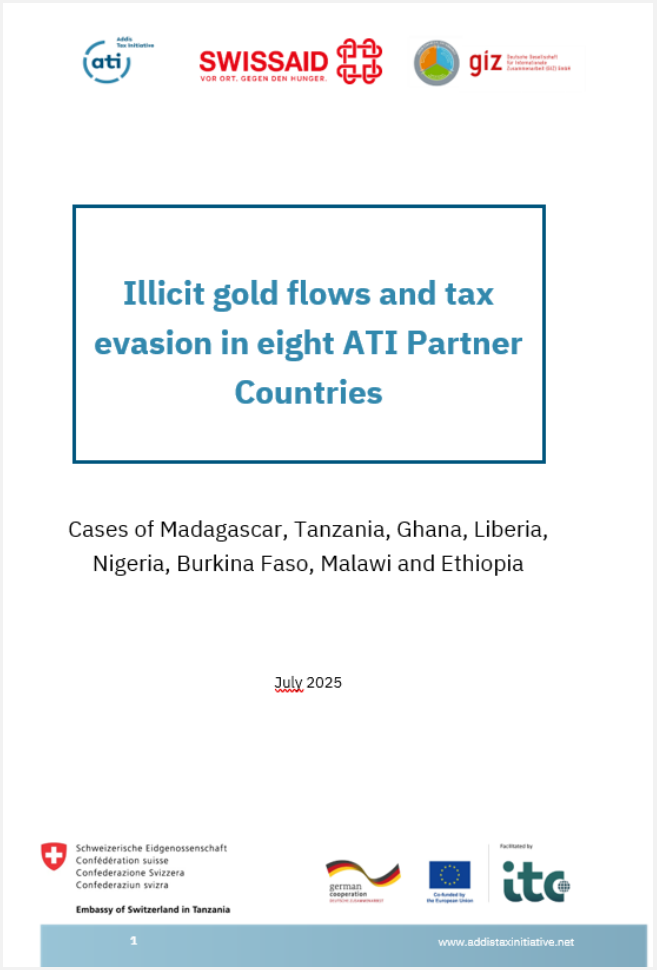
Study on illicit gold flows and tax evasion (2025)

Objectives

- Identify and map the patterns of tax evasion and illicit financial flows associated with artisanal gold mining
- Quantify the revenue losses
- Identify existing best practices
- Propose concrete solutions (to strengthen local and international capacity to combat tax crimes)

Countries analysed

- Madagascar, Tanzania, Ghana, Liberia, Nigeria, Burkina Faso, Malawi, Ethiopia



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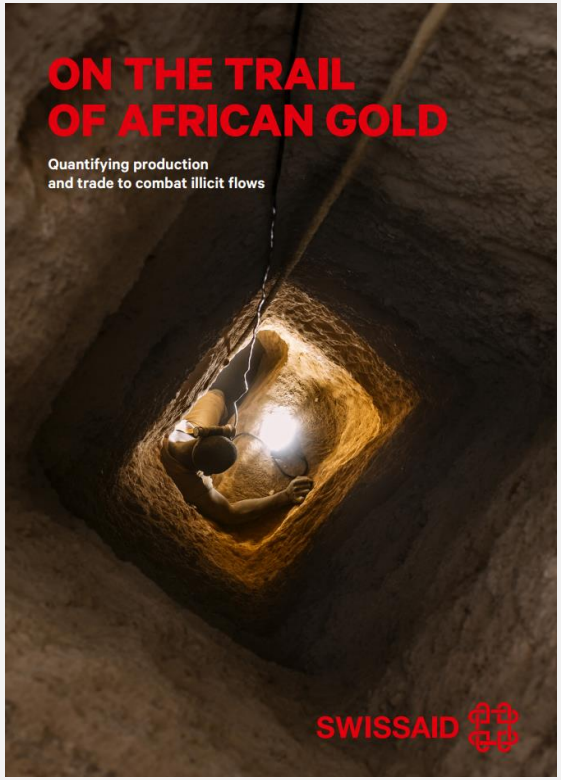
Study on illicit gold flows and tax evasion (2024)

Objective

- Quantify the production and trade of African gold to combat illicit flows (2012-2022)

Key findings

- Each year, between 321 tonnes and 474 tonnes of ASM gold are not declared in Africa
- **More than 435 tonnes of gold was smuggled out of Africa** in 2022 (USD 30.7 billion)
- Gold smuggling in Africa more than doubled between 2012 and 2022.



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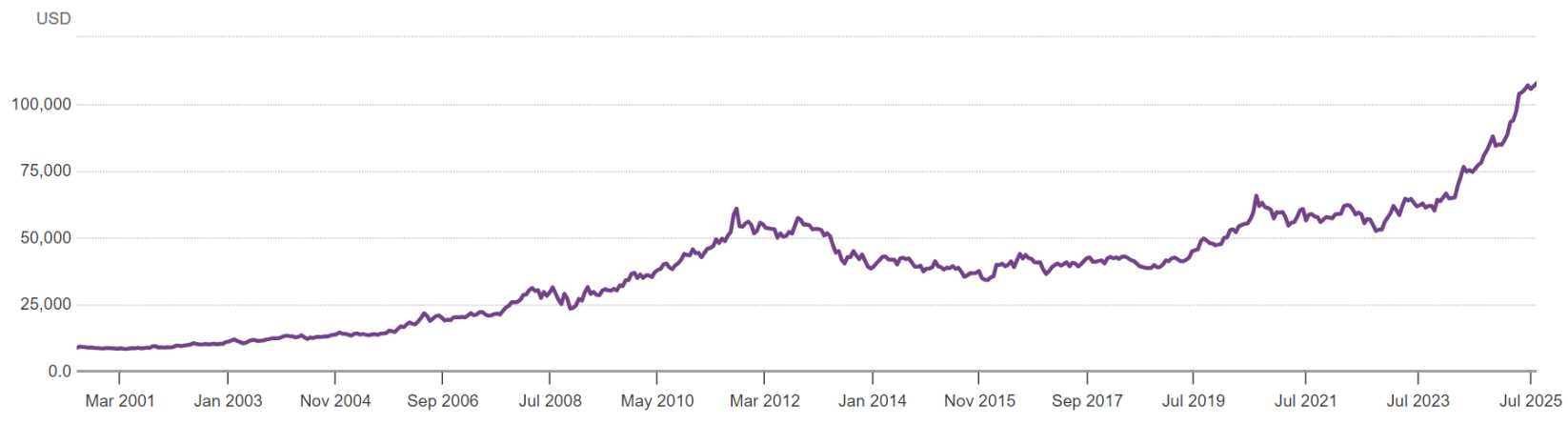
Artisanal and small-scale gold mining (ASGM)

ASGM plays a central role in all countries analysed

- livelihoods for hundreds of thousands — and in some cases, millions — of people
- Significant share of national gold output -> more than half of the gold extracted in Africa come from ASGM
- The price of gold has risen tenfold (2000-2025) -> Gold rush



Largely informal/under-declared (production & export)

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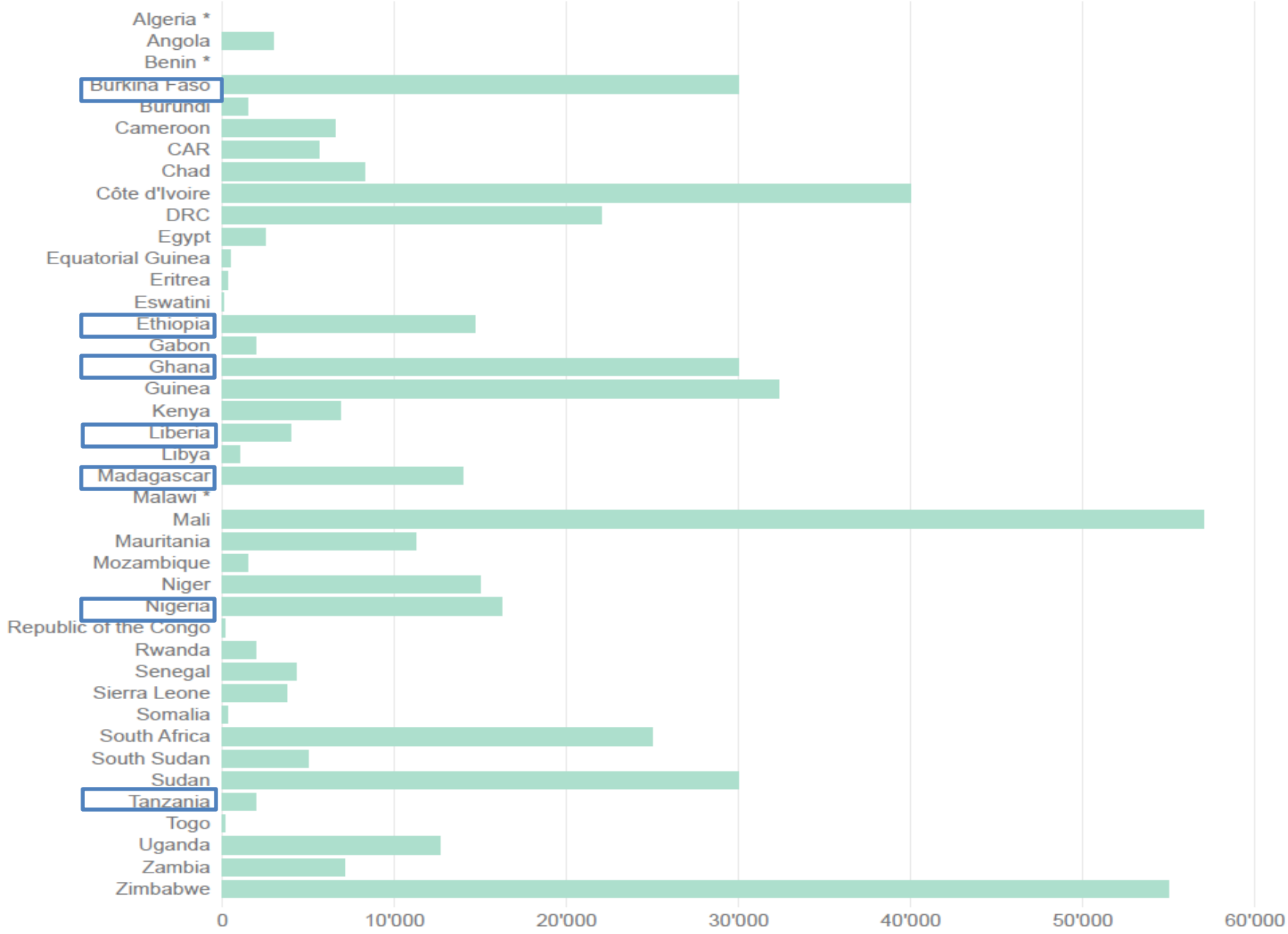
Non-declared artisanal and small-scale gold production of all African countries (high estimates)



Kilogrammes

Declared versus non-declared (estimated) artisanal and small-scale gold production of all African countries

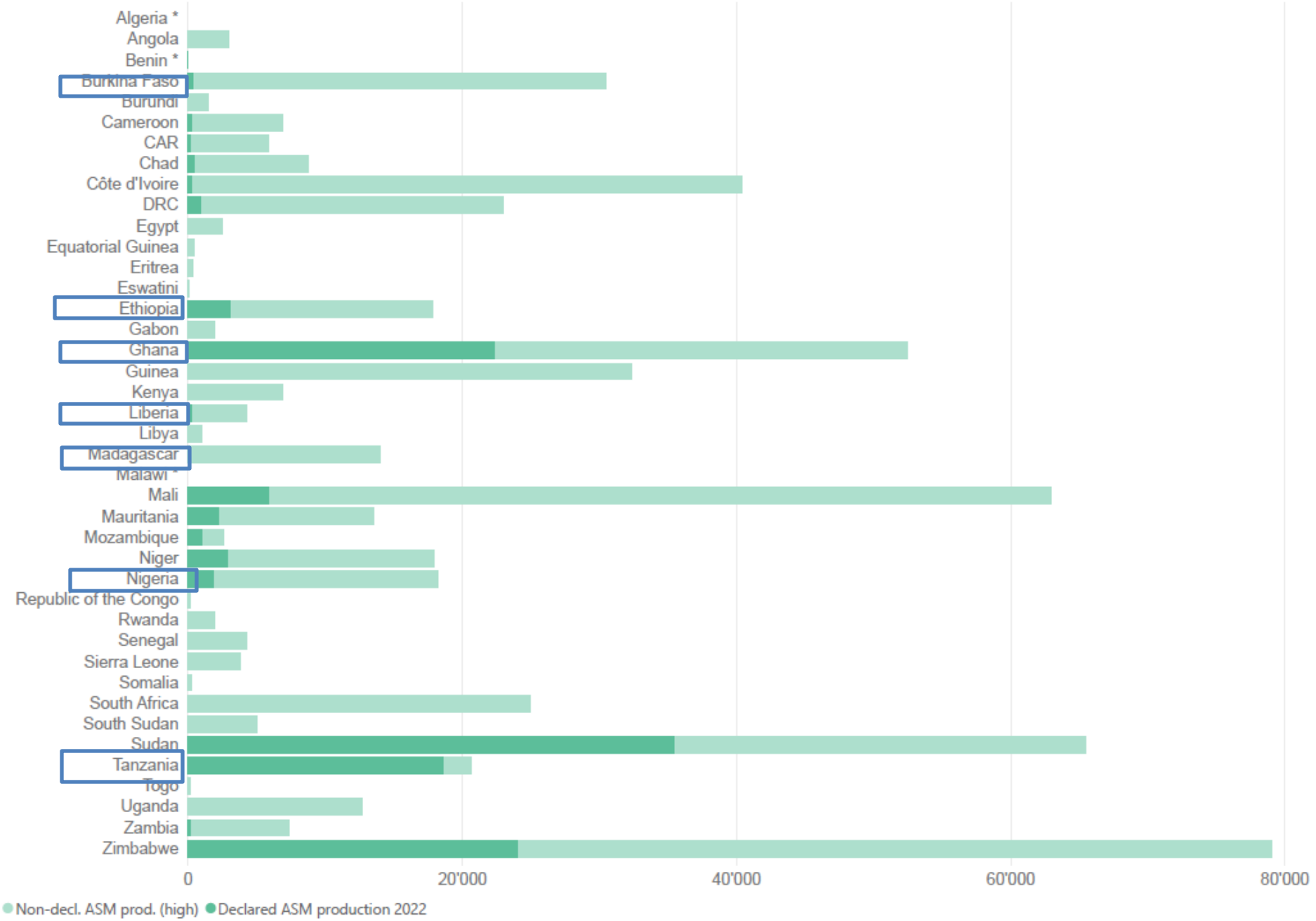
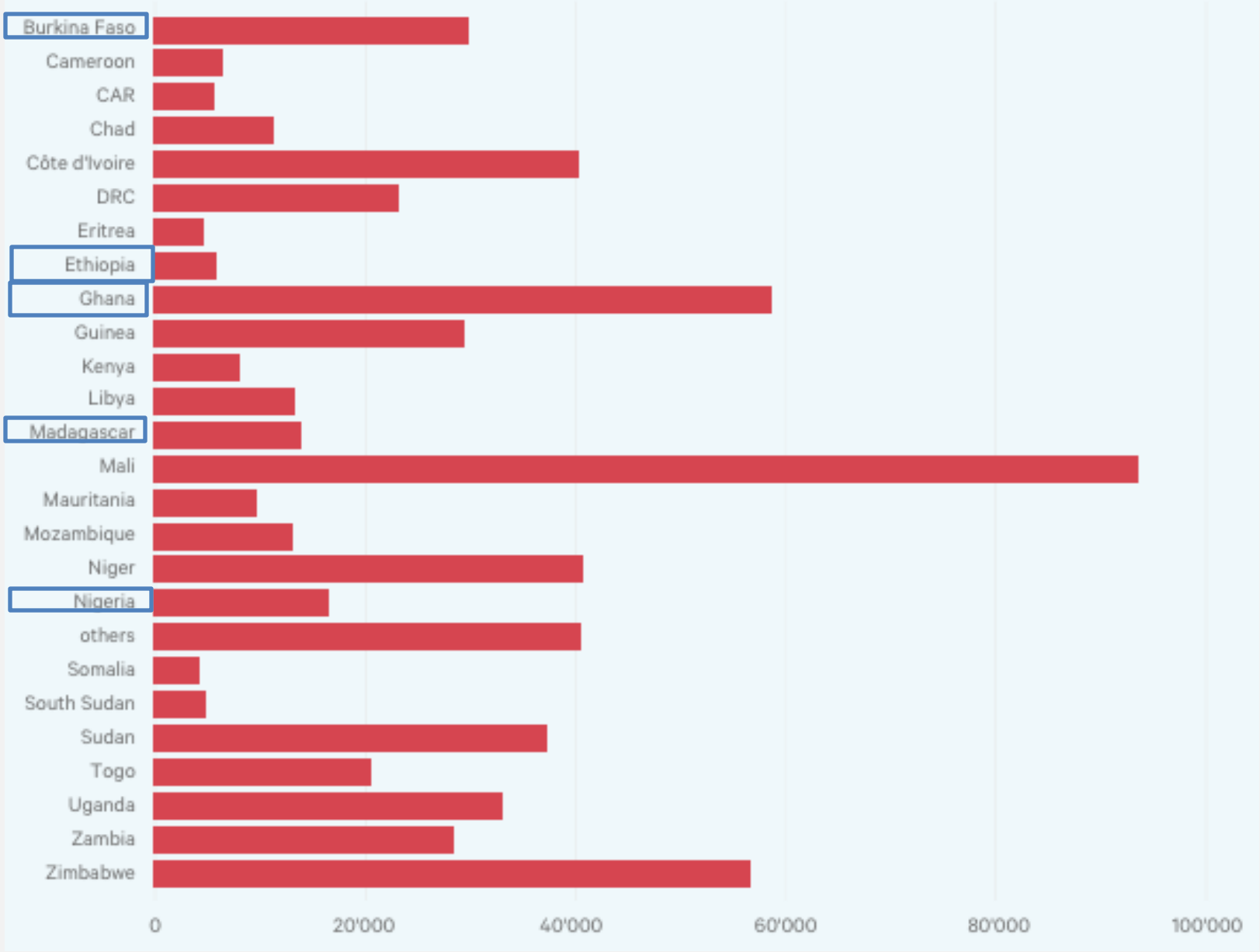


FIGURE 63 – Exports of gold from African countries through smuggling in 2022 (according to SWISSAID's calculations)*

Kilograms



Factor explaining the non-declaration of ASGM

Factors relating to production

- Difficulty accessing bank loans and other forms of capital
- The complexity and cost of regulation
- Poor enforcement of regulations
- Shortcoming of the legal framework
- The absence or passivity of state agencies
- Corruption / the pursuit of illicit profits by state actors
- Lack of incentives
- The lack of areas or corridors with high mining potential reserved for ASM
- Difficulty of obtaining an artisanal mining permit

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Factor explaining the non-declaration of ASGM

Factors relating to exports

- The purchase price of gold
- The non-attractiveness and inefficiency of state purchasing programmes
- Differences in tax regimes of exporting countries
- Corruption and loopholes in the control of gold marketing channels
- Influence of powerful transnational smuggling networks
- Difficulties in accessing the formal financial system

Key findings 8 ATI partner countries : similarities

Difficulty of regulating the sector

- Dominance of informal economies
- Even in countries with strong institutional capacity -> large volume continue to elude state oversight
  - E.g. Tanzania, Ethiopia, Ghana

Adoption of centralized gold purchasing programme

- Goldbod (Ghana)
- SONASP (Burkina Faso)
- Gold buying initiatives of Central Banks (Tanzania, Ethiopia)

Destination of the gold

- United Arab Emirates (more than 80% of African ASGM)

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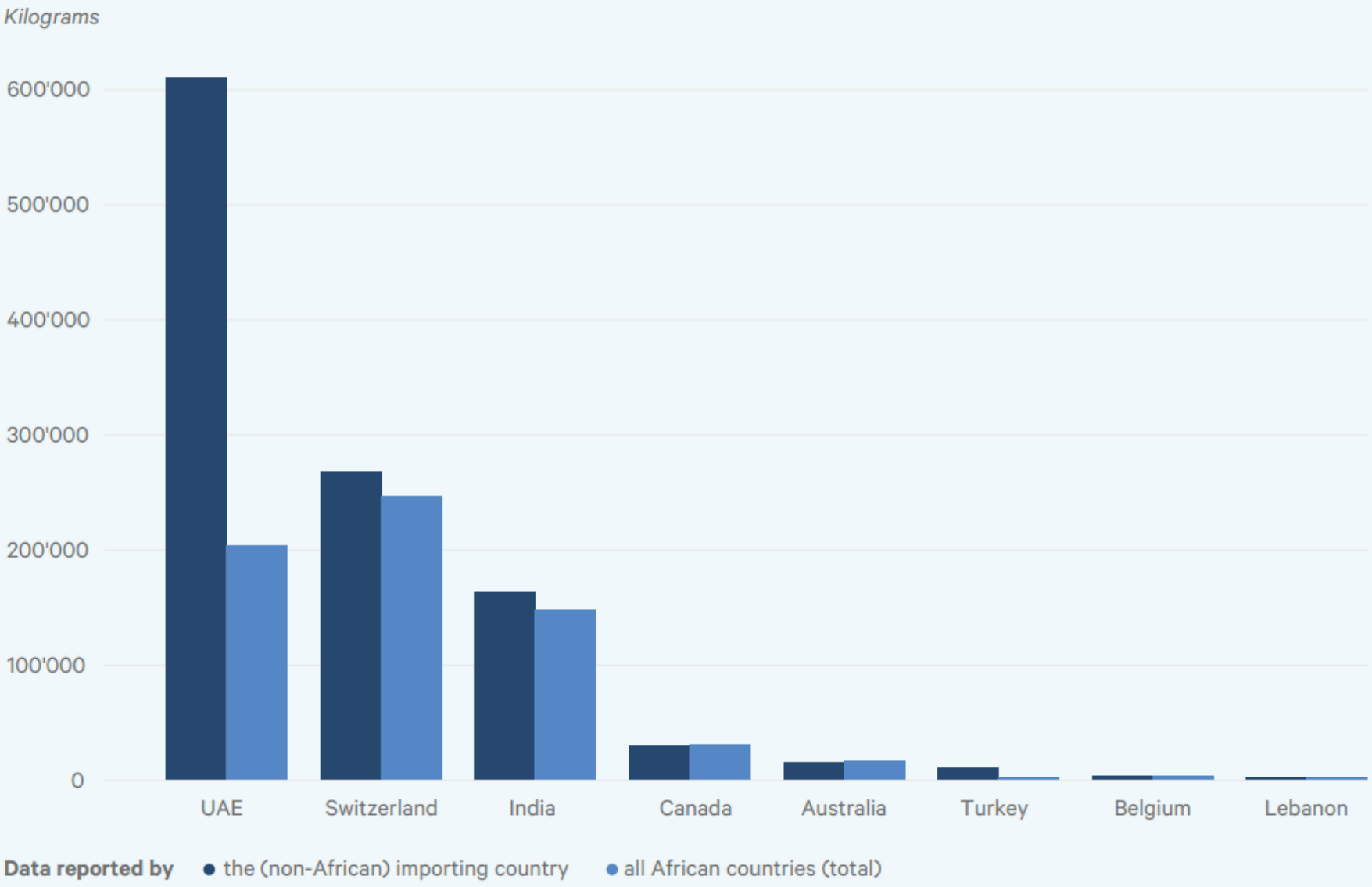
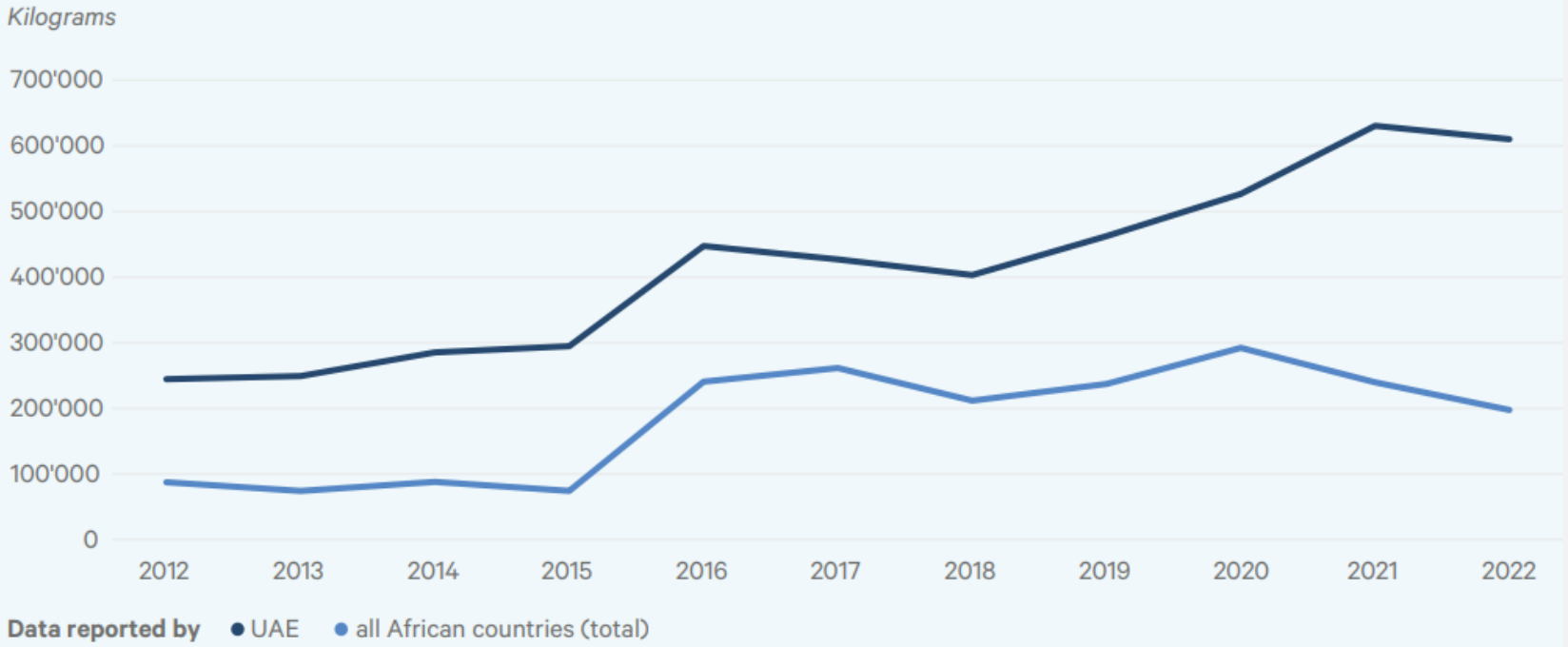
FIGURE 28 – Imports of gold from Africa into the main non-African importing countries in 2022 versus mirror data



Sources: (Non-African) countries of destination: UN Comtrade HS 7108. (African) countries of origin: statistics of the African states, see appendix 5.

FIGURE 32 – Imports of gold from Africa into the United Arab Emirates versus mirror data



Sources: UAE: UN Comtrade HS 7108. Countries of origin: see appendix 5.

- **In 2022, 66.5% (405 tonnes, 30 billions USD) of the gold imported into the UAE from Africa was smuggled out of African countries**
- **Between 2012 and 2022, 2,569 tonnes of African gold imported into the UAE was not declared for export in African countries (USD 115.3 billion)**

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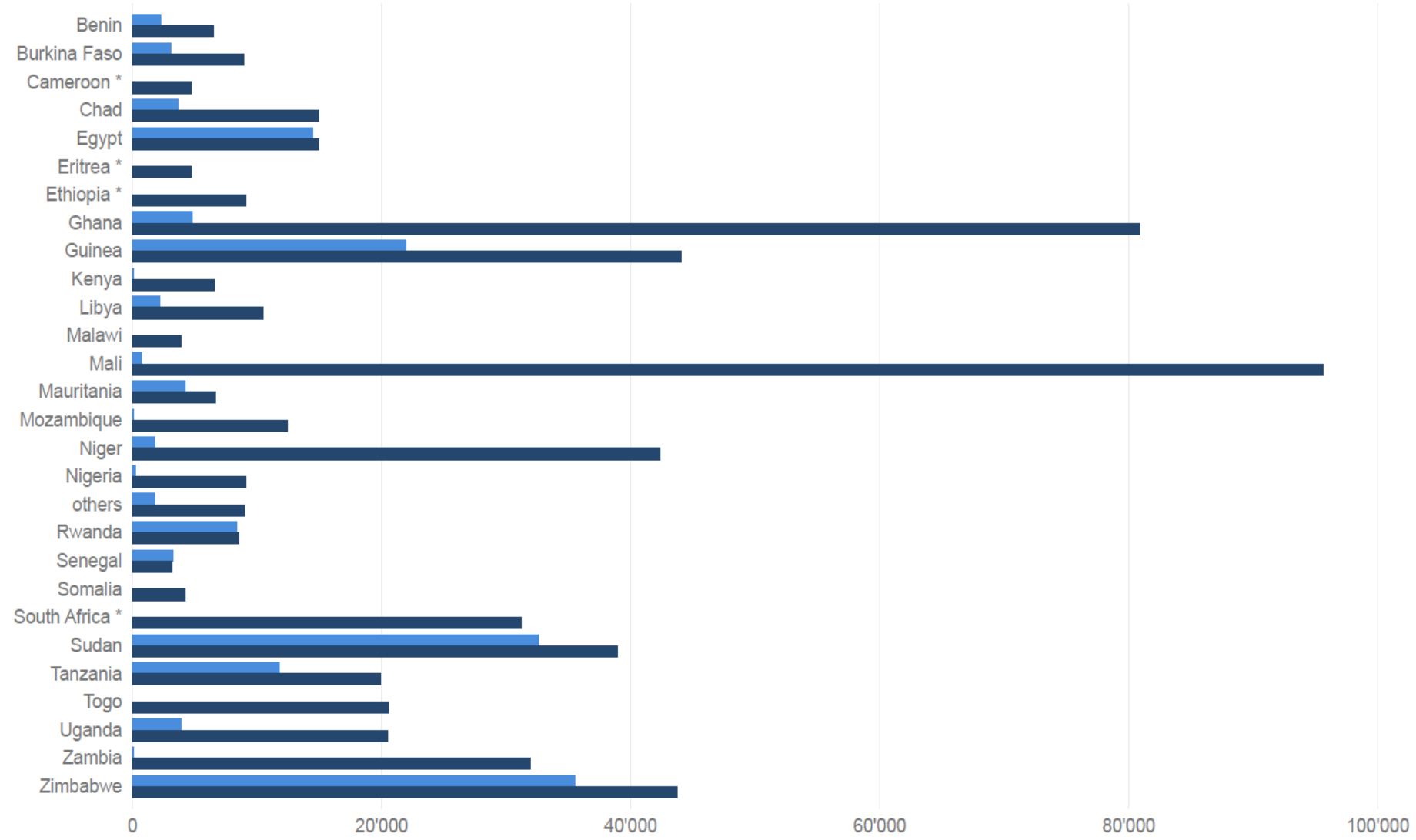
Imports of gold from all African countries into the United Arab Emirates in 2022 versus mirror data



Data reported by ●the UAE ●the country of origin

Kilogrammes

Sources: UAE: UN Comtrade HS 7108. Countries of origin: statistics of the African states, see appendix 5. For countries marked with an asterisk, data on gold export to the UAE in 2022 could not be obtained or does not exist.

Key findings 8 ATI partner countries : differences

Legal frameworks

- Legal distinction between artisanal and semi-mechanized mining (Ghana, Burkina Faso, Tanzania)
- Single SSML licence (Nigeria)

Approaches

- Wide network of mineral buying centres (Tanzania)
- Centralized model of control (Burkina Faso)
- Consultative approach (Malawi)

Fiscal regimes (royalties)

- Ghana: 0%
- Burkina Faso, Nigeria: 3% to 8%
- Tanzania: 6% (with tax relief for gold processed domestically)

Key findings 8 ATI partner countries : differences

Country	Mining title	Permit duration (year)	Ownership of a mining title		Surface taxe	Royalty
			granting	renewal		
Burkina Faso	Autorisation d'exploitation artisanale	2	0.5 M FCFA	1 M FCFA	1 M FCFA/km^2	3% - 7 % if price > 2000 USD/oz
	Permis d'exploitation semi-mécanisée	5	5 M FCFA	7.5 M FCFA	2 M FCFA/km2 (1 - 5 years) 4 M FCFA/km2 (6 to 10 years) 9 M FCFA/km2 (beyond)	
	Permis d'exploitation industrielle de la petite mine	5	3 M FCFA	5 M FCFA	1 M FCFA/km2 (1 year) 2 M FCFA/km (beyond)	
Ethiopia	Artisanal Mining license	2				
	Special Small Scale Mining License	10				7%
	Small Scale Mining Licence	10				
Ghana	Small Scale Mining Licence	5	70 USD + 170 USD/year	70 USD		0%
Liberia	Class C Mining Licence	1				3%
Madagascar	Kara-bolamena (orpaillage)					5%
	Autorisation Minière d'Exploitation Artisanale (AMEA)	1				
	Permis Réservé aux Exploitants Artisanaux (PREA)	8	11,700 Ar	2,600 Ar/carré 205,000 par opération	12,700 - 95,800 Ar/carré (selon l'âge du permis)	
Malawi	Small Scale Mining Licence	2	30,000 K	20,000 K		7%
Nigeria	Small Scale Mining Lease	5	300,000 N	30,000 N	260,000 N/ cadastral unit	3%
Tanzania	Primary Mining Licence	7	50,000 Tshs	100,000 Tshs	160,000 Tshs; 90,000 Tshs if < 2 ha	6%

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Recommendations

Reinforce controls to reduce illicit gold flows

- Reinforce border and airport controls
- Strengthen inter-agency cooperation within and between cross-border customs authorities
- Increase the scale and frequency of checks carried out by state agencies on mining sites, collectors, purchasing offices and refineries
- Fight corruption
- Improve the verification of customs declarations
- Regulate the carriage of gold in hand luggage

Harmonize taxes

- Identical taxes on gold exports

Develop an approach based on incentives rather than repression

- Strengthen services to gold miners
- Strengthen the role of local banks in terms of financing
- Reserve areas or lanes for artisanal and small-scale gold mining

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Recommendations

Gold marketing

- Simplify and streamline administrative procedures for gold exports
- Set up decentralised gold collection offices
- For countries with a gold purchasing programme run by a state agency, e.g. the central bank:
  - offer competitive prices
  - ensure sufficient liquidity
  - put in place appropriate due diligence mechanisms
  - require that part of the revenue generated be redistributed to the mining regions

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Loss of Tax Revenues in the Mining Sector

New Insights and Best Practice for Policy and Administration

Thomas Lassourd

July 23, 2025

IGF INTERGOVERNMENTAL FORUM on Mining, Minerals, Metals and Sustainable Development

Secretariat hosted by IISD

Secretariat funded by Canada

Kingdom of the Netherlands

Agenda

1. Ongoing challenges to mining revenue collection

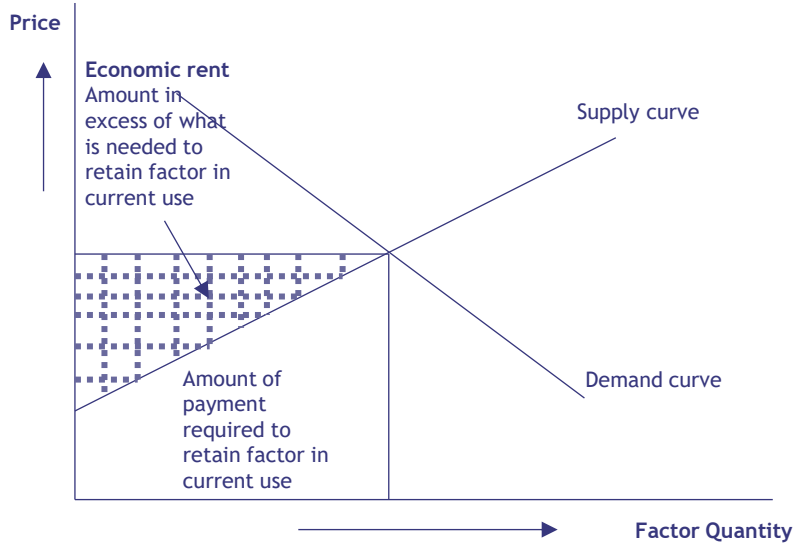
2. New risks and opportunities emerging for mining taxation

3. Re-thinking mining fiscal regime design and administration

Why Tax Mining Activities Differently?

‘Special’ taxation for the extractive sector

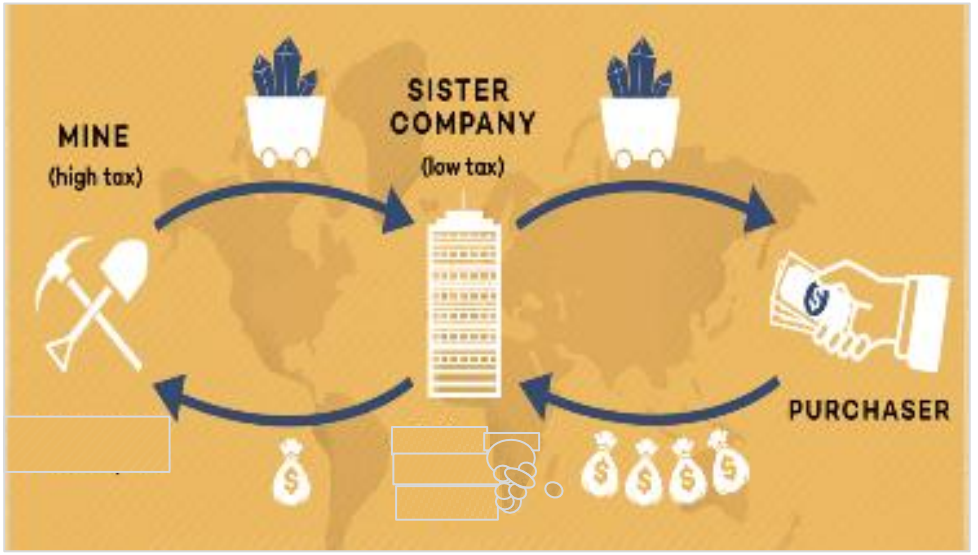
- Exhaustible resource
- Uncertainty
- High sunk costs, long production periods
- Size of the sector relative to the economy
- Potentially substantial tax revenue for the host country
- International considerations
- Information asymmetry
- Project-by-project basis for taxation
- Substantial economic rent



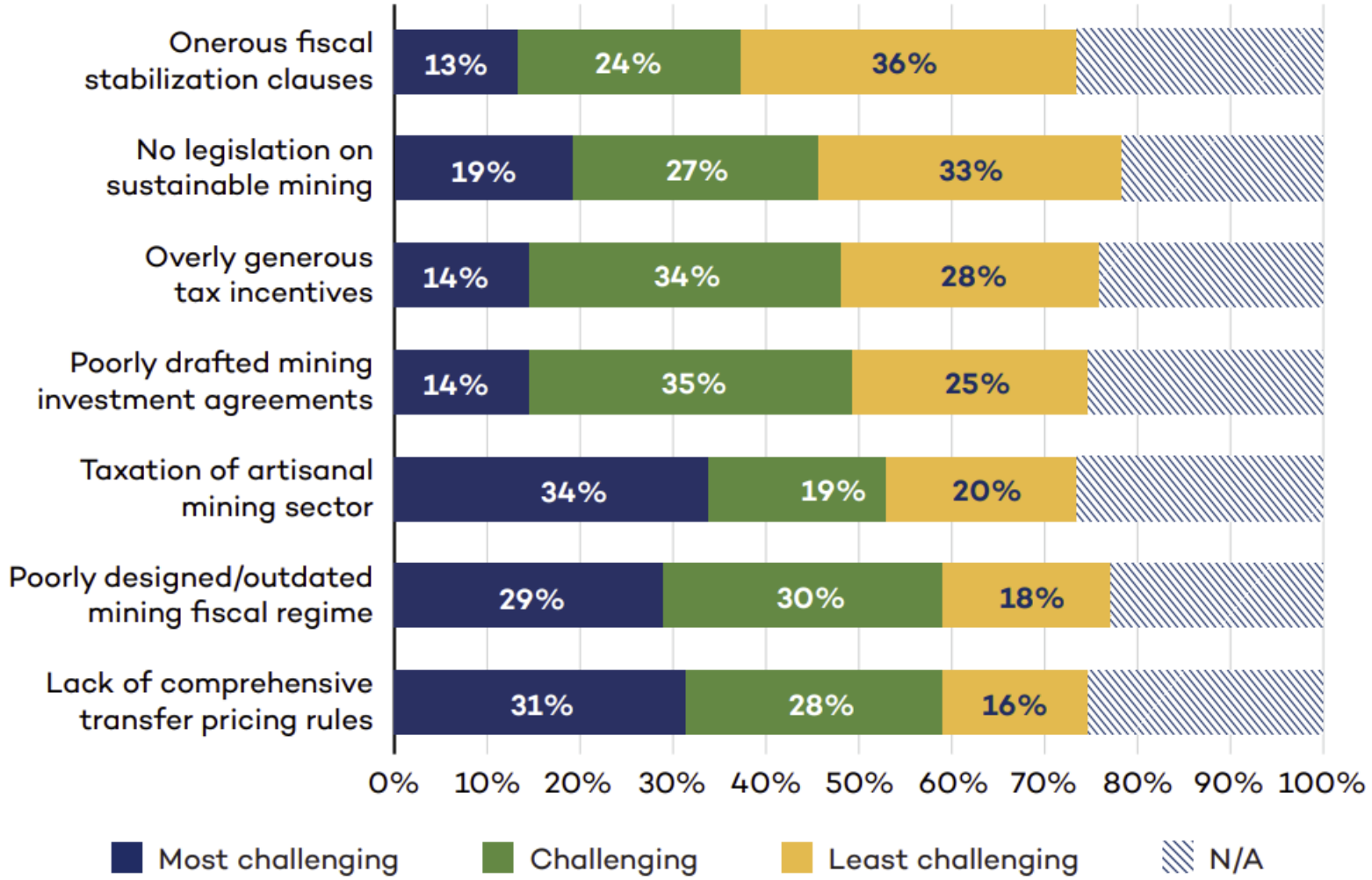
- Economic rent is a surplus return to a factor (e.g. gold/copper) over & above its opportunity cost
- Taxing some or all of this rent should not deter economic behaviour

Mining Has Often Failed to Deliver Revenues

The International Monetary Fund estimates that African countries alone are losing **USD 470 million to 730 million** in revenue annually from tax avoidance in the mining sector.

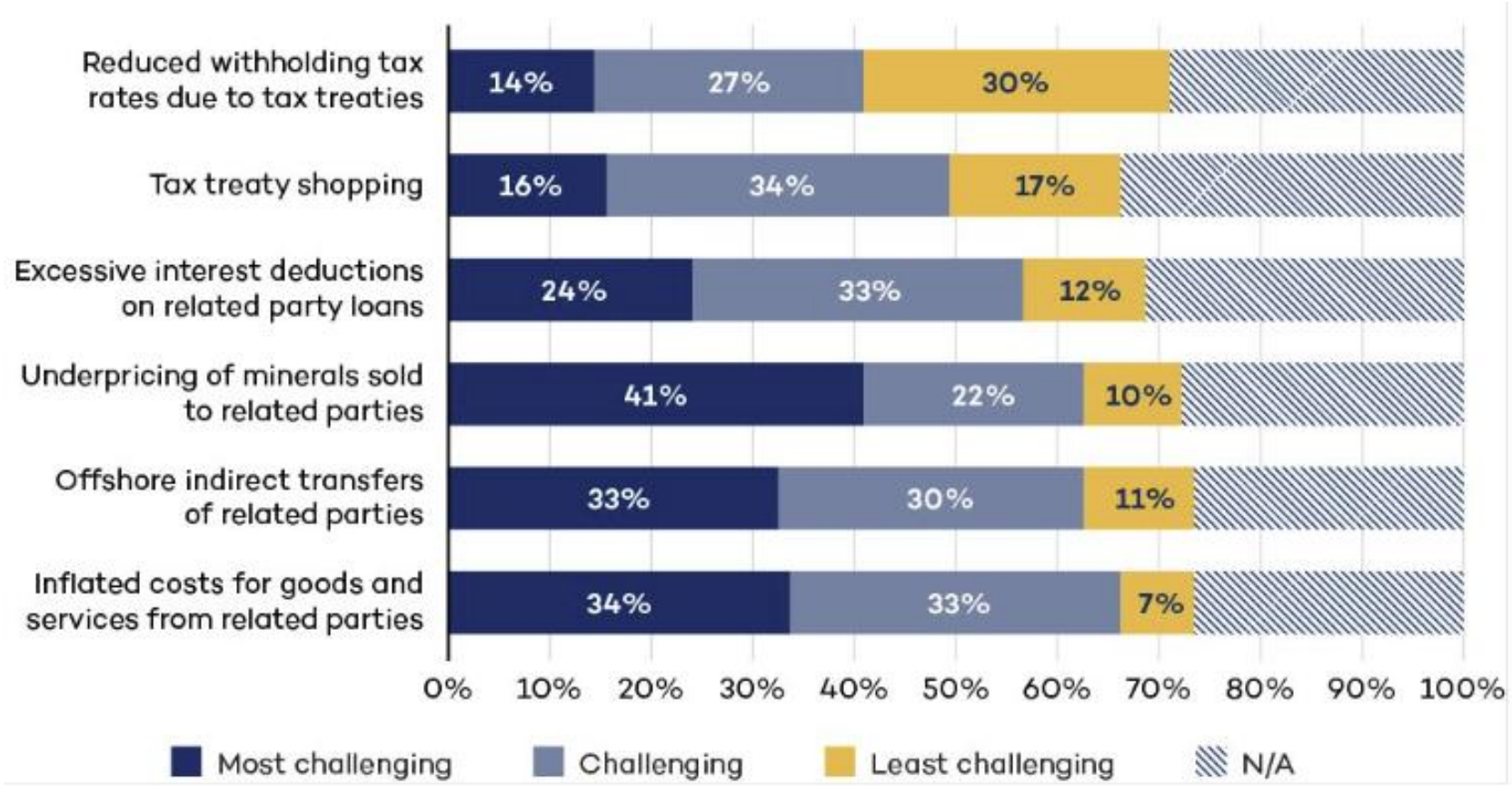


Main Policy Challenges in Mining Revenue Collection



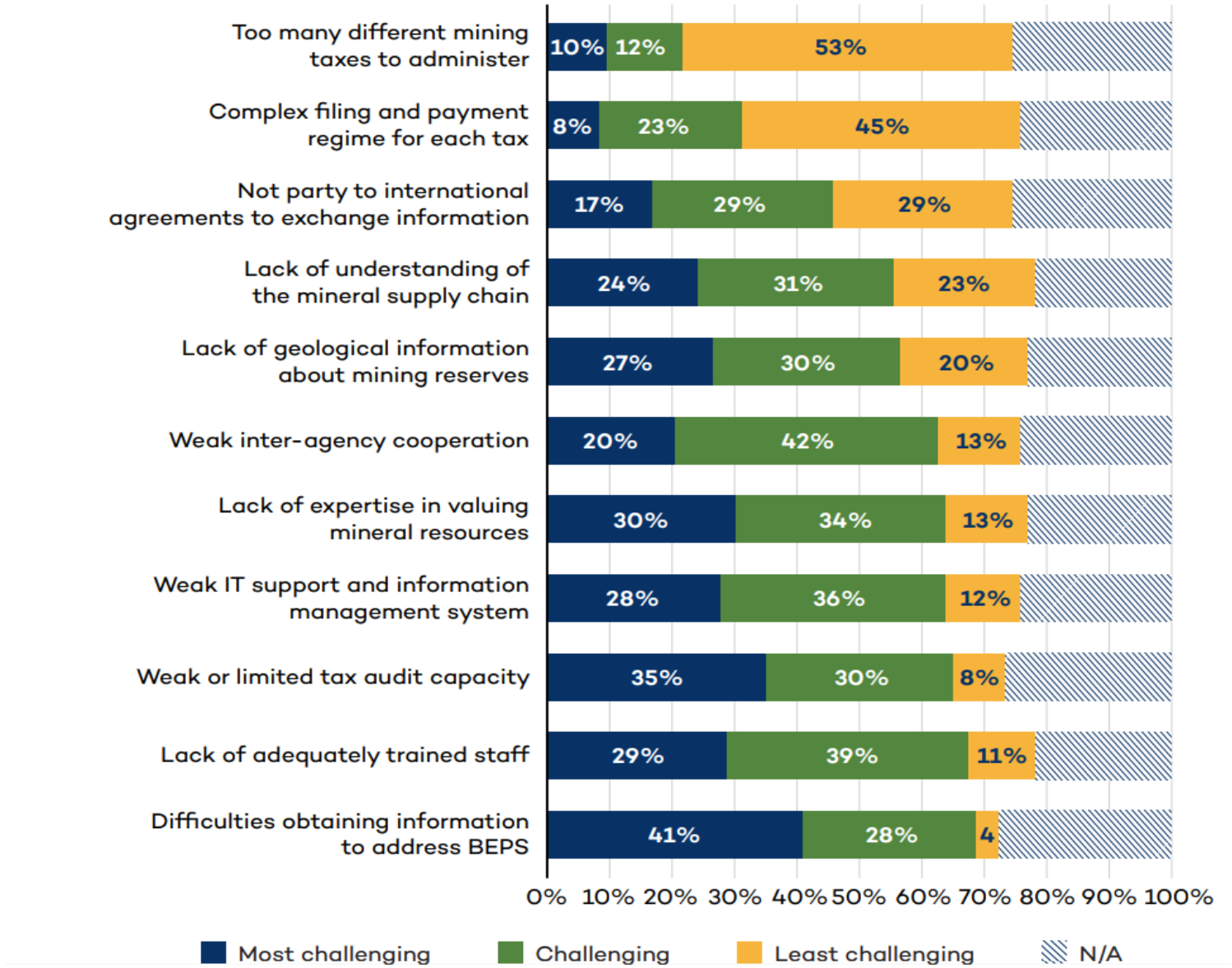
Results from a survey carried out by ATAF- IGF in 2021

Main Tax Base Erosion and Profit Shifting Challenges



Results from a survey carried out by ATAF- IGF in 2021

Main Tax Administration Challenges



Results from a survey carried out by ATAF- IGF in 2021

Countries Want Simpler, Fairer, More Equitable Regimes

Simplicity

Participation

Fairness

Compensation

Changes in the Mining Sector and Society

Opportunities and challenges from minerals of the future

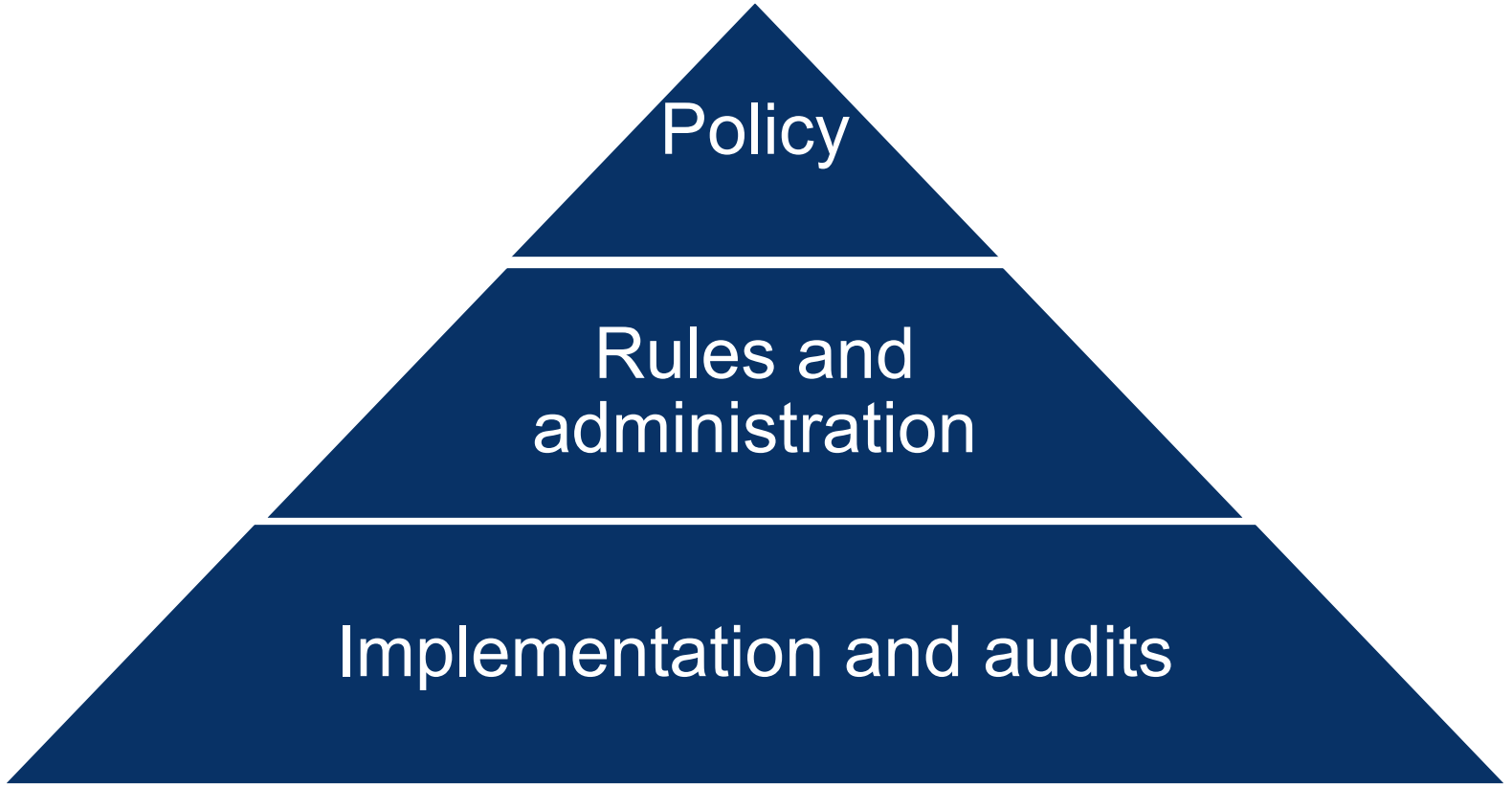
Additional financial pressures, debt crisis

Industry undergoing major technological transition

Changes in international rules on investment, tax and trade

Solutions to These Challenges

The three steps to increasing mining tax revenue



Reforming Mining Tax Policy

- ✓ Streamline the use of tax incentives
- ✓ Avoid overly broad fiscal stabilisation clauses
- ✓ Use of competitive bidding to allocate mineral rights. **E.g. Colombia, Brazil**
- ✓ Use of progressive taxes that respond to price/profitability changes, e.g. variable royalties. Examples: **Zambia, Mongolia, Peru**
- ✓ Use of Production Sharing Contracts to replace the royalty and corporate income tax regime. E.g., Senegal, Uganda
- ✓ Revisit rent taxes. E.g., Tanzania, Ecuador
- ✓ Explore new roles for the state in mining equity and operations

Improving Rules and Administration in Mining Taxation

- ✓ Protect mining income in tax treaties
- ✓ Introduce or review ring-fencing rules
- ✓ Close loopholes in capital gains taxes on offshore indirect transfers of mining assets
- ✓ Strengthen transfer pricing regulations, taxpayer guidance
- ✓ Use of reference prices to calculate royalty and corporate income tax

Guinea, **Senegal** **, Sierra Leone**

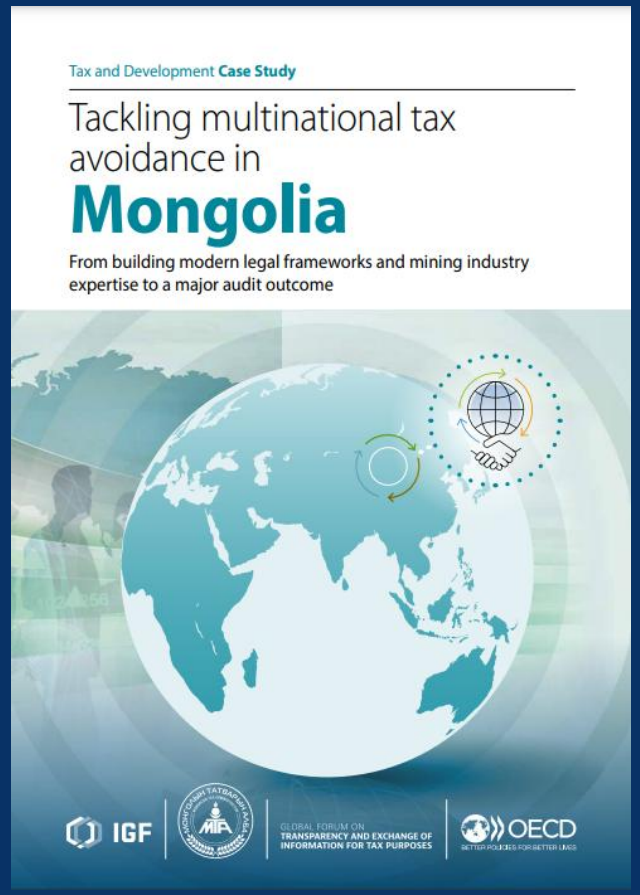
- Adopted a mineral reference price to put a floor on mining companies' export prices in their related party transactions of bauxite / phosphate / iron ore

Implementing Mining Fiscal Regimes and successful Tax Auditing

- ✓ Better and coordinated control of mineral exports across government agencies
- ✓ More internal capabilities in mineral assessments and testing
- ✓ Regular risk assessment and tax audits in coordination with all relevant institutions
- ✓ Capacity building and secondments in tax audits
- ✓ Increased use of IT and AI tools

Mongolia

- Collected USD 288 million in taxes and denied USD 1.5 billion in carried-forward losses from a single audit of a multinational mining company



“The transfer pricing audit conducted with the essential technical assistance provided by the TIWB, IGF, and OECD experts, is a major step forward for the Mongolian Tax Administration. The resulting tax assessment is a testament to the capabilities of the Mongolian tax officials as well as the combined international effort to tackle global tax avoidance. The tax administration has accomplished bridging the years of gap. The audit case is an important milestone for the development of the tax system in Mongolia and addressing the BEPS.”

ZAYABAL BATJARGAL

Commissioner, General Department Of Taxation, Mongolia

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