CPB Netherlands Bureau for Economic Policy Analysis

Conduit country the Netherlands in the spotlight

Combatting tax avoidance requires international coordination.

About a quarter of outgoing interest goes to conduit countries like Ireland, Luxemburg and Switzerland.

The conditional withholding tax, planned for 2021, will not stop this flow. Only a broader application of this tax could do so.

Substantial tax savings with royalties.

The Netherlands does not levy a withholding tax on royalties up until now, making it an attractive conduit country. Sixty percent of royalties through the Netherlands goes directly to tax haven Bermuda.

CPB Policy Brief

Arjan Lejour, Jan Möhlmann, Maarten van 't Riet

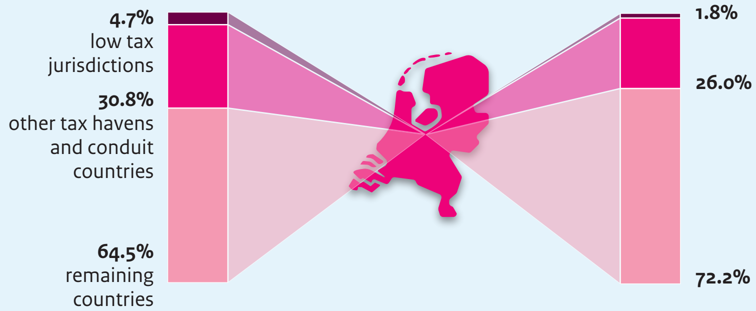
January 2019

Via the Netherlands

The lion's share of royalties is channeled to Bermuda and is often held by an American company. Interest and dividends often originate from conduit countries such as Ireland, Luxembourg and Switzerland or have those countries as destination

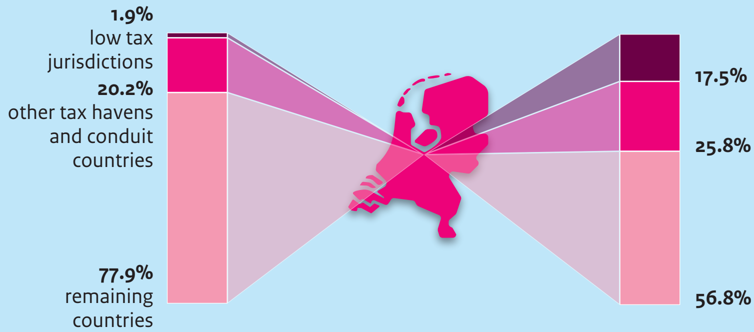
Dividend flow 2014-2016

country of origin by type, in % of total flow *destination by type*



Interest flow 2014-2016

country of origin by type, in % of total flow *destination by type*

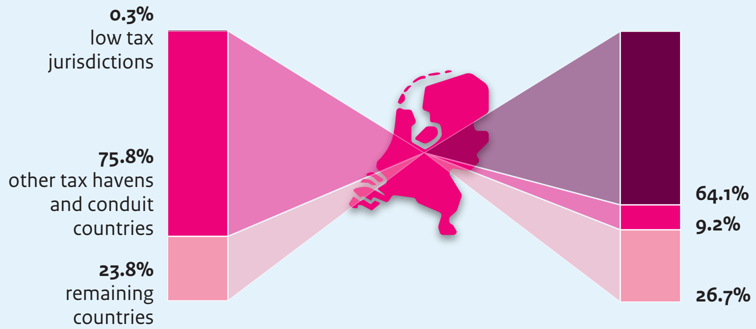


Legend

- The Dutch list of low taxing jurisdictions consists of the five countries on the EU's blacklist, plus sixteen countries which tax corporate income 9% or less
- The other tax havens and conduit countries are countries not present on the Dutch list, but which are included in Gravelle's list of Tax Havens (2015, link)

Royalty flow 2008-2010

country of origin by type, in % of total flow *destination by type*



Origin and destination

Origin and destination are relative terms when it comes to financial flows. Even though a financial flow might 'originate' inthe United States of America, this does not necessarily mean the flow has its genesis there. And, the direct country of destination is often not the end of the flow.

Summary

The Netherlands is a conduit country. The value of participations, loans and intellectual property rights of Dutch Special Purpose Entities (SPEs) add up to 4200 billion euro in 2016. The SPEs are the international link between subsidiaries of Multi National Enterprises (MNEs), in countries of origin and destination. These SPEs record dividends, interest and royalties flowing through the Netherlands amounting up to 200 billion euro yearly.

Tax havens are an important destination for royalties, with a share of about 60% in the outgoing flows. This involves especially Bermuda. For outgoing interest, the share of tax havens is smaller, varying from 20% to 45%, depending on the chosen definition of tax havens. The broader definition also contains conduit countries like Ireland, Luxemburg and Switzerland. For incoming dividends, the share of tax havens varies between 5% and 35%. For interest and dividends, the share of conduits is substantial, as origin and as destination, in the range of 20% to 30%. This demonstrates that the diversion of financial flows is complex, involving several conduits and often also tax havens at the start or end of the route; the Netherlands is but one link in the chain.

Since the Netherlands does not, up until now, levy a withholding tax on royalties, the tax savings MNEs can make with a Dutch SPE are substantial. The planned withholding tax on flows to low tax jurisdictions from 2021 will eliminate this tax avoidance via the Netherlands.

We cannot find, based on statutory rates of the corporate income and withholding taxes, substantial tax savings for interest and dividends. However, the conduit countries involved, do not have low statutory tax rates, but the income flows will often not be taxed, or not effectively, because the income is channelled to other countries. The direct destination is often found not to be the residence of the MNE. This applies in particular to American MNEs, which form about one third of the ultimate beneficial owners.

A conditional withholding tax based on the effective tax rates of the direct destination countries, instead of being based on statutory tax rates, will be more effective in combatting tax avoidance via the Netherlands. Moreover, the complexity of the routes emphasizes the necessity of international coordination of tax legislation.

1 Introduction

The reputation of the Netherlands concerning international corporate taxation is at risk. The European Commission identifies the Netherlands as one of seven Member States with aggressive tax-planning practices.[1] Some years ago the American administration proposed to list the Netherlands as a tax haven for its role in the diversion of the profits of American Multinational Enterprises (MNEs), leading to tax deferral. The Netherlands is not a tax haven in terms of the absence of corporate income taxation; it is seen as an important link in tax avoidance.

The Netherlands is a conduit country for financial flows. This applies first of all to international investments; the Netherlands has ranked in the absolute top of both inward and outward foreign direct investment (FDI) positions for years.[2] The subsequent income like dividends, interest and royalties, flows through the Netherlands as well.

Little is known about the composition of these income flows through the Netherlands. There is no systematic information that links the countries of origin and destinations of these flows, nor are there any clues on the related tax savings for the MNEs. This policy brief attempts to fill this gap using data from the Dutch Central Bank (DNB) on Special Purpose Entities (SPEs).[3]

The SPEs are for the main part responsible for the conduit function of the Netherlands. SPEs are holding companies of MNEs, often called shell companies. They account for about 80% of the stock of FDI. In this policy brief, we present information on the size and the geography of the flows through these corporations.

Several fiscal characteristics are relevant for the conduit function. These include the dividend participation exemption, the absence of non-resident withholding taxes on interest and royalties, and the large number of bilateral tax treaties the Netherlands has signed.[4] These treaties prevent or reduce double taxation. Also, rulings by the tax authority are important. They offer the MNE, in advance, clarity on which financial flow will, or will not, be taxed.

As a conduit the Netherlands facilitates tax avoidance. The Netherlands has a role in reducing the effective tax burden for MNEs. This can only be demonstrated in indirect ways since statistics on actual tax payments are not available.[5] A basic mechanism for tax avoidance is profit shifting to low tax jurisdictions or tax havens.

A general accepted definition of tax havens does not exist. This name is supposed to cover a number of notions at the same time, making hard criteria impossible. First of all it is about no, or effectively low, taxation of (corporate) income. A high or normal statutory rate is of little consequence when the tax code contains all sorts of tax reducing exceptions. The tax code may also lack transparency. Moreover, a country may be non-cooperative in supplying, at the request of other tax authorities, information on foreign tax payers.[6] As a consequence, income or wealth may deliberately be kept hidden, and therefore taxes can be evaded. There is

---

[1] EC (2018).
[2] See CDIS statistics from 2009 to 2016, published by IMF. CPB pinpointed this topic in 2013 and also Statistic Netherlands mentions this issue in the Internationalisation Monitor, see CBS (2018) and Lejour and van 't Riet (2013).
[3] Earlier papers on this topic are from SEO (2018), (2013).
[4] These characteristics are extensively discussed in Lejour and van 't Riet (2013).
[5] Various studies make this point, such as IHS (2017), and Torslov et al. (2018).
[6] See for example OECD (1998).

the notion of secrecy jurisdictions.[7] A number of states of the US, among which Delaware, are also referred to as tax havens. See the box for the list of tax havens used by us.

In section 2, characteristics of SPEs are discussed including the most important countries of origin and destination of the dividends, interest and royalties. Also the shares of tax havens in the flows are determined, according to the different definitions. In section 3, is demonstrated that the financial flows are often complex routes. In section 4, possible tax savings are discussed, when MNEs use conduit entities in the Netherlands. At the end of this section we conclude with some policy recommendations.

Tax haven lists

Given the absence of hard criteria for defining a tax haven, there is also no general accepted list of tax havens. Several lists exist which are also adapted over time, sometimes under political pressure. To cover the spectrum, we present the size of the financial flows through Dutch SPEs for three different lists.

1. The first one is from the Dutch ministry of Finance (Rijksoverheid, 2018b). Two criteria are used to construct the list; low taxation, defined as a statutory rate of the corporate income tax of 9% or less, and non-cooperative behaviour of countries, as covered by the black list of the European Commission. In total the list contains 21 countries.

2. The second list is one of Offshore Financial Centres (OFC's), used for instance by the Dutch Central Bank (Financial Stability Forum, 2000). According to the criteria, the emphasis is less on the non-cooperative behaviour of countries and more on the absence of a physical presence (substance) in those countries. This is a list of 40 countries.

3. The third list is the one of Gravelle (2015) combining several, some older, lists, among which those of the OECD. This list of 50 countries is sometimes used in the academic literature. The tax haven list of Gravelle contains 'other financial centres', such as Ireland, Luxemburg and Switzerland. These countries have, more or less, normal corporate income tax rates but are still characterized as tax havens because of their role as conduits. The same applies to the Netherlands and the UK, which, however, are not on the list.

[7] Schelderup (2016).

2 Characteristics of SPEs

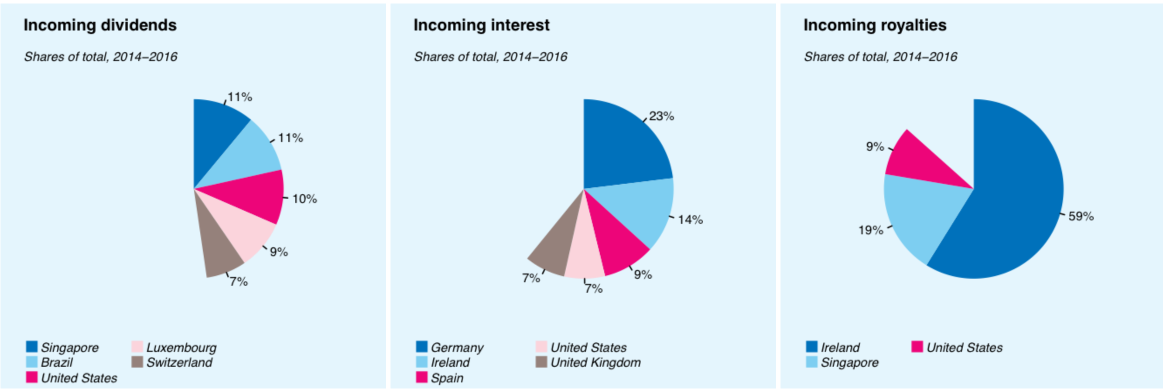
Special Purpose Entities (SPEs) are corporations with a foreign owner, and they are a link in the financial flows of multinational enterprises. The income flows are dividends, interest and royalties coming from abroad and, through the SPE, flowing abroad. The Dutch Central Bank (DNB) collects financial information of the SPEs.[8] About 15 thousand corporations are involved. In this policy brief we make use of these data.

The balance sheet total of the SPEs has increased from 1524 billion euro in 2004 to 4228 billion euro in 2016. The assets consist mainly of participations in subsidiaries and provided loans. The value of intellectual property can be part of the assets. The liabilities, on the other side of the balance sheet, are mainly participations (of the mother company) and loans. The assets result in compensations from abroad; dividends, interest and royalties. This income is often channelled through the SPE, for instance as interest payments for outstanding debt.

The size of the income flows was about 200 billion euro in 2016, compared to about 70 billion euro in 2014. The largest flows are dividends, which represent more than half of the income flows. The size of interest payments and royalties are comparable nowadays. Especially the size of the royalties has increased between 2004 and 2016, while the flow of interest has remained more or less constant. Incoming and outgoing flows of interest and royalties are about the same, but this is not the case for dividends, for which the incoming flow is substantially larger. Over time, dividend flows increase in size, in line with balance sheet totals.[9]

These flows are all taxable, in principle. Taxation could take place in the jurisdiction from which the income originates, in the Netherlands and in the country which receives the payment. The tax burden depends on the tax legislation, which differs by country and by income type. For this reason, we present the most important origin and destination countries. The analysis uses a sample of about 1000 large SPEs, which changes yearly. The balance sheet total is about two thirds of the population of Dutch SPEs. We use this sample because for these SPEs DNB gathers information on origin and destination countries, which is not gathered for the other SPEs.[10]

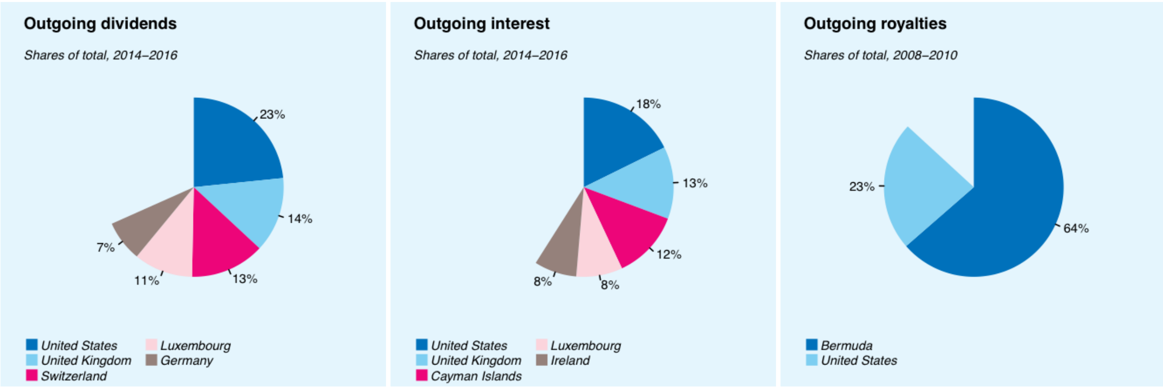
Figure 2.1 Incoming flows – dividends, interest and royalties



[8] See SEO (2018) for more details on the reporting information of the SPEs .
[9] See previous footnote.
[10] The coverage of royalties in the sample is much larger than two thirds of the macro total.

The largest flows come from 'other financial centres'. The size of the flows is hardly related to the size of the economies in the origin countries. For dividends this is the case for Singapore, Luxemburg and Switzerland, as shown in figure 2.1. Only the United States forms the exemption in the top 5 of origin countries. 80% of the incoming royalties come from Singapore and Ireland. The size of these flows suggests that the location of the intellectual property rights is hardly related to the location of production. The interest flows from the United States and Germany could be explained by debt shifting from low tax countries to these high tax countries. The large interest flow from Ireland is probably related to its position as a financial centre.

Figure 2.2 Outgoing flows – dividends, interest, royalties[11]



Outgoing dividends and interest flows are mainly directed to the financial centres and large economies. Switzerland, United Kingdom, United States and Luxemburg receive about 70% of the dividends from Dutch SPEs. These four countries are also in the top 6 of destination countries of interest flows. The Cayman Islands are also in the top3 with 12% of the total outgoing interest flow.

The outgoing royalty flow is dominated by Bermuda. It is no secret that a large share of these royalties is owned by Google, using the so called 'Double Irish with a Dutch sandwich' tax route.[12] In 2016 Google transferred royalties valued at about 16 billion euro through the Netherlands to Bermuda. The United States receives a third of the total royalty flows through the Netherlands. Other countries are not relevant as destination.

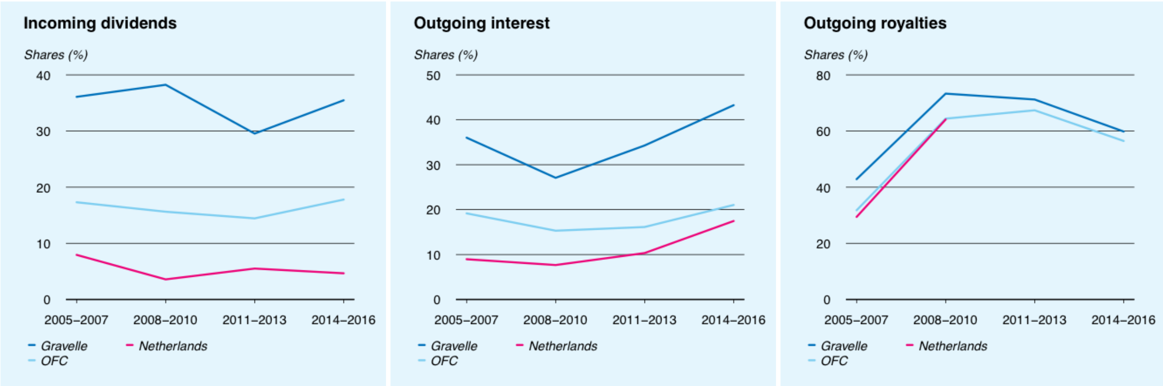
The Netherlands does not levy a withholding tax on outgoing interest and royalties. The government will introduce a conditional withholding tax with a tariff of 20,5% by January 2021 .This tax will be levied on financial flows to low tax countries according to a list, see section 1. The aim is to prevent that the Netherlands will be used for transferring financial flows to tax havens.[13] Besides, this list of low tax countries will also be used for applying additional cfc-rules from 2019.

The share of tax havens in outgoing interest flows is increasing. This conclusion holds for the three definitions of low tax jurisdictions defined in section 1. The share of the Dutch list of low tax countries is limited to a few percent, but if OFCs and countries such as Luxemburg and Switzerland are included (Gravelle list), this share is much larger. This is not the case for outgoing royalties. The Dutch list covers a large share of the outgoing royalties, because this list includes Bermuda. A broader interpretation of tax havens does not

[11] The numbers of outgoing royalties are presented for another three year period, because of the disclosure risk in the period 2014-2016.
[12] See the new article in Financieele Dagblad of January 3, 2019 based on the public yearly accounts of Google Netherlands Holdings.
[13] Rijksoverheid (2018b).

increase the share much. The share of low tax countries in outgoing royalties increases substantially between 2006 and 2009, but remains constant afterwards and decreases somewhat towards 2016.

Figure 2.3 Shares of low tax jurisdictions / tax havens[14]o



Tax havens are not only destination countries but also origin countries. The share of tax havens in the incoming flows also depends on the list. For incoming dividends, the share is about 5% according to the Dutch list. This share changes somewhat over time. If the OFC countries are included in the list, the share increases by a factor three and the share is more than 30% according to the Gravelle list, see figure 2.3. This high share of countries that are on the Gravelle list is caused by including countries such as Singapore, Luxemburg and Switzerland.

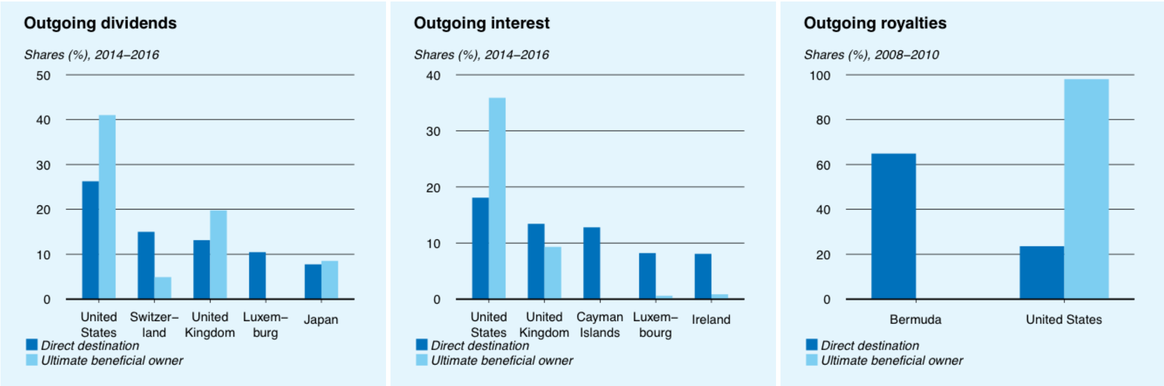
The proposed conditional withholding tax will mainly hit the royalty flow to Bermuda. Additionally, the substantial interest flows to the Cayman Islands will be hurt, but the size is much smaller than the size of the royalty flows. Many other flows are not affected. This is related to the definition of tax havens. It is probably very difficult to include countries such as Ireland, Luxemburg and Switzerland in this definition from a political and juridical perspective. However, the fact that these countries are on the Gravelle and other lists does suggest low effective tax rates or non-cooperative behaviour. Besides, renewed tax laws in other countries will also have an effect on the financial flows to and from the Netherlands. Examples are the tax reforms in the United States and Ireland.

3 Complex routes

Dutch SPEs are part of complex international financial routes. This is demonstrated by the following three facts: (1) the ultimate owner of the income is often not located in the direct destination country of the flow, (2) this direct destination country is often a conduit country and (3) SPEs often have a complex hub-function. This is illustrated below.

[14] Because of the disclosure risk, we cannot present the shares of low tax countries for the more recent years according to the Dutch list.

Figure 3.1 Geography of outgoing dividends, interest and royalties and of the ultimate beneficial owner[15]



The ultimate beneficial owner often resides in the US and not in the direct destination country. DNB has a (partial) registration of the 'ultimate beneficial owners' of the SPEs. For the SPEs for which this information is available, a third of the ultimate owners reside in the US. Figure 3.1 shows the direct destination country and the country of the ultimate beneficial owner for dividends, interest and royalties. Especially for royalties, the difference is extreme. The flow to Bermuda is completely owned by Americans. A large part of the dividends or interest to Switzerland, the Cayman Islands, Ireland and Luxemburg also has an American owner. Put differently, especially SPEs with an American owner use the Netherlands to channel income to other countries. This is related to the system for corporate income taxes that was used in the US until 2017. The US levied a high tax rate, not just on profits made in the US, but also on repatriated profits made in other countries. Therefore, American MNEs kept their profits in tax havens, partly via the Netherlands. It has to be seen whether the US Tax Reform of 2018 will affect this pattern.

The direct destination country is often a conduit country, such as Luxemburg and the UK. Combined with the Netherlands, these two countries are the top 3 of potential conduit countries, as shown in a CPB analysis on dividends.[16] Also Ireland, Singapore and Switzerland qualify as such. Together with Luxemburg they form the earlier mentioned group of financial centres.

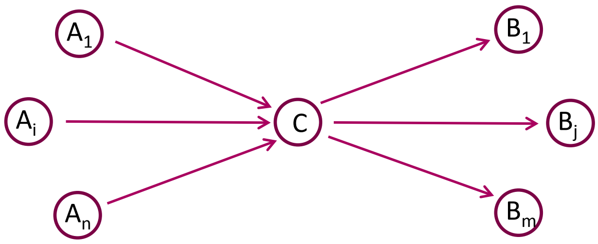
Luxemburg does not levy a withholding tax on outgoing interest and royalties, just like the Netherlands up until now. As a consequence interest and royalties can be channelled through without taxation. Although Luxemburg has a normal (not low) corporate income tax rate, interest and royalties flowing through Luxemburg are often not taxed since they are tax deductible. The effective taxation in Luxemburg will then be small or zero. For years, Luxemburg has been ranked, together with the Netherlands and the US, in the top 3 concerning direct foreign investment. Especially for incoming investments the share of tax havens is large.[17] This brings up the question to what extent the role of Netherlands in channelling interest and royalties to tax havens will be replaced by Luxemburg, when the Dutch conditional withholding tax on interest and royalties is introduced.

[15] The shares in this figure may deviate from those in figure 2.2, because here the shares are based on SPE for which the ultimate beneficial owner is known. Outgoing royalties are presented for a different period because of disclosure rules.
[16] Van 't Riet & Lejour (2018).
[17] See the CDIS database of IMF.

The SPEs often function as a hub; a crossroad for income flows from different countries of origin and to different countries of destination, as illustrated in figure 3.2. Moreover, an SPE can receive several types of income flows. Below, we first examine the information on the type of flows, and next we link countries of origin to destination countries.

Different types of SPEs and different roles. SEO (2013) distinguishes (a) holding SPEs, mainly involved with dividends, (b) financings SPEs with interest as the relevant fiscal flow and (c) royalty SPEs with sub-licenses channelling royalties.[18] Mixed SPEs combine activities. Mixed and holding SPEs are the largest groups. This implies that the type of income may change when it is channelled through a Dutch SPE.

Figure 3.2 Hub-function of SPEs



The incoming and outgoing dividends are the largest flow with 21.3 billion euro averaged over 2014-2016. This is way smaller than the size of dividends in the total financial flow of 200 billion euro, but here we focus on SPEs in the sample where we can link incoming dividends to outgoing dividends. When an SPE has only one country of origin or one country of destination, the allocation is straightforward. In more complex situations, like in figure 3.2, we allocate the flows proportionally. When necessary, we also allocate by income type.

The royalty flow is the second largest flow with 19.3 billion euro. There are less royalty SPEs than holding SPEs, suggesting that the average size of the flow is much larger for royalties than for dividends. Incoming and outgoing interest is much smaller with a value of only 2.5 billion euro.[19]

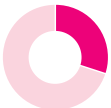
The largest origin-destination pairs are dominated by tax havens and conduit countries. The infographic below gives the ranking of country pairs in terms of the size of the flows.[20] Except for the US, we identify few large economies; a few times Japan, Germany and France. The UK is often on the lists; it is not only a large economy but it is also a financial centre and it has, in the network analysis, the highest score as potential conduit country.[21] Finally, we observe that there are country pairs where the country of origin is the same as the country of destination. There are SPEs that receive interest payment from a country and forward these payments to the same country. This applies most often to US – US and UK – UK. This is partially the result of the proportional allocation.

[18] See SEO (2013). In addition, SEO distinguishes Special Purpose Vehicles for securitisation.
[19] Because of the allocation the ratios between the different income flows have somewhat changed.
[20] Because of the non-disclosure rules we could often not show the size of the flows, hence we only present the ranking.
[21] Van 't Riet & Lejour (2018).

The Netherlands, conduit country

Most popular fiscal routes passing through the Netherlands, 2014-2016

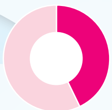
Top 10 dividend flows →



Combined: 30% of total dividend flow through the Netherlands

	origin	destination
1	Cayman Islands	United States of America
2	United Kingdom	Luxembourg
3	United States of America	Germany
4	Singapore	United States of America
5	Brazil	Belgium
6	United Kingdom	United States of America
7	Luxembourg	United States of America
8	Switzerland	Luxembourg
9	United Kingdom	United Kingdom
10	Puerto Rico	United Kingdom

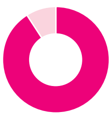
← Top 10 interest flows



Combined: 43% of total interest flow through the Netherlands

	origin	destination
1	Ireland	Cayman Islands
2	Spain	United Kingdom
3	Ireland	United States of America
4	Portugal	United Kingdom
5	Canada	United Arab Emirates
6	Germany	Germany
7	United Arab Emirates	Spain
8	Egypt	United States of America
9	United States of America	United States of America
10	Mexico	United States of America

Top 10 royalty flows →



Combined: 91% of total royalty flow through the Netherlands

	origin	destination
1	Ireland	Bermuda
2	Singapore	Bermuda
3	Ireland	United States of America
4	Singapore	United States of America
5	United States of America	United States of America
6	Ecuador	Bermuda
7	Ireland	Singapore
8	United States of America	United Kingdom
9	Canada	United States of America
10	Japan	United States of America

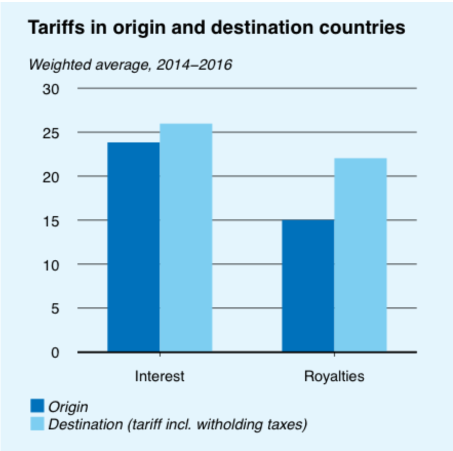
4 Tax savings?

Channelling royalties through the Netherlands leads to a substantial tax saving. Such saving cannot be found for dividend and interest, given the available data and the method applied. There are a number of reasons for this, such as the possibility that the financial flows are channelled further, so that tax savings could materialize later in the chain. We discuss the methodology, the results and the limitations of the method used.

We construct an approximation of tax savings on the basis of bilateral flows through the Dutch SPEs and bilateral tax rates.[22] Since we determined the flows by country pair, we can use the tax rates of the origin and destination countries. We use the tax rates of the corporate income tax and those of the withholding taxes. The withholding tax rates are distinguished by income type and by country pair, since in bilateral tax treaties agreements are made on mutual reductions of these rates. Also we take into account the double tax relief systems that countries apply.[23] For dividends this could be the participation exemption. Given the magnitude of the required information, in particular the bilateral withholding taxes, we only have data for three reference years: 2009, 2013 and 2016.

We make a distinction between direct savings and treaty shopping gains. Interest payments and royalties are usually tax deductible costs in the source country (origin). These flows are taxed, in principle, in the residence country, i.e. where the financing comes from or where the intellectual property resides. For the net result one would expect a tax gain; we refer to this as the direct tax gain. We assume that MNEs have reasons, fiscal or otherwise, to channel income through the Netherlands. In the case of dividends, the profits in the source country were already subjected by a corporate income tax and direct savings are thus not relevant. On the contrary, with dividends it is about avoiding or reducing double taxation. Diversion via the Netherlands can reduce the double taxation compared to direct repatriation. Here, the participation exemption and the evolved network of tax treaties of the Netherlands are conducive. We refer to the benefits of this diversion as 'treaty shopping gain'. It may occur, just as well, with interest and royalties.

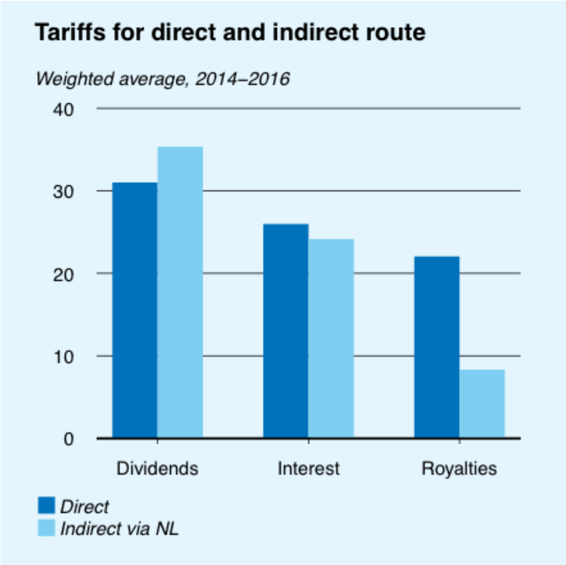
Figure 4.1 Tax rates of origin and destination countries



[22] The methodology is extensively discussed in Lejour e.a. (2018).
[23] This information has been obtained from the International Bureau for Fiscal Documentation (IBFD) Amsterdam.

We do not find direct tax savings on the basis of the statutory tax rates. Weighted with the size of the interest flows, the average corporate income tax rate of the countries of destination is hardly lower than that of the countries of origin. Taking into account the withholding taxes, the difference becomes even negative, see figure 4.1. With royalties, this effect is even stronger. An example is a direct royalty flow from Ireland to Bermuda. There is no corporate income taxation in Bermuda and in Ireland the rate is 12,5%. Ireland, however, does have a non-resident withholding tax on royalties of 20%. This would eliminate the entire gain. We observe that the US is an important country of destination with a high tax rate. When we leave out flows where the US is the country of origin or destination, we do find a direct tax gain, albeit of modest magnitude.

Figure 4.2 Tax rates of direct and indirect routes



Substantial treaty shopping gain for royalties. Because of the interest and royalty directive of the EU there is usually no withholding tax between Ireland and the Netherlands. We find on average a difference of almost 14% between the indirect route via the Netherlands and the direct route (figure 4.2). Corrected for the negative result with the direct savings the total tax savings are about 7% on a flow of royalties of 19 billion euro, resulting in a saving of about 1.3 billion euro. For interest, we find a small treaty shopping gain while it is negative for dividends. In the latter case the indirect route is more expensive than the direct one. Again we find that the tax benefits are larger if the US is excluded from the calculations.

Our method of approximating tax savings is limited for several reasons. First, we only observe a part of the international chain; also after the Netherlands, channelling through destination countries may occur. Second, we lack more detailed data. For instance on which states of the US are the destination; some states, like Delaware, have a tax regime with lower effective corporate taxation. A third reason is that we cannot determine 'hybrid mismatches', situations where a given entity is not taxed in both the country of origin and destination.[24] Moreover, other income flows of the MNE are unobserved.

[24] This applies for instance to the Dutch, so-called, CV/BV structures, which especially American MNEs have in the Netherlands. This possibility will be eliminated with the implementation of the ATAD2 directive (Rijksoverheid, 2018).

In a perfect world, the actual tax payments and profits by country of an MNE would be public information. The 'Country-by-Country Reporting' requirement for MNEs with a turnover of 750 million euro or more, is a move in this direction. It is especially important to be able to determine the effective taxation in the first country of destination after the Netherlands. Vleggeert and Vording (2017) propose to extend the conditional withholding tax with a test on the effective tax rate of the relevant flow. This implies that taxation can no longer be avoided via countries that are not tax havens themselves, but still do not levy withholding taxes on flows to low tax jurisdictions. For application of the CFC rules, such a test on the effective tax rate would also be preferable compared to using the statutory rates.

More international coordination is the way to combat tax avoidance. Companies find ever newer and more complex routes to avoid taxation. It is innate to profit maximizing firms to treat tax payments as costs to be minimized. From this perspective, a proactive approach at the international level is required. For instance, by improved, automatic, information exchange and policy coordination, combatting tax evasion will be more effective. Another example would be a minimum level of withholding taxation for the European Union as a whole. Although international coordination is often a lengthy process, the role of the Netherlands is important. The Netherlands is often an essential link in international financial chains and more than 10 percent of the worldwide stock of direct foreign investment is on the balance sheets of Dutch SPEs.

Literature

CBS, 2018, Internationaliseringsmonitor vierde kwartaal (link).

European Commission, 2018, 2018 European semester: country reports (link).

Financial Stability Forum, 2000, Report of the Working Group on Offshore Centres.

Gravelle, 2015, Tax Havens: International Tax Avoidance and Evasion, CRS Report.

IHS, 2017, Aggressive tax planning indicators, Final Report, Taxation Papers working paper No 71- 2017 (in consortium with CPB, DONDENA) (link).

Lejour, A., J. Möhlmann, M. van 't Riet and T. Benschop, 2018, Shell companies and international tax planning, CPB Discussion Paper forthcoming.

Lejour A. and M. van 't Riet, 2013, Bilaterale belastingverdragen en buitenlandse investeringen, CPB Policy Brief 2013/07 (in Dutch) (link).

OECD, 1998, Harmful Tax Competition: An Emerging Global Issue.

Rijksoverheid, 2018, Kamerbrief: Kabinet pakt belastingontwijking en belastingontduiking aan (in Dutch).

Rijksoverheid, 2018b, Nederland stelt zelf lijst laagbelastende landen vast in strijd tegen belastingontwijking (in Dutch) (link).

Schjeldrup, G., 2016, Secrecy Jurisdictions, *International Tax and Public Finance*, Vol. 23, 168-189.

SEO, 2018, Balansen, inkomsten en uitgaven van bfi's (in Dutch) (link).

Torslov T., L. Wier and G. Zucman, 2018, The Missing Profits of Nations, NBER working paper 24701 (link).

Van 't Riet M. and A. Lejour, 2018, Optimal Tax Routing: Network Analysis of FDI diversion, *International Tax and Public Finance*, Vol. 25(5), 1321-1371.

J. Vleggeert and H. Vording, 2017, A Tax on Aggressive Tax Planning, University of Leiden (link).