SOMO

# END HARMFUL TAX REGIMES

**This document contains all references and data used for the infographic 'Netherlands, a tax haven'.**

## → Context

- **The Netherlands is a tax haven.** See: F. Weyzig & M. van Dijk (2006) *The Netherlands: a tax haven?,* SOMO report, available at http://www.somo.nl/publications-nl/Publication_1397-nl
- **The Netherlands hosts 12 000 so-called *bijzondere financiële instellingen* (special financial institutions). Investment flows worth €4000 billion run through SFIs annually (this figure was measured by the Dutch Central Bank in 2011).** See:
  - De Nederlandsche Bank (2013) Ontwikkelingen van Nederlandse BFI's in 2011', Statistisch Nieuwsbericht 30 January 2013, available at http://www.dnb.nl/nieuws/nieuwsoverzicht-en-archief/statistisch-nieuwsbericht/dnb284531.jsp
  - Stichting Economisch Onderzoek (2013) *Uit de schaduw van het bankwezen*, available at http://www.seo.nl/uploads/media/2013-31_Uit_de_schaduw_van_het_bankwezen_01.pdf

## → Why is tax avoidance an issue?

- **Injustice: companies get away with paying less and less, while citizens pay the price.**
  - In 2000, the government's total tax revenues amounted to €99.1 billion. This consisted of:
    - → 27.1 bn (27%) revenue derived from VAT.
    - → 23.6 bn ( 23,8%) revenue derived from personal income tax
    - → 16.7 bn (16,9%) revenue derived from corporate income tax
  - In 2013 (preliminary figures) the government's total tax revenues amounted to €138.4 bn. miljard. This consisted of:
    - → 42.1 bn (30,4%) revenue derived from VAT.
    - → 24.2 bn ( 31,9%) revenue derived from personal income tax
    - → 12.4 bn (9%) revenue derived from corporate income tax

    See: CBS Statline, Overheid; ontvangen belastingen, http://statline.cbs.nl/StatWeb/publication/?DM=SLNL&PA=81198NED&D1=0-18&D2=0-1,4&D3=13-18,23,28,33,38,43,48,53,57-58&HDR=G1,G2&STB=T&VW=T (information retrieved at 15-04-2014)
  - Tax revenues generated from personal income tax increased in the period 2000 – 2011 from 6% to 8% of the Dutch Gross Domestic Product, while revenues generated by corporate income tax decreased from 4.2% to 2.2% of the Dutch GDP. See: Eurostat (2013) *Taxation trends in the European Union*, p. 120, available at http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2013/report.pdf

- **Incoherent: harmful for developing countries**
  - The development cooperation budget of the Dutch government amounts to €3.7 billion. See: http://www.rijksoverheid.nl/onderwerpen/ontwikkelingssamenwerking/financiering-ontwikkelingssamenwerking/overzicht-financiering-ontwikkelingshulp
  - Annually, 28 developing countries lose tax revenues worth €554 million due to the Dutch bilateral tax treaty network. It should be pointed out that these calculations are partial and conservative: neither transfer mispricing nor profit shifting using a reduced royalties or

capital gains WHT rate in Dutch treaties are included here. The calculations also do not take into account double-conduit constructions, whereby, for instance, Ireland and Luxemburg are used as additional conduits on the same investment between the Netherlands and source countries. Finally, the lost revenues are of course only attributable to the Dutch treaty network; lost revenues from other treaties are not included. The results presented here are thus partial and conservative; lost tax revenue as a result of the Dutch treaty network and other forms of tax avoidance can be expected to be much higher. See K. McGauran (2013) *Should the Netherland sign tax treaties with developing countries*, SOMO report, available at http://www.somo.nl/publications-nl/Publication_3958-nl

- **Risky business: secrecy and anonymity attract criminals and seedy businesses**

  - The current tax system generates an income of 3 bn a year for the Netherlands, including jobs associated with the tax system, see Stichting Economisch Onderzoek (2013) *Uit de schaduw van het bankwezen*, available at http://www.seo.nl/uploads/media/2013-31_Uit_de_schaduw_van_het_bankwezen_01.pdf
  - The current Dutch tax system attracts many businesses. The Netherlands fails to regulate the human rights impact of multinationals located in its territory. The Dutch state should proactively introduce (legal) measures to prevent the negative footprint of these companies abroad, and provide remedy to victims of corporate-related abuses. See R. van Os, et al. (2013) *Private Gain Public Loss*, SOMO report, available at http://www.somo.nl/publications-en/Publication_3975

## → What needs to be done?

***Transparency***

- **Country-by-country reporting. See for example** Eurodad (2012) 'How EU country-by-country reporting could tackle tax dodging and why this is needed', available at http://eurodad.org/Entries/view/211928/2012/02/09/How-EU-country-by-country-reporting-could-tackle-tax-dodging-and-why-this-is-needed and Richard Murphy (2012) 'Country-by-Country Reporting. Accounting for globalization locally', available at http://www.taxresearch.org.uk/Documents/CBC2012.pdf

- **Public registries of beneficial ownership. See for example** Eurodad (2013) Secret structures, hidden crimes: Urgent steps to address hidden ownership, money laundering and tax evasion from developing countries

***Strengthening the rules***

- **General anti-abuse rule, as suggested by the European Commission, see** http://ec.europa.eu/taxation_customs/resources/documents/taxation/tax_fraud_evasion/c_2012_8806_en.pdf

***Alternative tax system***

- For more information on possible alternative system, see for example Sol Picciotto (2012) Towards Unitary Taxation of Transnational Corporations, available at http://www.taxjustice.net/cms/upload/pdf/Towards_Unitary_Taxation_1-1.pdf