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Analysis

Mapping conduit flows through the Netherlands

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A dyke to stem conduit flows?

The Netherlands is known internationally as a conduit country and is regularly called to account for this by prominent institutions such as the IMF. In this context, reference is often made to the exceptionally large direct investments in and from the Netherlands. The majority of these foreign direct investments (FDIs) are made through entities with limited operational activities in the Netherlands, so-called conduit companies. In previous years, a substantial part of the related income flowed directly to countries that levy little or no tax, known as low-tax jurisdictions (LTJs). In this study, we show that the income flows from the Netherlands to LTJs have fallen considerably since 2020. The main reason why these routes are drying up or shifting is probably various tax measures being taken nationally and internationally.

1.1 The role of the Netherlands as a financial conduit country

According to IMF figures (2021), the Netherlands was until recently the absolute world leader in terms of inward foreign direct investment. Only the United States, whose economy is more than 25 times larger than that of the Netherlands, has surpassed the Netherlands on this front since 2019. FDI in the Netherlands amounted to over EUR 4,500 billion in 2020. That was equivalent to 567% of Dutch GDP and around 11% of total global FDI. Preliminary DNB figures for 2021 show an increase to EUR 4,700 billion.

Mainly as a result of this exceptional direct investment position, the Netherlands ranked fourth in the *corporate tax haven index* of the Tax Justice Network (TJN) in 2021. Although the Netherlands is outside the top 10 in terms of tax attractiveness, the TJN also considers a country's impact on global financial flows. FDI figures are used to gauge this. Consequently, the Netherlands is high on the list of what are loosely termed tax havens.

The Netherlands is not a tax haven, however, but a conduit country. This is also stated by, among others, SEO Amsterdam Economics (2013) and CPB(2019), which investigated the FDI positions and the associated income flows from and to the Netherlands. SEO states that the Netherlands itself does not apply exceptional tax rates, but that the lack of withholding tax (until 2021) and a very extensive tax treaty network enables multinational companies to pay a lower rate in other countries via the Netherlands (i.e. *tax planning*). This makes it fiscally attractive for multinationals to have income flowing through the Netherlands as a conduit.

That does not mean – and should not be construed as meaning – that all conduit flows through the Netherlands are tax-driven. For example, the Committee on Conduit Companies(2021) highlights alternative aspects that make the Netherlands an attractive business location. These include the sound legal infrastructure, the protection that the Dutch network of investment protection agreements can offer companies, the flexibility of Dutch company law and the presence of numerous knowledgeable financial, tax and legal service providers. In practice, the decision to establish a business in the Netherlands will be based on a combination of factors, not least taxation. The effect measurement in this analysis indicates the extent to which the establishment of certain multinationals in the Netherlands appears to have been motivated by taxation.

Box 1: Foreign direct investment

- Foreign direct investment is investment by a resident of one economy in another (foreign) economy with the objective of acquiring a lasting interest in the investee company. Lasting interest implies that (i) there is a long-term relationship between the investor and the investee company and (ii) the investor has some say over the conducted policy. In practice, this means that the investor must hold at least 10 per cent of the company's voting rights. Once this is the case, all debt positions between the two companies are administered as direct investments.

- In the Netherlands, DNB is responsible for compiling direct investment data as part of the balance of payments and the international investment position. To this end, we use reports that we receive from resident entities and we adhere as far as possible to the international guidelines of the sixth edition of the IMF Balance of Payments and International Investment Position Manual (BPM6).

1.2 The role of entities that facilitate conduit activities

Previous studies have calculated the conduit flow through the Netherlands on the basis of balance sheets and incomes of Special Purpose Entities (SPEs). These are Dutch subsidiaries of foreign companies, known in Dutch as 'Bijzondere Financiële Instellingen' (BFIs). Another frequently used characterisation is that of "letterbox company", since many of the SPEs are not "really" established in the Netherlands, with e.g. business premises or employees, but regularly use the services of trust offices to obtain a business address, combined with record-keeping, for example, or the provision of directors. The actual establishment is therefore basically a letterbox. More than 90% of the SPEs in the Netherlands do not employ any staff. Their average balance sheet size is around EUR 250 million, although there is considerable variation, from a few million to tens of billions.

In order to compile sound and comparable statistics, we rely as much as possible on international standards, including for figures on SPEs. Since 2020 we have used the IMF definition of SPEs(2020), which was refined in 2018 after an extensive international preliminary study (see Box 2). This new definition states among other things that an SPE has a maximum of five employees, is under the direct or indirect control of a foreign entity (as a subsidiary), has virtually no physical presence or output in the country of establishment and is located there primarily to obtain specific advantages, such as taxation.

However, there are also entities which are not SPEs according to the above definition, but which do engage in similar activities, especially the facilitation of conduit flows. These may be entities that are not classified as SPEs, for example because they have a more operational presence, or because they are not subsidiaries but (possibly listed) parent companies. Examples are (i) holding companies that have mainly intra-group participating interests on their balance sheet but do not manage them or provide any administrative or other services for them, and (ii) finance companies that obtain financing from the market and then lend it on to the group. At EUR 1.7 billion, the average balance sheet size of these operators in the Netherlands is considerably larger than that of the SPEs, although it varies greatly.

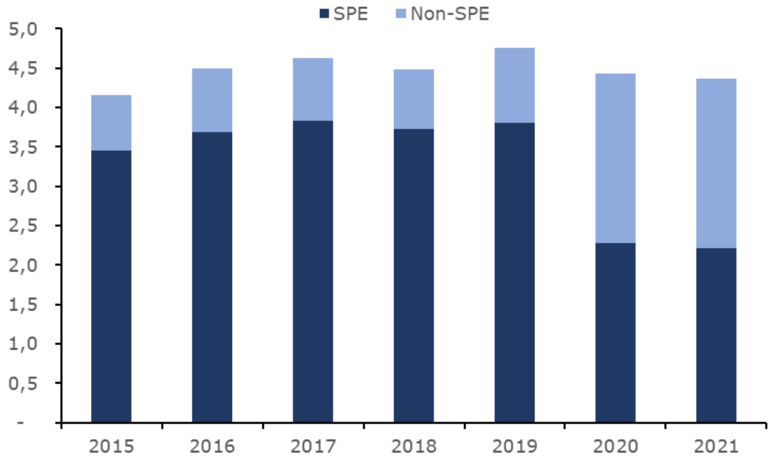
Together with SPEs, these entities are included for statistical purposes in the "financial institutions and intra-group credit providers" sub-sector. This sector as a whole was renamed "conduit companies" by the committee of the same name. The committee defined conduit companies on the basis of a number of characteristics that are found to a large extent among financial institutions and intra-group credit providers. These characteristics, which do not necessarily all apply in each case, describe entities that: (i) are part of multinational companies, (ii) have few or no operational activities in the Netherlands, (iii) almost exclusively conduct financial transactions within their own international group of companies, (iv) consequently have significant amounts of money flowing to and from other countries and (v) were motivated to establish in the Netherlands by tax, financial, legal or other advantages.

Box 2: Reclassification of SPEs due to change in definition

- DNB is responsible for compiling statistics on "financial institutions and intra-group credit providers", including SPEs. In order to produce high-quality, internationally comparable statistics, DNB follows international manuals and guidelines issued by bodies such as the IMF. Following extensive preliminary research and consultations among its members, the Statistics Committee of the IMF has tightened its criteria for determining whether entities qualify as SPEs. DNB adheres to this definition and, as a result, a considerable reclassification has been carried out among the conduit companies.

- Within the Netherlands, entities with a balance sheet total of more than EUR 1,000 billion are no longer classified as SPEs from 2020. Such entities are still included in the group of conduit companies, however.
- The fact that these entities are no longer classified as SPEs does not mean that their activities have changed or are fundamentally different, but rather that they have a more real presence in the Netherlands than the new definition allows. Among the conduit companies, the balance sheet total of the SPEs thus decreased from EUR 3,500 billion to EUR 2,500 billion, while that of the other intra-group credit providers (non-SPEs) increased from EUR 1,000 billion to over EUR 2,000 billion. This makes it difficult to compare figures on SPEs from 2020 onwards with those of the preceding years.

Chart 1: Balance sheet size of conduit companies (SPEs and non-SPEs) in the Netherlands, in EUR trillions



There are also flows through entities that do not qualify as conduit companies on the basis of statistical definitions. These are non-financial corporations that are deemed likely to be engaging in conduit activities. This can be inferred, for example, from the outward income flows of non-financial corporations that appear to be financed by inward flows from abroad. After all, these flows are "superfluous" from a business perspective. At the request of the Committee on Conduit Companies, Statistics Netherlands roughly estimated the size of these activities at no more than 20% of the total conduit flows through the Netherlands. Since the Committee on Conduit Companies calculated the conduit flow over the 2015-2019 period to be around EUR 170 billion per year on average, this could therefore represent an annual income flow of a further EUR 40 billion.

In order to obtain the fullest and most future-proof picture of the conduit flow through the Netherlands, it is better to look at the geographical distribution of FDI incomes. First, this approach is in line with the basis of the recently introduced withholding tax on interest and royalties, which covers income flows to related entities in certain countries. Such an approach also reduces the risk of overlooking the conduit flow that occurs outside the conduit companies yet within the non-financial corporations. Finally, it further limits any (possibly artificial) influence of changes in statistical conventions, such as the scope of the definition of SPEs.

1.3 The role of taxation in conduit activity through the Netherlands

Multinational companies can use their international presence to reduce their effective tax burden. Local differences in tax rates, limits in transparency and information exchanges between jurisdictions and the existence of thousands of bilateral tax treaties all contribute to a complex and uneven international playing field. Governments, see for example UNCTAD(2020), are at a disadvantage because they operate nationally, while multinationals by definition operate in multiple countries. This means that they can use international tax differences and agreements for their tax planning.One way they do this is by shifting costs and revenues between entities in different jurisdictions within the same group.

The extensive Dutch network of bilateral tax treaties offers multinationals opportunities for their tax planning. The main purpose of these treaties is to avoid double taxation of residents. That situation would arise if, after profits of foreign companies have already suffered corporation tax, withholding tax were also levied on any profits repatriated in the form of dividends, or on payments of interest or royalties. Foreign-owned companies are disadvantaged by double taxation and this would make the Netherlands a less attractive business location. Bilateral treaties are concluded to prevent double taxation. According to figures from the Ministry of Finance(2022), the Netherlands now has almost 100 such treaties.

CPB has shown that Dutch tax treaties reduce companies' tax burden while increasing foreign direct investment – and conduit flows – into the Netherlands. For example, CPB(2013) calculated that whereas companies from non-treaty countries pay 15% withholding tax on dividends, the average withholding tax for their counterparts from treaty countries is only 3.6%.[1] The impact of the treaties, according to the same study, is also reflected in Dutch FDI figures showing a 20% increase in bilateral FDI after a new tax treaty is concluded. Furthermore, Statistics Netherlands(2018) shows that the share of FDI that qualifies as conduit flows is on average 6.7% higher when a bilateral tax treaty is in place.

Multinationals also use the Netherlands to avoid full taxation. This was highlighted by, among others, SEO(2013), but also, for example, in investigations into leaked documents from the Panama and Paradise Papers in 2016 and 2017 respectively. These demonstrated (including to society as a whole) that multinationals based in the Netherlands are not motivated only by the good Dutch business climate or the avoidance of double taxation, but also by the avoidance of taxation altogether. For example, the lack of withholding tax until 2021 made it attractive for multinationals based in the Netherlands to allocate royalty and interest income as far as possible to companies in a country with low corporation tax, for example using the *Double Irish with a Dutch Sandwich* (see Box 3). This meant that such income was barely taxed if at all: not in the Netherlands and barely if at all in the country to which the income flowed and in which profits were booked. The purpose of the conditional withholding tax introduced on 1 January 2021 is to curb this type of tax avoidance.

Box 3: The Double Irish with a Dutch Sandwich: structure, operation, termination and implications for statisticians

The Double Irish with a Dutch Sandwich is the name given to a corporate structure used by multinationals to minimise their tax burden. Dutch statisticians pointed out in UNECE(2018) that this structure was mainly used by tech companies because they can easily transfer their (digital) intellectual property to foreign subsidiaries. They describe an example of a multinational technology company with an American parent company.
Structure:

[1] Furthermore, the Netherlands does not tax dividend payments within a group of companies if the beneficiary holds at least 5% of the shares of the distributing company (the so-called participation exemption).

- Among other things, the multinational has a subsidiary (i) in Ireland, but that subsidiary is managed from an LTJ. This conduit company, which has no physical presence or staff, may be established in Ireland but is not subject to tax there.
- The multinational also has a Dutch conduit company (ii), also without personnel, whose only activities are providing finance and holding participating interests within the group of companies.
- Finally, there is a third subsidiary (iii), based in Ireland, which does carry out real economic activities and generates substantial revenues there.

How it works:

- The multinational places intellectual property in the LTJ-controlled subsidiary (i) in Ireland and then allows the Dutch subsidiary (ii) to use it under licence.
- The Dutch subsidiary (ii) in turn allows the Irish subsidiary with real activities (iii) to (actually) use the licence.
- Subsidiary (iii) thus owes royalties to subsidiary (ii), which in turn owes royalties to the subsidiary in the LTJ (i). Note that the Dutch subsidiary (ii) thus functions almost entirely as a conduit for these royalties.
- So, although the Dutch conduit company (ii) itself does not add value to this chain, it is the length of the chain that provides the value. The company uses both the zero taxation of income between Ireland and the Netherlands and the fact that the Irish tax authority considers the LTJ-controlled subsidiary (i) to be non-resident – and hence non-taxable. In this way, the company can avoid paying taxes.

The end:

- The Irish tax authority only allowed this structure for companies that had already introduced it before 2015, but since 2020 it has no longer permitted it at all.

Implications for statisticians:

- The Irish statistics authority will record an import of an intellectual property service from the Netherlands for subsidiary (iii), but it is questionable whether this is correct from a Dutch perspective. Given the "conduit function" of Dutch subsidiary (ii) and the lack of any significant valuation of the licence in the annual figures, it could be argued that these flows should not be recorded as income on imports/exports but as financial transactions.
- Although not recording these activities as income seems cleaner from a Dutch perspective, it could lead to asymmetry in international statistics. Such an approach ideally requires international coordination between national statisticians, but in practice there is little scope for such coordination since exchanges of information on individual companies are not permitted.
- This approach also requires customisation and judgement on the part of statisticians in order to map – and understand – the entire international business structure of multinationals.
- Finally, it may mean that a country's inward and outward income reported by statisticians will in some cases be an underestimation of the actual fiscally relevant flows through a country.
- To address this last point, the limited number of cases in which the conduit flow is classified as a transaction will still be counted as income for the purposes of this analysis. This represents a deviation from the official FDI statistics published by DNB.

Low-tax jurisdictions (LTJs) have been an important destination for the conduit flow through the Netherlands in recent years. For example, research by SEO(2013) based on DNB data shows that a relatively large amount of the outward interest income of SPEs flowed to LTJs. Depending on the assumptions, this amounted to 13-37% of the total interest income that went abroad through SPEs. In follow-up research, SEO(2018) confirmed that LTJs occupy a large and asymmetric position within the financial flows of multinational companies' SPEs based in the Netherlands. It showed, for example, that the liabilities of SPEs to group entities in LTJs are substantial, amounting to 11% of the balance sheet total of all Dutch SPEs in 2016. Moreover, these liabilities were on average twice as large as the intragroup receivables (assets) in those same jurisdictions. On the income side, the mismatch for LTJs was even greater: outflows of tax-relevant income were four times greater than inflows in 2016.

In addition to the Netherlands, there are a number of other prominent conduit jurisdictions. Although there is no official definition of conduit countries, they can be identified on the basis of a number of criteria. Previous studies have looked, for example, at the size of inward FDI, how inward FDI relates to outward FDI, or how these relate to a country's GDP. This analysis is in line with the strictest implementation of the concept by Lejour(2021) and characterises Luxembourg, Hong Kong, Switzerland, Singapore and Ireland as conduit jurisdictions alongside the Netherlands. Each of these jurisdictions has a favourable business climate, a professional facilitating sector of financial and tax advisers and a well-developed legal system. This is also reflected in inward FDI: in each of these countries, inward FDI in the 2015-2020 period exceeded USD 1,000 billion on average and was consistently larger than GDP, as much as five times larger on average. These six countries collectively account for 39% of global inward FDI, whereas their GDP is only 3.3% of the global total.

Table 1: Inward FDI (IMF) and GDP (World Bank) of the six conduit jurisdictions, in USD billions

Jurisdictions	Average FDI 2015-2020	Average GDP 2015-2020	FDI:GDP ratio
Netherlands	4,428	853	519%
Luxembourg	3,761	67	5,606%
Hong Kong	1,610	340	473%
Switzerland	1,328	720	184%
Singapore	1,275	343	371%
Ireland	1,066	356	300%
Total conduit jurisdictions	**13,469**	**2,680**	**503%**
Total (world)	**34,574**	**81,866**	**42%**
Share of conduit jurisdictions	***39.0%***	***3.3%***	

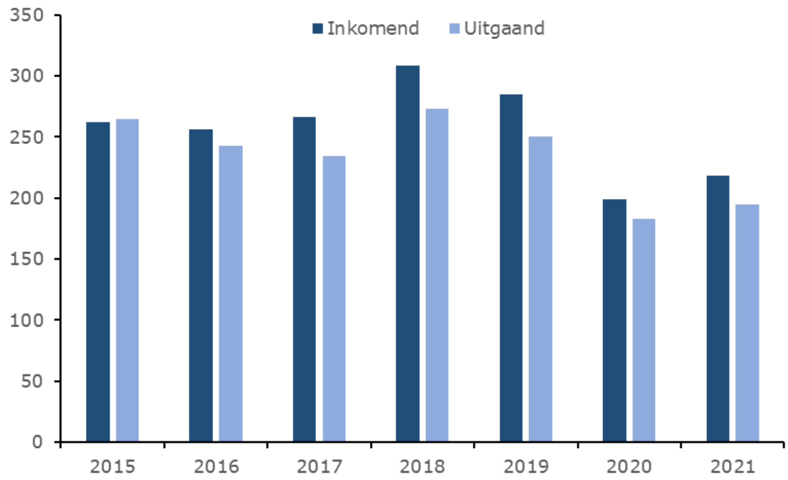
1.4 The role of LTJs in conduit activity through the Netherlands

SEO (2018) laid the analytical basis for the withholding tax on interest and royalties introduced in 2021. The Withholding Tax Act was introduced on 1 January 2021 and applies to interest or royalty payments made by an entity established in the Netherlands to an affiliated entity in an LTJ, as well as in certain abuse situations. The rate is equal to the highest corporation tax rate (2022: 25.8%). In a Letter to Parliament(2020), then State Secretary Vijlbrief proposed using SEO's research into the financial flows of SPEs as a baseline for this withholding tax.
The income figures in the Letter to Parliament on monitoring the effects of the approach to tax avoidance have a different basis than those in the SEO report. This alternative approach was chosen partly for reasons of completeness and to better reflect statistical conventions. Whereas SEO's analysis looked at the profit actually distributed in a year (as dividend), the figures in the Letter to Parliament include the total income from equity participations in subsidiaries under an SPE, i.e. also the undistributed profit. After all, it could be argued that undistributed profits are actually "potential dividend", although it is also possible that the profits will not be distributed – or at least not to entities in the same country. As a result of this different approach, the Letter to Parliament attributes EUR 35 billion of tax-relevant income to LTJs in 2016, for example, while the SEO report puts the amount at EUR 22 billion in that year.

Although the present analysis takes a slightly different approach from that of the Letter to Parliament, the figures are readily comparable. By looking at the total FDI income into LTJs, income flows from non-SPEs (and other non-conduit companies) can also be included in the analysis. This translates into slightly higher (<10%) figures than those in the Letter to Parliament, as a significant proportion of the income sent to LTJs originates from SPEs. In addition, the figures in the Letter to Parliament are based on data (or microdata) reported by the SPEs, whereas this analysis uses the official FDI statistics because they are of higher quality due to the use of multiple statistical sources and a standardised production process. This also makes this approach more future-proof.[2]

The FDI incomes that flow annually into and out of the Netherlands are more or less in balance, indicating that conduit flows play an important role (see Figure 2). From 2015, Dutch residents received an annual average of EUR 257 billion of income from direct investments abroad. In that same period, around EUR 235 billion of this type of income was paid annually to foreign operators. The fact that inward flows exceed outward flows is partly explained by the fact that receivables from foreign countries (EUR 5,800 billion in 2021) exceed liabilities to foreign countries (EUR 4,700 billion in 2021). The income received and paid from direct investments in the COVID-19-dominated year of 2020 was also significantly lower than in previous years. Income flows recovered somewhat in 2021.

Figure 2: Development of FDI incomes, in EUR billions



Profits in the form of dividends and undistributed profits belonging to foreign owners constitute the main FDI income, both inward and outward. Table 2 shows that over the 2015-2019 period these represent around two-thirds of FDI income. In the last two years (2020-2021), this share has increased even further. Another important type of income comprises the fees charged for the use of intellectual property (IP), also referred to as royalties. This type of income has been less relevant in recent years (2020-2021) than in previous years (2015-2019), especially with regard to royalties paid to foreign countries. Interest flows received and paid also show a downward trend. Finally, other income, particularly withdrawals from quasi-corporations, plays a modest role, amounting to just 1% of the total.

[2] It should be noted that this analysis deviates from the official FDI income figures for a very limited number of entities, see Box 2.

Table 2: Breakdown of FDI income by period and type, in EUR billions and percentages

Income type	Average size 2015-2019		Average size 2020-2021		Relative share 2015-2019		Relative share 2020-2021	
	In	Out	In	Out	In	Out	In	Out
Total profit (dividend & undistributed profit)	179	162	143	144	65%	64%	68%	76%
Interest	44	62	37	23	16%	25%	18%	12%
Charges for IP	51	27	27	18	19%	11%	13%	10%
Other income	2	2	2	3	1%	1%	1%	2%
Total	**276**	**253**	**209**	**189**	**100%**	**100%**	**100%**	**100%**

An examination of the geographic distribution of FDI income highlights in particular the conduit and low-tax jurisdictions. Table 3 shows, for example, that over the entire period around a quarter of the total FDI income was allocated to conduit jurisdictions. This is more than the income flowing to the other EMU countries, for example, with which a more substantial trading relationship can be assumed. LTJs also stand out. For example, there was a significant mismatch between inward (5%) and outward (14%) flows in the 2015-2019 period. In the 2020-2021 period, this mismatch almost disappeared (4% vs 3%), and the LTJ share of total FDI income fell sharply.

Table 3: Breakdown of FDI income by country (or country group), in EUR billions and percentages

Countries (or country groups)	Average size 2015-2019		Average size 2020-2021		Relative share 2015-2019		Relative share 2020-2021	
	In	Out	In	Out	In	Out	In	Out
Conduit jurisdictions	88	61	51	45	32%	24%	24%	24%
EMU (excl. IE, LU)	47	46	40	40	17%	18%	19%	21%
Rest of the world	47	30	37	23	17%	12%	18%	12%
LTJs	13	35	9	6	5%	14%	4%	3%
Emerging markets	26	6	19	6	10%	2%	9%	3%
United States	23	44	26	40	8%	17%	12%	21%
United Kingdom	21	30	19	27	8%	12%	9%	14%
Developing countries	10	1	8	1	4%	0%	4%	0%
Grand total	**276**	**253**	**209**	**189**	**100%**	**100%**	**100%**	**100%**

All types of FDI income**flowing to LTJs have declined since 2020, especially those falling within the scope of the conditional withholding tax introduced in 2021.** Table 4 shows that in the 2015-2019 period EUR 24 billion flowed annually from – or rather through – the Netherlands to LTJs in respect of fees charged for the use of intellectual property. In recent years this income has all but evaporated, leaving a flow of only EUR 1 billion. Interest income flowing to LTJs has also fallen (-55%), although less sharply than the fees charged for using IP (-95%). Profits distributed or belonging to LTJs also show a decrease (-53%).

Table 4: Breakdown of FDI income into LTJs, by income type, in EUR billions and percentages

Income type	Average size 2015-2019		Average size 2020-2021		Relative share 2015-2019		Relative share 2020-2021	
	In	Out	In	Out	In	Out	In	Out
Total profit (dividend & undistributed profit)	11	7	7	3	83%	19%	83%	53%
Charges for IP	1	24	1	1	8%	69%	7%	16%
Interest	1	4	1	2	9%	11%	10%	30%
Other income	0	0	0	0	0%	0%	0%	0%
Total	**13**	**35**	**9**	**6**	**100%**	**100%**	**100%**	**100%**

The main decrease occurred in 2020 and was driven by restructurings of large US technology companies. Companies in this sector were able to set up conduit flows relatively easily, since part of their balance sheet is "digital". For example, intellectual property can be moved from one country to another with little effort and without much really changing within the company. This made it easy to use international tax structures, such as the Double Irish with a Dutch Sandwich.

The restructurings of US technology companies were in turn driven by tax reforms. These primarily concern the discontinuation of the Double Irish with a Dutch Sandwich since 2020. This will certainly have contributed to the decrease in FDI income flowing into LTJs through the Netherlands and is also reflected in the decrease in FDI income from conduit jurisdictions, including Ireland. This proportion fell from 32% in the 2015-2019 period to 24% in the subsequent two years (see Table 3). Research by the Irish Department of Finance(2021) also suggests that reforms in the US tax system have played a role. Thanks to the Tax Cuts and Jobs Act of 2017 introduced by President Trump, more US multinationals have repatriated their profits, especially since they can no longer leave them untaxed or subject to low tax in LTJs. Finally, the same researchers point to the impact of the OECD's Base Erosion and Profit Shifting (BEPS) project. In this project, the OECD countries aim to bring the profits booked by a multinational in a particular country more into line with its real presence there (*substance*). Booking disproportionate profits in LTJs or conduit jurisdictions must be avoided, for example.

1.5 Conclusions

Based on FDI in the Netherlands and the ratio of FDI to GDP, as shown in Table 1, the Netherlands is still the biggest conduit country in the world. FDI amounted to EUR 4,500 billion in 2020 and rose to EUR 4,700 billion in 2021. This means that the Netherlands continues to rank second in the world for FDI. Although the Netherlands is not a tax haven but a conduit country, the weight attached to FDI makes it unlikely that the Netherlands will cease to appear any time soon in lists of the top 10 tax havens such as that produced by the Tax Justice Network.

Income flows to LTJs have decreased, however. Not only are the inward and outward income flows relating to these jurisdictions more balanced, they are also much lower. The incomes included within the scope of the withholding tax introduced in 2021 have also fallen the most, see Table 4.

Moreover, it can be cautiously concluded that the incomes that are no longer flowing from the Netherlands to LTJs have not been directly switched to other conduit jurisdictions. Table 3 shows that the share of FDI income going to these jurisdictions has remained constant at 24%. It is countries (or groups of countries) such as the United States, the United Kingdom and the other EMU states that are receiving a larger share of FDI income, where it can be assumed that it relates to more genuine investment activities.

It is still possible, however, that multinationals are using the Netherlands for their tax planning in other ways. SEO (2013), for example, pointed out that 10-40% of the dividends received by conduit companies could be a form of tax avoidance. However, this is beyond the scope of this analysis, which focuses on the basis for the conditional withholding tax.

The decrease in income flowing to LTJs is the result of various national and international tax reforms implemented in recent years. In addition to the Dutch withholding tax of 2021, both the United States (in 2017) and Ireland (in 2020) implemented reforms impacting the way in which US multinationals in particular organise their global corporate structure – and hence the conduit flow through the Netherlands. The agreements that followed the OECD BEPS project have also had an impact, although it is difficult to quantify.

International bodies are currently working on new policies to curb tax planning by multinationals – and hence the associated conduit flow. The OECD, for example, is working on BEPS 2.0, the successor to the BEPS project. BEPS 2.0 devotes particular attention to taxation in a digitising economy and the possible introduction of a global minimum corporation tax. The EU is also working on a directive – the Anti-Tax Avoidance Directive 3 – to prevent abuse through conduit companies. The Committee on Conduit Companies considered it both desirable and possible for the Netherlands to adopt a proactive role in these international initiatives.

For more information on our statistics, see:
Statistics (dnb.nl)
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Annex: Breakdown of FDI incomes by year

Table 1a: Inward FDI income by period and income type, in EUR billions and percentages

Countries (or country groups)	Period							Relative share	
	2015	2016	2017	2018	2019	2020	2021	2015-2019	2020-2021
Total profit (dividend & undistributed profit)	163	171	175	209	176	124	161	65%	68%
Charges for IP	49	43	42	43	44	39	36	16%	18%
Interest	49	40	48	55	64	35	20	19%	13%
Other income	2	2	2	2	2	1	2	1%	1%
Total	**262**	**256**	**266**	**309**	**285**	**199**	**219**	**100%**	**100%**

Table 1b: Outward FDI income by period and income type, in EUR billions and percentages

Countries (or country groups)	Period							Relative share	
	2015	2016	2017	2018	2019	2020	2021	2015-2019	2020-2021
Total profit (dividend & undistributed profit)	154	167	149	181	157	127	161	64%	76%
Charges for IP	81	50	56	60	63	32	15	25%	12%
Interest	28	24	27	29	28	21	16	11%	10%
Other income	2	2	2	2	3	3	3	1%	2%
Total	**265**	**242**	**234**	**273**	**251**	**183**	**194**	**100%**	**100%**

Table 2a: Inward FDI by country (or country group), in EUR billions and percentages

Countries (or country groups)	Period							Relative share	
	2015	2016	2017	2018	2019	2020	2021	2015-2019	2020-2021
Conduit jurisdictions	88	97	81	81	92	54	48	32%	24%
EMU (excl. IE, LU)	49	40	44	49	51	39	40	17%	19%
Rest of the world	37	41	45	68	46	38	35	17%	18%
LTJs	12	14	12	13	13	9	9	5%	4%
Emerging markets	22	25	27	33	24	18	20	10%	9%
United States	23	17	26	28	23	17	35	8%	12%
United Kingdom	23	14	20	23	27	16	23	8%	9%
Developing countries	8	9	12	12	8	8	9	4%	4%
Grand total	**262**	**256**	**266**	**309**	**285**	**199**	**219**	**100%**	**100%**

Table 2b: Outward FDI income by country (or country group), in EUR billions and percentages

Countries (or country groups)	Period							Relative share	
	2015	2016	2017	2018	2019	2020	2021	2015-2019	2020-2021
Conduit jurisdictions	53	76	56	68	52	51	40	24%	24%
EMU (excl. IE, LU)	47	40	44	50	50	36	44	18%	21%
Rest of the world	53	27	25	25	23	21	26	12%	12%
LTJs	28	34	38	37	39	6	6	14%	3%
Emerging markets	7	1	7	7	5	4	8	2%	3%
United States	48	27	38	45	60	40	41	17%	21%
United Kingdom	26	37	25	40	20	24	29	12%	14%
Developing countries	2	1	1	1	1	1	0	0%	0%
Grand total	**265**	**242**	**234**	**273**	**251**	**183**	**194**	**100%**	**100%**

Table 3a: Inward FDI incomes into LTJs, by income type, in EUR billions and percentages

Countries (or country groups)	Period							Relative share	
	2015	2016	2017	2018	2019	2020	2021	2015-2019	2020-2021
Total profit (dividend & undistributed profit)	11	13	9	10	10	7	8	83%	83%
Charges for IP	0	0	2	1	1	1	0	8%	7%
Interest	1	1	1	1	2	1	1	9%	10%
Other income	0	0	0	0	0	0	0	0%	0%
Total	**12**	**14**	**12**	**13**	**13**	**9**	**9**	**100%**	**100%**

Table 3b: Outward FDI incomes into LTJs, by income type, in EUR billions and percentages

Countries (or country groups)	Period							Relative share	
	2015	2016	2017	2018	2019	2020	2021	2015-2019	2020-2021
Total profit (dividend & undistributed profit)	7	13	8	4	2	2	4	19%	53%
Charges for IP	17	17	27	29	33	2	0	69%	16%
Interest	4	4	3	5	4	2	1	11%	30%
Other income	0	0	0	0	0	0	0	0%	0%
Total	**28**	**34**	**38**	**37**	**39**	**6**	**6**	**100%**	**100%**