

Narrative Report on Netherlands

Netherlands is ranked at 39th position on the 2013 Financial Secrecy Index. This ranking is based on a combination of its secrecy score and a scale weighting based on its share of the global market for offshore financial services.

Netherlands has been assessed with 50 secrecy points out of a potential 100, which places it in the lower mid-range of the secrecy scale (see chart 1).

Netherlands accounts for less than 1 per cent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions (see chart 2).

Part 1: Telling the story¹

While the secrecy score of the Netherlands places it in the lower half of the secrecy spectrum, Netherlands is a top global player in the field of international corporate tax avoidance. Only partly reflected by the FSI, enormous tides of capital flow through the Netherlands. According to the Dutch Central Bank, there were 11,500 'special financial institutions' with foreign parent companies routing €5,500 billion through the Netherlands in 2009 -- about ten times the Netherlands' gross national product. The Ministry of Finance estimated that this flow added an economic value of € 1.5 billion per year: € 1 billion in taxes and € 0.5 billion in fees for financial professionals.

One key factor making the Netherlands so attractive for conduit and group financing structures is its extensive Double Taxation Treaty (DTT) network, which allows multinationals to substantially reduce withholding taxes on dividend, interest and royalty payments on financial flows to and from other countries and tax havens via the Netherlands. Along with these come the Netherlands' famous [participation exemption](#), the absence of withholding taxes on interest and royalties, the possibility to have tax rulings, the use of cooperatives and the so-called [innovation box](#), a special fiscal arrangement designed for Research & Development (R & D).

Recent research [has showed](#) that 80 of the 100 biggest companies (worldwide) have financing firms in the Netherlands. Of the 20 biggest oil companies in the world, only two Chinese companies (Sinopec and China National Petroleum) are not involved in the

Chart 1 - How Secretive?

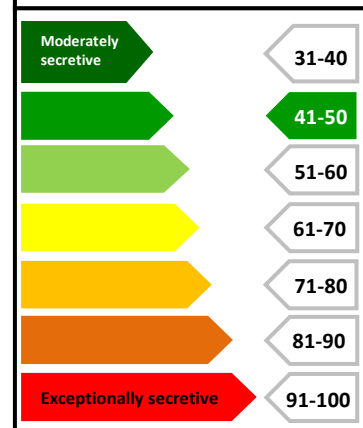
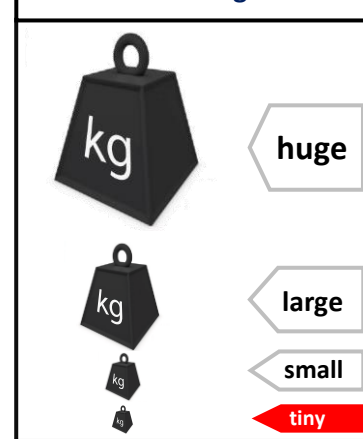


Chart 2 - How Big?



Netherlands. Out of the big players in the automobile business, only Honda and Hyundai do not have a holding company in the Netherlands.

Secrecy jurisdictions are the biggest beneficiaries from this. [Out of the top five countries](#) in terms of origin and destination of in- and outward flows from the Netherlands, four were in the top ten of the FSI 2011. These are: Switzerland (€1195 billion), Luxembourg (€839 billion), United States (€3403 billion) and Germany (€1035 billion). The United Kingdom, which ranks 13th in the FSI 2011, was the origin and/or destination of €1455 billion.

Read More:

Francis Weyzig & Michiel Van Dijk 2009: [Incoherence between Tax and Development Policies: The Case of the Netherlands](#), in: Third World Quarterly, Vol. 30, No. 7. This article discusses incoherence between tax and development policies; comparing how the Dutch tax regime facilitates the avoidance of large amounts of tax revenues in developing countries, when compared to the Dutch aid budget.

[U.S. Companies Dodge \\$60 Billion in Taxes With Global Odyssey](#), Bloomberg, May 2010. This story focuses on how one U.S. corporation uses the tax regime of the Netherlands, via Ireland and Bermuda.

[The Netherlands: a tax haven?](#) (SOMO, 2006)

Tax Justice Blogs:

[The Netherlands is a massive tax haven: new research](#)

[Dutch National Bank lists Netherlands with tax havens](#)

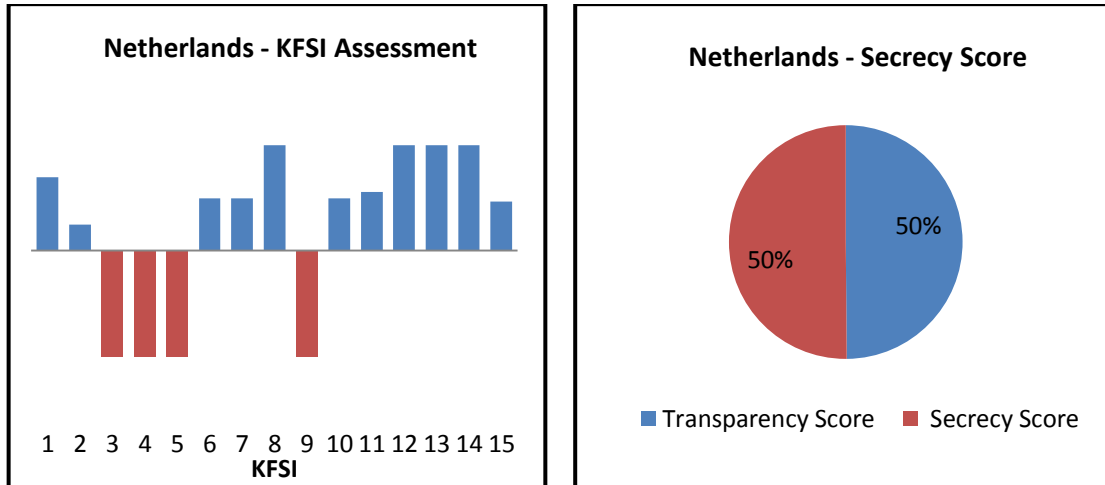
[Should the European Commission target cross-border tax avoidance transactions instead of a CCCTB?](#), Progressive Tax Blog, looking at particular Netherlands structures.

Next steps for Netherlands

Netherlands' 50 per cent secrecy score shows that it must still make major progress in offering satisfactory financial transparency. If it wishes to play a full part in the modern financial community and to impede and deter illicit financial flows, including flows originating from tax evasion, aggressive tax avoidance practices, corrupt practices and criminal activities, it should take action on the points noted where it falls short of acceptable international standards. See part 2 below for details of the Netherlands' shortcomings on transparency. See this link <http://www.financialsecrecyindex.com/kfsi> for an overview of how each of these shortcomings can be fixed.

Part 2: Secrecy Scores

The secrecy score of 50 per cent for the Netherlands has been computed by assessing the jurisdiction’s performance on the 15 Key Financial Secrecy Indicators, listed below.



The numbers on the horizontal axis of the bar chart on the left refer to the Key Financial Secrecy Indicators (KFSI). The presence of a blue bar indicates a positive answer, as does blue text in the KFSI list below. The presence of a red bar indicates a negative answer as does red text in the KFSI list. Where the jurisdiction’s performance partly, but not fully complies with a Key Financial Secrecy Indicator, the text is coloured violet (combination of red and blue).

This paper draws on key data collected on the Netherlands. Our data sources include regulatory reports, legislation, regulation and news available at 31.12.2012². The full data set is available [here](#)³. Our assessment is based on the 15 Key Financial Secrecy Indicators (KFSIs, below), reflecting the legal and financial arrangements of the Netherlands. Details of these indicators are noted in the following table and all background data can be found on the [Financial Secrecy website](#)⁴.

The Key Financial Secrecy Indicators and the performance of the Netherlands are:

TRANSPARENCY OF BENEFICIAL OWNERSHIP – Netherlands	
1.	Banking Secrecy: Does the jurisdiction have banking secrecy? Netherlands does not adequately curtail banking secrecy

2.	Trust and Foundations Register: Is there a public register of trusts/foundations, or are trusts/foundations prevented? Netherlands partly discloses or prevents trusts and private foundations
3.	Recorded Company Ownership: Does the relevant authority obtain and keep updated details of the beneficial ownership of companies? Netherlands does not maintain company ownership details in official records
KEY ASPECTS OF CORPORATE TRANSPARENCY REGULATION – Netherlands	
4.	Public Company Ownership: Does the relevant authority make details of ownership of companies available on public record online for less than US\$10/€10? Netherlands does not require that company ownership details are publicly available online
5.	Public Company Accounts: Does the relevant authority require that company accounts are made available for inspection by anyone for a fee of less than US\$10/€10? Netherlands does not require that company accounts be available on public record
6.	Country-by-Country Reporting: Are all companies required to comply with country-by-country financial reporting? Netherlands partly requires country-by-country financial reporting by some companies
EFFICIENCY OF TAX AND FINANCIAL REGULATION – Netherlands	
7.	Fit for Information Exchange: Are resident paying agents required to report to the domestic tax administration information on payments to non-residents? Netherlands partly requires resident paying agents to tell the domestic tax authorities about payments to non-residents
8.	Efficiency of Tax Administration: Does the tax administration use taxpayer identifiers for analysing information efficiently, and is there a large taxpayer unit? Netherlands uses appropriate tools for efficiently analysing tax related information
9.	Avoids Promoting Tax Evasion: Does the jurisdiction grant unilateral tax credits for foreign tax payments? Netherlands does not avoid promoting tax evasion via a tax credit system

10.	Harmful Legal Vehicles: Does the jurisdiction allow cell companies and trusts with flee clauses? Netherlands partly allows harmful legal vehicles
INTERNATIONAL STANDARDS AND COOPERATION – Netherlands	
11.	Anti-Money Laundering: Does the jurisdiction comply with the FATF recommendations? Netherlands partly complies with international anti-money laundering standards
12.	Automatic Information Exchange: Does the jurisdiction participate fully in Automatic Information Exchange such as the European Savings Tax Directive? Netherlands participates fully in Automatic Information Exchange
13.	Bilateral Treaties: Does the jurisdiction have at least 46 bilateral treaties providing for information exchange upon request, or is it part of the European Council/OECD convention? As of 31 May, 2012, Netherlands had at least 46 bilateral tax information sharing agreements complying with basic OECD requirements
14.	International Transparency Commitments: Has the jurisdiction ratified the five most relevant international treaties relating to financial transparency? Netherlands has ratified relevant international treaties relating to financial transparency
15.	International Judicial Cooperation: Does the jurisdiction cooperate with other states on money laundering and other criminal issues? Netherlands does not cooperate with other states on money laundering and other criminal issues

¹ This narrative report is based on information up to date at 4 October 2011, however all references to FSI scores or ratings reflect the 2013 results.

² With the exception of KFSI 13 for which the cut-off date is 31.05.2013. For more details, look at the endnote number 2 in the corresponding KFSI-paper here:

<http://www.financialsecrecyindex.com/PDF/13-Bilateral-Treaties.pdf>.

³ That data is available here: <http://www.financialsecrecyindex.com/database/menu.xml>.

⁴ <http://www.financialsecrecyindex.com>.