

Netherlands: regulation of letterbox companies has no effect

Tuesday 29 May 2018, by [FERNANDEZ Rodrigo](#) (Date first published: 29 May 2018).

Holland remains a preferred jurisdiction for corporatist tax evasion. Even the Dutch National Bank statistics show that the country's "ethical" legislation is having no effect

The new Dutch government, installed in October last year, claims it wants to get rid of the international reputation of the Netherlands as a tax haven. Previous governments also introduced measures to combat the abuse of letterbox companies in the Netherlands. There are over 14,000 of these letterbox companies in the Netherlands, which are used by multinational corporations for tax dodging.

In spite of these claims, the financial flows through Dutch letterbox companies have actually *increased* over the past ten years. This shows that the claims and policy measures taken by the government amount to little more than lip service, and that real changes are necessary if the Dutch government is serious about tackling the role of the Netherlands in corporate tax dodging.

Balance sheet totals of Dutch letterbox companies set to break through €4,500 billion mark in 2018

The most recent figures of the Dutch central bank (De Nederlandsche Bank, DNB) paint a alarming picture. Flows of foreign direct investment (FDI) through Dutch letterbox companies (technically referred to as Special Purpose Entities, or SPE's) have increased by 75% since the beginning of the financial crisis in 2008. After a brief stagnation at the onset of the crisis, the figures increase year after year. Figure 2 shows that, without immediate policy changes, both the assets and the liabilities + shareholder equity (the balance sheet totals) will most likely break through the €4,500 billion mark this year.

Figure 1

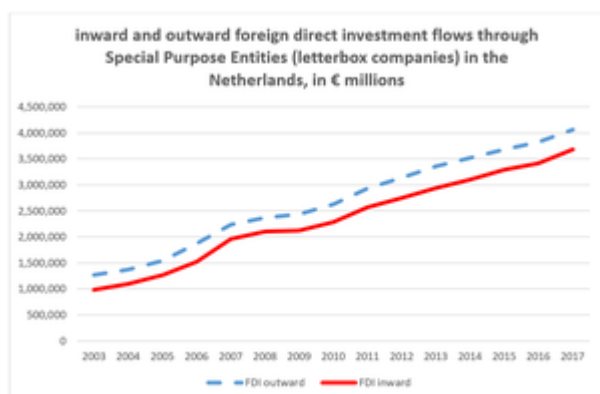


Photo: Rodrigo Fernandez

Figure 2



Photo: Rodrigo Fernandez

[Research by the University of Amsterdam](#) already showed last year that the Netherlands is the world's biggest conduit country, used for channelling funds to offshore tax havens. [IMF numbers](#) also show that the Netherlands, due to letterbox companies, is the world's number one country in terms of investment flowing into the country, ahead of much larger economies like the USA, China and Germany. These letterbox companies are located in the Netherlands because of a range of Dutch tax policies (such as the huge Dutch tax treaty network) which enable companies to reduce their tax base, and the ease with which they can set up a letterbox company in the Netherlands to take advantage of these policies without having any real economic presence or activities in the country. The figures presented in these graphs clearly show the Netherlands' key role in international tax dodging.

What needs to change?

The numbers show that the role of the Netherlands as a conduit country for multinational corporations is still increasing. This demonstrates that the Dutch government's efforts to tackle letterbox companies has so far proven ineffective. The government needs to improve its substance requirements so companies cannot set up a letterbox companies without having any real economic presences or activities in the Netherlands. Furthermore, the government needs to more frequently critically evaluate the effect of these policy measures on capital flows, to ensure that policy measures are not just effective on paper, but are having an actual impact in reality.

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