Netherlands: Bicycles, Tulips, and… Tax Havens?

By: Lauren Pack

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The Netherlands is known for many things, including windmills, tulip fields, and cycling. Recently, however, this small country in northern Europe has been associated with something more concerning than flowers or sustainable transportation. Dutch officials are loath to admit it, but companies from across the world funnel their money through the Netherlands in order to avoid tax payments.

The use of tax havens is not uncommon, especially within multi-national corporations such as Nike and Fiat Chrysler (which is technically a Dutch company). Tax havens, also known as offshore financial centers, are generally islands with a small population and have foreign investment that is many times the state’s GDP. Bermuda, for example, is known as the world’s most egregious corporate tax haven because of the astronomical amount of foreign money that flows through Bermuda’s boundaries.

Boundaries refer to the dividing lines between territorial entities. Boundaries are generally formed by fences, flags, or other such physical types of demarcation. The movement of resources across these boundaries are referred to as flows. A flow in this context can be anything from product to information. In the case of the Netherlands, they receive flow in the form of revenue. Because of their “aggressive tax planning” structure, multinational corporations from all over the world flock to the Netherlands in order to move global profits through Dutch subsidiaries. In fact, Nike even houses its European headquarters in the Netherlands despite the fact that the Dutch population is barely over 17 million. Most types of flows demonstrate a positive relationship between two states, but in this case many states are unhappy that Dutch tax planning is allowing companies to circumvent their tax laws. In order to improve their relationships with these states, Dutch finance officials have been working to reduce the amount of benefits that companies receive from moving their money through the Netherlands despite the potential drop in international industry involvement. Nonetheless, the Netherlands is still “ranked fourth worldwide in the amount of foreign direct investment into the country”.

Alexanderkade, Amsterdam, The Netherlands

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