Kluwer International Tax Blog

“Global minimum tax: A game changer?”

Werner Heyvaert (Tax Partner, AKD Benelux lawyers) · Friday, April 23rd, 2021

On April 5, 2021, U.S. Treasury Secretary Janet YELLEN “*grabbed the attention of the occupants of corner offices worldwide with a speech to the Chicago Council on Global Affairs. The headline was a call for countries to agree on a global minimum tax rate for large companies.*” (The Economist, April 8, 2021).

In the slipstream, French quality newspaper Le Monde wrote (our translation): “*The American example offers a not-to-be-missed opportunity. Of course, there will be resistance from multinationals and businesses that make a living of tax optimization. But the states [countries] have no choice. The public opinion forces them to take back control of their taxes. Instead of competing in the tax area, it is much healthier to attract capital based on [the availability of] infrastructure, education, research and sustainability.*”

Last weekend (April 10-11, 2021) the Belgian trade press published an exhaustive interview with Mr. Pierre WUNSCH, the Governor of the National Bank of Belgium (NBB). The article is entitled “Minimum tax for multinationals can be a game changer.” Mr. WUNSCH is quoted as saying: “*… the OECD has been working for many years on a fairer tax for multinationals, who sometimes hardly pay anything. Now, all of a sudden, a short-term agreement seems to be within reach. That could be a game changer. On short notice, this will not boost the revenue from corporate tax. But it may change the perception. The reality is that these taxes have been going down for decades because countries are competing with one another, giving tax breaks to multinationals. Many people do not understand why profitable corporations pay little or no taxes. It creates the feeling that the system is unfair, which makes it more difficult for governments to pursue more balanced fiscal policies without people questioning their fairness. In addition: governments can make it systematically bigger: you start with the 100 largest multinationals with a view to then going in the direction of the top 1000. Then you will have more impact.*”

I realize that a critical view of Ms. YELLEN’s statement can and will be earmarked as “resistance from multinationals and businesses that make a living of tax optimization.” So be it, I will take the blame for it.

Let me first say this. European countries have three principal sources of tax revenue, *i.e.*, personal income tax, corporate income tax and consumption tax or V.A.T. The U.S. have only two: personal and corporate income tax. In 2018, in my home country (Belgium), VAT accounted for approximately 31.1 billion euros out of a total of 118 billion euros of tax revenue, which is 26.3 per cent. Also in 2018, individual and corporate income taxes combined accounted for 66.4 billion

euros or 56.3 per cent. Because of the way the National Bureau of Statistics is presenting the figures, it is hard to determine how much of the 66.4 billion euros represents personal income tax and how much represents corporate income tax. The Association of Belgian Enterprises (VBO/FEB) computed that in 2016, the total corporate income tax revenue amounted to 15.2 billion euros. It is fair to assume that this amount had gone up by 2018. For the international reader, it must be noted that the extremely high Belgian individual income tax rates (ca. 54 per cent marginal rate on the income bracket exceeding 40,500 euros per annum) create a strong incentive for high-income earners to incorporate themselves in so-called Personal Services Companies (PSCs). This form of tax planning inflates the total amount of corporate income tax revenue, to the detriment of the personal income tax revenue.

By and large, out of a total of 97.5 billion euros of individual and corporate income tax and VAT in 2018, almost one third was contributed by VAT and no more than one fifth was contributed by corporate income tax. The remainder (just less than 50 per cent) was generated by personal income tax.

Since the U.S. does not have a federal consumption tax akin to the European VAT, it is predominantly dependent on personal and corporate income tax as the main sources of revenue. Therefore, I can see why Ms. YELLEN tries to protect the U.S.' corporate income tax revenue – one of the two main sources of tax revenue for Uncle Sam. By contrast, in most European countries, personal income tax and VAT – not to forget steep social security contributions – are by far the largest contributors to the countries' budgets.

My point is that the recent international trend – spearheaded by the G20 and the OECD, with the E.U. as a close contender – to curb corporate income tax shifting and base erosion (BEPS, ATAD I and II and BEPS 2.0), is adding extreme complexity and an unprecedented level of exchange and sharing of tax information and data on a global scale, while the actual impact on the corporate tax revenue of the countries participating in these programs may not be all that significant. Admittedly, it may be hard to assess the impact of the gradual introduction of BEPS measures in OECD member states, as many of them have reduced their nominal corporate tax rates in parallel with the introduction of the BEPS rules. In Belgium, for example, the nominal corporate tax rate was adjusted to 25 per cent (down from 33.99 per cent) during the period in which most of the BEPS measures became effective (2017-2019). The future – and, hopefully, the statistics – will tell whether or not the introduction of the BEPS measures has been boosting the corporate income tax revenues of OECD member states. Until then, politicians supporting and promoting these measures will no doubt proclaim that the new rules are contributing to the *fairness* of the tax system by shifting the total income tax burden towards corporations. What I know for a fact, though, is that Belgian personal income tax rates (nominal or effective) and VAT rates have not come down since the introduction of the BEPS/ATAD I and II measures for corporations. In other words: if the BEPS/ATAD measures cause anything, it will be a slight increase in the total direct tax burden in Belgium (disregarding the drop in the nominal corporate income tax rate), but not a shift away from personal taxation on income or consumption.

One thing that is more difficult to grasp for a European tax practitioner, is why the U.S. would insist on the introduction of a minimum level of corporate tax in other jurisdictions to protect its own corporate tax revenue. Since the U.S. still uses, by and large, a credit mechanism to fix international double taxation, non-U.S. source income earned by U.S. multinationals suffers additional U.S. corporation tax whenever such income has enjoyed a corporate tax rate below the U.S.'s own rate of, currently, 21 per cent (top-up tax). The Foreign Tax Credit (FTC) mechanism

comes into play if foreign-source income is repatriated or deemed so under Subpart F or similar rules. This being said, billions of dollars are kept offshore and U.S. multinationals are undertaking a lot of planning with their FTCs, sometimes leading to significant timing differences (top-up U.S. tax will be triggered in a later year than the year in which the foreign income is earned). Also, at least at one point, quite a few large U.S. corporations have inverted – or endeavored to invert – with a view to avoiding the top-up U.S. tax on their non U.S.-source income altogether. However, to remedy these forms of tax planning by U.S. multinationals, there should be no need to impose a worldwide minimum tax on multinationals. One would think that the U.S. can unilaterally remedy these forms of tax planning, as was done by the Obama administration and partly reversed by the Trump administration.

The primary conceptual problem I see with a global minimum tax for multinational corporations is that it deprives individual countries from one of the principal tools to attract inward direct investments. I realize that the use of comparisons may be misleading, but I think the following may clarify my point. Imagine I own a nice house with a well-tended yard, a swimming pool and a tennis court. The house is located in the vicinity of a busy airport and is overflown by descending aircraft every five minutes or so, from 6:00 a.m. until midnight. After a few years, I can no longer stand the trouble of overflying aircraft and decide to put my house up for sale. Because of the many qualities of the house, I put in a high asking price. After several months, I find that no-one has an interest in buying my house at that price. If I would not be allowed to settle with a buyer on a lower price, I would simply not be able to sell my house. A similar thing might happen to countries that do not benefit from a prime location: no direct access to any sea, little or no minerals or other natural resources, and mostly consisting of unfertile land. In addition, this country is sparsely populated, making for a small domestic consumer base. If this country wanted to improve the standard of living of its population, it would need to export products (or services) to other countries. In order to be able to export goods, it needs investors who are prepared to build factories and pay for additional infrastructure to enable the importation of raw materials and exportation of finished goods. Also, local workforce will need to be trained to work in the factories set up by the investors. If this country would be forced to impose a high corporation tax on any income earned by the foreign investors in the future, it would be nearly impossible to attract any such investors – just like I cannot sell my wonderful house near the airport at the high initial asking price. With corporate income tax rates level, investors will choose to invest in a country with a stable political and legal system, where the infrastructure is up-to-standard, the workforce is well trained and raw materials and finished goods can be shipped in and out through an easily accessible seaport. Perhaps, investors may prefer to invest in a country that has low environmental standards or very liberal labor laws. Or they will all invest in the country where the infrastructure, political and legal system, education of workforce and location are optimal and not in any less fortunate country. Is that what Ms. YELLEN, Le Monde and Mr. WUNSCH prefer?

Ireland may be a good example of how the reduction of corporate income tax rates can help an economically ailing country become a "Celtic Tiger" again. Between 1982 and 2003 Ireland brought down its corporate tax rate for trading income (not for passive income) from 50 per cent to 12.5 per cent (its current headline rate). There is an interesting essay[1] available online, explaining the link between the reduction of corporate income tax rates and the volume of Foreign Direct Investment (FDI) in Ireland.

Caleb HOWARD found quite convincing evidence of such a link (in the case of Ireland), while stating in his conclusion that "*[i]t might be wise for international governing bodies to pass a recommendation for an acceptable minimum corporate tax rate*" in order to avoid a "*race to the*

bottom." Instead of a *global* minimum corporate tax, Mr. HOWARD favors the creation of a level playing field "*to the level of other regional players*." He also clearly distinguishes between the short and the long term: while a low corporate income tax rate can definitely help a country to attract more FDI in the short run, other FDI drivers will become more relevant in the mid to long term, such as education of the workforce and infrastructure. At the same time, Mr. HOWARD admits that increasing the corporate tax rate again after a number of years, exposes the country to a risk in reduced FDI. For completeness' sake, in his study Mr. HOWARD does not consider the option of eliminating corporate income tax altogether. One might say, with a flavor of irony perhaps, that the elimination of corporate income tax is the most drastic way of creating a level playing field and stop the race to the bottom. In a world without corporate income tax, countries will have to count on other drivers of FDI – such as education of workforce and infrastructure – which is, in fact, what Le Monde describes as the better option.

One can understand that a country like the U.S. would not want to see its multinationals invest heavily outside of the U.S. Jobs created overseas are jobs not created at home. Factories built overseas are factories not built in the U.S. This may be true, but is this not protectionism, a.k.a. America First? Truth be told, the so-called GloBE project (Global Anti-Base Erosion, a.k.a. Pillar Two) is favored by the OECD and many other countries and, in fact, only concerns the corporate tax rate, not the tax base.

One of the principal drivers behind globalization is that it enables lesser developed countries to step up their development and the standard of living of their citizens. Citizens who earn a decent income (say, the middle class) will be spending more, and by doing so, increase the demand for all kinds of goods and services, whether produced in their own country or imported from elsewhere. More international trade will be the end result.

Another factor that I would like to highlight in the debate on a minimum tax for multinationals is the following. It is difficult for a politician to explain or to defend why he or she believes that citizens need to pay more taxes, in whatever form or shape. It is especially hard to explain to citizens who are net contributors to the system. Needless to say that most politicians want to be re-elected and in order to do so, they need as many citizens' votes as they can muster. The connection between voting right and taxation lies in the adage "*No taxation without representation,*" which was first embraced by the Stamp Act Congress, held in New York in 1765. Taxing corporations – especially multinationals – may be seen as a handy solution to this catch 22: corporations have no voting right and many citizens will have a hard time seeing the impact of higher corporate taxation on their personal financial situation (*e.g.*, the value of the stock in their pension plan, the net amount of dividend income from personal investment in stocks, the impact on investments by corporations and job creation). I have seen very few politicians trying to explain this impact to their voters. It may, thus, be tempting for politicians who want to have or need more public money to spend, to keep personal income and consumption taxes as low as possible while driving up corporate taxes. As long as the corporations who are impacted stay where they are, the politicians have little or nothing to explain or account for.

In a recent OpEd article, Eric KIRSCH – a retired inspector-general of Finance and former advisor to several Belgian ministers – recounts that in 2015 the OECD was toying with the idea that corporate income tax had a negative impact on economic growth (De Tijd, April 14, 2021). However, Mr. KIRSCH continues, the OECD found that corporate income tax was a useful and convenient tool because it allowed states to indirectly impose tax on a corporation's shareholders. These shareholders often resided or stacked away their capital in tax havens. By doing so, they

were able to escape personal income tax on the dividends they earned. As Mr. KIRSCH goes on, the global exchange of tax information – triggered by the introduction in the U.S. of the Foreign Account Tax Compliance Act, better known by its acronym, FATCA – has exponentially expanded since then. As a result, taxing dividends in the hands of shareholders, and/or the value of their shareholdings, has become much easier in recent years. As a result, the need to impose corporate income tax on the dividend-distributing corporations has diminished. In other words, the *convenience argument* for imposing corporate income tax began to evaporate. Still, finance ministers in most developed countries were not willing to give up corporate income tax as a significant source of revenue, but it was widely acknowledged that reducing the tax rates would stimulate economic growth. In the U.S., this was to some extent a bipartisan conviction. Against this backdrop, says Mr. KIRSCH, Janet YELLEN's call for a worldwide minimum tax is no less than "*a sudden U-turn in the direction of global fairness*." For some nation leaders, it looks like there is a lot of truth in the punchline 'Let the rich pay for the crisis.'

Mr. KIRSCH then makes a couple of interesting remarks:

Firstly, he points out that although many nation-leaders will formally adhere to the principle of a worldwide minimum tax but, they will also be willing to create or maintain significant exceptions for corporations creating jobs, innovation, et cetera in their countries.

Second of all, he warns – echoing Ms. YELLEN – that multinationals will continue to hire sophisticated tax advisors with a view to taking advantage of differences in tax rates and tax regimes in various jurisdictions.

Thirdly, he warns for what he calls a Trojan horse: by advocating for a global minimum corporate tax of 21 per cent, Ms. YELLEN wants to prevent that other jurisdictions offer tax breaks for, inter alia, innovating activities. Mr. KIRSCH anticipates that U.S. corporations benefiting from an effective tax rate below 21 per cent on all or some of their offshore income will either be forced to pay a top-up tax to Uncle Sam, or leave the country. Almost between the lines, Mr. KIRSCH adds that the threat of a European digital tax on mostly U.S. headquartered digital companies might as well serve as a perfect alibi for Ms. YELLEN to push her plan for a global minimum tax through. In this battle (Mr. KIRSCH's words), the U.S. goes to war with one well-organized army, while the E.U. has to fight the same war with 27 small and disorganized armies. Unfortunately, Mr. KIRSCH then advocates for the replacement of 27 different corporate income tax regimes by one single European corporation tax. His only argument: it will save millions in consultancy fees – often paid to American consultancy firms – for multinationals doing business in various E.U. member states and trying to optimize their overall tax position.

Finally, Mr. KIRSCH recommends international leaders (and the OECD, it seems) to go back to the idea of 2015 and consider abandoning corporate tax altogether: "*One should not forget that corporate income tax means a cost for business. And this cost is recovered from the consumer. In the end, corporate taxation falls on the shoulders of the citizen/consumer/constituent (voter). Except that the question of who is paying what is not decided by the minister of Finance, but by the invisible hand of demand and supply.*"

Indeed, the first thing a corporation might consider when faced with increased taxes on its income, is reducing other costs, expenses or distributions. They might consider cutting jobs or rebuking demands for pay raises for workers, delaying or scrapping investments in new machinery and equipment, etc. Alternatively, they may try to increase the price of the goods or services they sell,

as suggested by Mr. KIRSCH. One other option is to make less after-tax profit and reduce dividend distributions to shareholders accordingly.

This brings us to the pivotal question: why do we tax corporations in the first place? The answer is simple: because we can. And because it is convenient to do so. It is remarkable how many essays and papers can be found on the internet that have "*why*," "*tax*," "*corporations*," and "*?*" in their title.[2] When reading these papers, one finds that there seem to be very few, if any, fundamental reasons for submitting corporations to tax on their income. Yes, corporate income tax can serve as a backstop to personal income taxation. Herein above, I referred to the fact that in Belgium many high-income earners incorporate themselves into PSCs to mitigate the high marginal income tax rates. Along the same line, Mr. KIRSCH points out that prior to the massive exchange of tax information on a global scale, shareholders were often able to avoid taxation on dividends by hiding themselves and/or their shareholdings away in tax havens.

Corporations act in some way as tax collectors: taxes paid by a relatively low number of corporations need not be collected from a much higher number of individual taxpayers. Likewise, it is more efficient to thoroughly audit a low number of corporate taxpayers instead of a much higher number of individual taxpayers. But, honestly, the fact that corporations act as tax collectors for wage taxes and withholding taxes on interest, royalties and dividends, does not warrant in and of itself that they pay tax on their income or profits. Corporations also act as collectors of import duties, excise and stamp taxes, consumption taxes such as VAT, and social security contributions (for the sake of ease referred to as indirect taxes). The difference with corporate income tax is that indirect taxes are not based on the amount of income or profits produced by the corporations. In other words, corporations that act merely as collectors of all sorts of withholding and indirect taxes have no financial incentive to shift income or profits to low-tax jurisdictions. Imposing only indirect taxes on corporations gives countries a very efficient tool to create financial incentives for corporations to lower their impact on, for example, the environment, *e.g.*, free space and clean soils, fresh air and water, road transportation, etc. It would also eliminate the fundamental difference between taxation of income from labor (deductible for corporations, taxable in the hands of workers) and taxation of capital (*i.e.*, dividends – taxable in the hands of corporations and, in most countries, also taxed in the hands of equity providers/shareholders). By the same token, it would eliminate the so-called debt bias: interest on loans reduces the corporate tax base while dividends increase the corporate tax base. Perhaps last but definitely not least: it would create the level playing field that the above-mentioned OECD and E.U. measures (BEPS, ATAD I and II and BEPS 2.0) try to achieve through extremely complex rules, which can only work properly if adopted globally, something that has proven to be politically difficult and sensitive.

There are also essays and papers – in some instances the term "*flyers*" is more appropriate – setting out why corporations should pay their "*fair share*" of taxes. Among many others, one such flyer can be found on the website of Americans for Tax Fairness (www.americansfortaxfairness.org).

Reason No. 1: some big corporations pay little to nothing in taxes now. Fair enough, but most cars pay little or nothing in taxes either, but their owners do.

Reason No. 2: the corporate share of federal tax revenue has dropped by two-thirds in 60 years. Again: because corporations as a group allegedly pay less taxes, they should pay more. What would the argument be if it would appear that over the past 60 years, poor people have contributed less to Uncle Sam than middle class people? Will Americans for Tax Fairness then claim that poor

people have to pay more taxes?

Reason No. 3: the U.S. already has a low effective corporate income tax. It's the same argument phrased differently.

Reason No. 4: the United States raises less tax revenue from corporations than many of its competitors. Maybe this helps explain why the U.S. recover faster and easier from crises and recessions.

Reason No. 5: abuse of tax havens benefits Wall Street at the expense of Main Street businesses. This seems to be a cry for higher corporate taxes on publicly listed corporations and lower taxes on SMEs. This may sound fairer, indeed, but it disregards two important facts: (i) publicly listed companies were SMEs at some point in the past and increasing the tax rates based on the size of a corporation might discourage growth and expansion of companies; if this is what Americans for Tax Fairness want to achieve, they should unambiguously say so; (ii) many SMEs thrive, or even exist, thanks to work outsourced by large corporations; if GE would not make and sell mass-market appliances, many small to medium-sized distributors would be out of business because many households could not afford expensive appliances manufactured by small local manufacturers; without the Ford T, most Americans would still be riding horses.

Reason No. 6: eliminating U.S. taxes on offshore corporate profits through a territorial tax system would send profits and jobs overseas and let U.S. corporations dodge paying taxes. As mentioned above, the credit mechanism used by the U.S. to deal with international taxation makes for a top-up tax on low-tax offshore profits of U.S. corporations; the Trump administration has made it even more difficult for U.S. corporations to take long-term benefits from low-taxed offshore income in an attempt to lure corporate America back to its home ground.

Reason No. 7: lowering the corporate income tax rate is costly and unaffordable. This may be true, with two but's: (i) to the extent a lower (or even no) corporate income tax leads to increased investments and more jobs in the U.S., it may be worthwhile the cost; I will say something about this later on; (ii) the U.S. could follow Europe's example and introduce a federal consumption tax a.k.a. VAT, to compensate for a reduction in corporate tax revenue.

Reason No. 8: cutting the corporate income tax rate is an ineffective and wasteful way to create jobs. It may be true that confidence in future demand of their products is more important for corporations to expand and create jobs than a low corporate income tax. But one cannot deny that a high corporate tax rate reduces the incremental net income from increased sales and could, therefore, impact a corporation's decision to grow and increase its investment in new manufacturing and sales capacity. This is exactly what Mr. KIRSCH says when he mentions the concept floated within the OECD in 2015 (see above). From a European perspective, quite a few "old economy" corporations in the U.S. need an incentive to innovate and drive up productivity. Keeping corporate taxes high to achieve this much-needed change seems like the wrong medicine for a serious and real decease. Technological and R&D incubators such as Silicon Valley and the Research Triangle would seem to offer a much more effective remedy.

Reason No. 9: Americans strongly support requiring corporations to pay their fair share of taxes. Yes, of course. As I outlined above, as long as politicians do not explain it properly, this will remain a NIMBY argument: more taxes are needed provided someone else pays them. And if that "someone else" has no voting right, it makes politicians' lives easier.

So, no corporate income tax anymore, huh? It sounds counterintuitive, I admit, but look at two real-life situations that tell us something.

- Most developed countries have special tax regimes for all or certain categories of investment funds, in fact exempting such funds from corporate income tax entirely or largely. Instead, the investors are taxed on their proportionate share in the income and gains generated through the fund. Can this tax transparency be easily transposed to regular operating, commercial corporations? I see essentially three issues that need to be addressed.
- Unlike an investment fund, an operating commercial corporation incurs proportionally way more costs and expenses for the generation of its net profit, *g*., interest on borrowed funds, depreciation of capital assets, energy costs, higher labor costs, etc. The transparency of a corporation for corporate income taxes will not prevent such corporation from (re-) locating all or some of its activities to countries or regions where some of their operating costs and expenses are less expensive (*e.g.*, cheap labor in certain Asian or African countries). This is true, but it is not different than it is in today's system where corporations are subject to taxation on their net income or profits.
- Most, if not all developed jurisdictions accept that investors in an investment fund that is established on their territory, are taxed in their home jurisdiction on their proportionate share in the income and gains of the fund. This is less obvious for a jurisdiction where a commercially operating corporation is active. Why would such a jurisdiction only tax workers on their wages and salaries earned in that jurisdiction, but not capital providers (shareholders) earning dividends and/or capital gains from a corporation based in that same jurisdiction? This could be remedied in various ways: by adjusting the dividend withholding tax rate in conjunction with (a) a certain mandatory profit distribution rule (as is often the case with investment funds), and/or (b) a conservatory tax on undistributed profits that can be credited if and when profits are actually distributed. Countries wishing to promote the importation of capital, can keep the tax on the provision of capital as low as they see fit; countries that are not or to a lesser extent in need of imported capital, may decide to levy a relatively high tax on the provision of capital (by non-resident investors). One can argue that what is currently coming in as corporate tax revenue should, under the "alternative" system come in in the form of personal income or withholding tax revenue, meaning that in the end it will be a pocket-to-bin operation. Yes, but the difference is that under the alternative system, it is individual taxpayers a.k.a. voters, who receive the tax bills, and no longer corporations that do not participate in any elections. No taxation without representation, you know. When politicians and civil interest groups claim that (large) corporations must pay their fair share, I reply that under the alternative system, it would only be fair that those who pay the tax bills will be admitted to the polling stations when the tenure of the current politicians comes up for renewal … .
- The absence of corporate income tax is likely to lead to (a) a flight from personal income tax through (b) the creation of PSCs. This is true but remedies similar to those mentioned above under (A)(ii) can create a backstop to this transformation of personal income (wages and salaries) into investment income (dividends and capital gains).
- Countries like my own (Belgium) are home to well-known international institutions, such as the E.U. Commission, Council and (part-time) Parliament, NATO, the World Customs Organization (WCO), the Secretariat General of the Benelux, and Eurocontrol. Other developed countries that host important international institutions are, *inter alia*: Switzerland (Geneva), Germany (Frankfurt), Italy (Rome), Austria (Vienna), the U.S. (New York and Washington, D.C.), France (Strasbourg and Paris), Luxembourg, and many others. Under principles of international law, such organizations, their (real estate) property and their workers enjoy immunity from income

and other taxes in the host country. If we take the example of Brussels and the European institutions based in the Brussels Capital Region: although neither the institutions themselves nor the E.U. officials based in Brussels pay substantive taxes to Belgium or the Brussels Capital Region, one can easily see that if those institutions were to leave Brussels and move to another European capital, it would be an economic and financial disaster for Brussels and, by extension, for Belgium. The presence of the E.U. and some of the other institutions mentioned above create so much activity that large parts of the (office and residential) real estate, legal and advisory, hotel and taxi, retail and many other sectors in Brussels would stand to vanish if these institutions would no longer be present in Brussels. My point is that notwithstanding the fact that the institutions as such and most of their workers pay no income and almost no other taxes in or to Brussels and Belgium, they generate enormous amounts of derived activity and jobs that do generate all kinds of tax revenue for Brussels and Belgium. In fact, nobody cares about the tax immunity enjoyed by the international institutions and their staff. Why would this be different for private (multinational) corporations having their global or regional headquarters in (the vicinity of) Brussels?

As it happens, on March 31, 2021, Flemish trade magazine Trends published an article entitled "Tech Giants Do Not Love Belgium": "*... Belgium still does not have a strong cluster of tech companies, 200 kilometers away, in the Netherlands, it does work. Local strongholds such as payment processor Adyen and meal delivery company Takeaway.com belong to the stock market successes of recent years. Over the past ten years, the Netherlands switched gears with a view to attracting international tech companies. Netflix has a small division in Belgium, but in the Netherlands it has almost a thousand employees. According to its annual report, Uber had ten permanent employees on the payroll in Belgium. The taxi platform employs, however, more than a thousand marketeers, programmers and other administrative functions in Amsterdam. ... Tax-wise, the Netherlands is more attractive than Belgium for multinationals thanks to lower corporate taxes, but there is more. "Corporations are taxed slightly less than in Belgium, but this is compensated by the creation of extra jobs and, thus, additional [personal] income tax revenue," says Maurice van Tilburg, managing director of Techleap.nl, the organization that strengthens the ecosystem of tech- and dotcom companies in the Netherlands. ... .*"

Werner Heyvaert (April 16, 2021)

[1] HOWARD, Caleb (2019) "Ireland: A Study in the Effectiveness of Corporate Tax Rate Reduction," Journal of Interdisciplinary Undergraduate Research: Vol. 11, Article 3.

[2] See, inter alia: BIRD, Richard M., "Why Tax Corporations?," Working Paper 96-2, Prepared for the Technical Committee on Business Taxation, International Centre for Tax Studies, University of Toronto, ON, 1996;

WEICHENRIEDER, Alfons J., "(Why) Do we need Corporate Taxation?," CESifo Working Paper No. 1495, Category 1: Public Finance, 2005.

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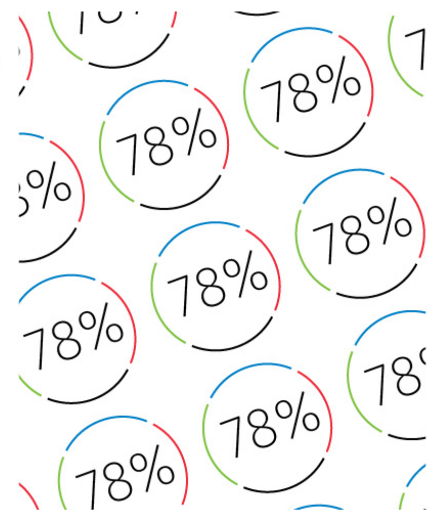

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