

Letter of 15 December 2025 from the Minister for Tax Affairs, the Tax Administration and Customs, Eugène Heijnen, to the House of Representatives on monitoring the impact of efforts to tackle tax avoidance

Over the past years, successive governments have adopted a range of measures to combat tax avoidance by multinationals. The current government considers it important to provide as clear a picture as possible of the effects of these measures, and for that reason informs the House accordingly by means of a yearly letter.

A number of key measures have proved effective in reducing tax avoidance. This edition of the monitoring letter shows that the system of withholding tax has proven highly effective in combating interest and royalty flows, although there has been little visible impact on dividend flows to low-tax jurisdictions. This year for the first time a study was done to examine the impact of the measure to tackle mismatches in the application of the arm's length principle. This measure has proven effective in countering double non-taxation. The data on foreign direct investment also points to the effectiveness of national and international efforts to tackle tax avoidance.

Sections 1, 2 and 3 explain the impact of the measures assessed. Section 4 describes a number of the insights gained from the statistics relating to foreign direct investment. Section 5 describes the developments in European and international law in the area of tax avoidance.

The table below summarises the analyses of the effectiveness of the anti-tax avoidance measures under assessment. Last year's monitoring letter¹ presented the analyses of the effects of first EU Anti-Tax Avoidance Directive (ATAD1) and the second EU Anti-Tax Avoidance Directive (ATAD2), which show that the earnings stripping measure (ATAD1) and the measure to tackle hybrid mismatches (ATAD2) are effective against tax avoidance. This has strengthened the government's conviction that these measures have made the tax system more robust in countering the scope for tax avoidance.

Measure	Aim	Assessment of effectiveness
Withholding tax on interest and royalties	Preventing tax avoidance	Effective
Withholding tax on dividends	Preventing tax avoidance	No visible effect
Earnings stripping (ATAD1)	Preventing tax avoidance	Effective
Earnings stripping (ATAD1)	Encouraging equity financing	Effective to a limited extent
Supplementary CFC measure (ATAD1)	Preventing tax avoidance	Cannot be determined
Efforts to tackle hybrid mismatches: CV/BV (ATAD2)	Preventing tax avoidance	Effective
Limitation of liquidation and cessation loss rules	Balanced taxation of multinationals	Effective
Tackling mismatches in the application of the arm's length principle	Preventing double non-taxation	Effective

1. Withholding tax on interest, royalties and dividends

The Withholding Tax Act 2021 entered into force on 1 January 2021. Withholding tax is intended to make the Netherlands less attractive for conduit arrangements to low-tax jurisdictions (LTJs) and to reduce the risk of tax avoidance arising from the shifting of the Dutch tax base to LTJs. Pursuant to this Act, withholding tax is deducted in certain cases, namely from interest, royalty and – since 2024 – dividend payments that an entity established in the Netherlands makes to an

¹ Parliamentary Papers, House of Representatives 2024/25, 25087, no. 343.

associated entity established in an LTJ and in situations of misuse. By extending the scope of withholding tax to include dividends as of 2024, two specific situations in which no dividend tax was levied were made subject to withholding tax.² The withholding tax rate is equal to the top rate of corporation tax (currently 25.8%).

In order to monitor the impact of withholding tax, it was announced in 2020 that flows of income from the Netherlands to LTJs would be monitored with the aid of statistics from De Nederlandsche Bank (DNB), the Dutch central bank.³ This is the fourth time that this monitoring exercise has been carried out. Table 1 shows the Netherlands' incoming and outgoing flows of income in relation to LTJs, broken down into interest, royalties, and dividends and retained earnings. Table 1 also shows the Netherlands' total incoming and outgoing flows of income. For a further geographical breakdown, please refer to the DNB data.⁴

Table 1: Flows of income from and to low-tax jurisdictions, including treaty countries,⁵ and total for all countries (in € billions, source: DNB)⁶

Incoming	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Dividends and retained earnings	11.5	11.3	10.0	11.6	9.6	4.7	10.6	5.9	9.2	13.7
Interest	1.4	1.2	1.0	1.0	1.8	1.0	0.4	0.4	1.4	0.7
Royalties	1.0	1.4	2.2	1.0	1.1	0.4	0.5	0.6	0.7	0.4
Other income	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total for LTJs	14.0	14.0	13.2	13.7	12.6	6.1	11.5	6.9	11.3	14.9
Amount of total from treaty countries	3.4	2.2	3.2	2.4	2.9	2.2	3.0	4.7	3.3	0.3
Total for all countries	269	259	296	312	300	214	285	355	369	348
Outgoing										
Dividends and retained earnings	3.3	8.2	8.5	3.0	1.1	1.5	5.6	7.0	6.3	5.2
Interest	4.9	4.1	3.9	4.9	3.8	2.4	1.6	1.0	1.0	0.6
Royalties	17.7	17.6	25.4	28.1	32.1	1.5	0.8	0.8	0.7	0.7
Other income	0.5	0.7	0.8	0.0	0.1	0.1	-	-	0.0	0.0
Total for LTJs	26.3	30.5	38.5	36.0	37.1	5.4	8.0	8.8	8.0	6.5
Amount of total to treaty countries	0.7	1.0	5.6	4.9	4.9	1.9	2.8	2.8	2.3	0.3
Total for all countries	279	249	281	290	282	208	233	327	327	317

In recent years it has been reported that there has been a substantial reduction in flows of income going to LTJs since 2019. That was also the case in 2024: the total flow of income to LTJs was €6.5 billion in 2024, down from €37 billion in 2019.

The remaining flows of income to LTJs is comprised mainly of dividends and retained earnings (€5.2 billion). There is no sign of a sharp decrease since the introduction of the conditional withholding tax on dividends in 2024. An explanation for this was sought by making a comparison with data from tax returns for the withholding tax. This is explained below.

Comparison with tax return data on withholding tax

Developments in the flows of income can be compared with data from the returns for the withholding tax filed with the Tax Administration. In 2021 there were 555 tax returns and a tax base of €0.24 billion in interest and royalty payments; in 2022, 360 tax returns and a tax base of €0.23 billion; and in 2023, 340 tax returns and a tax base of €0.47 billion. For 2024, there were

² Parliamentary Papers, House of Representatives 2020/21, 35 779, no. 3.

³ Parliamentary Papers, House of Representatives 2019/20, 25 087, no. 259.

⁴ See table 12.21 (in Dutch) on the DNB website: <https://www.dnb.nl/statistieken/data-zoeken/#/>.

⁵ LBJs with which the Netherlands has concluded a tax treaty. As of 2024, those countries are Bahrain, Barbados and Panama. As of 2024, the UAE is no longer designated as a low-tax jurisdiction.

⁶ Income according to the DNB definition, comprised of total profit (distributed dividend and retained earnings), charges made for IP (royalties), interest and other income.

177 tax returns and a total tax base of €0.45 billion. The largest part (€0.38 billion) consisted of interest and royalties. Dividends accounted for €0.07 billion in 2024.

The sums in the tax returns are therefore significantly lower than the sums in the DNB statistics presented in Table 1. A similar discrepancy in interest and royalty flows was identified and explained in the previous monitoring letters.⁷ This year a discrepancy in the data on dividends and retained earnings was also evident. According to DNB figures for 2024, the flow of income pertaining to dividends and retained earnings was €5.2 billion, but only €0.07 billion was reported to the Tax Administration.

In regard to interest and royalties, two substantive explanations for the discrepancy were provided in the previous monitoring letter. The first is that a portion of the flows of income goes to states where, on account of a tax treaty, the Netherlands cannot levy withholding tax. For 2024 this is apparently not so much the case, given that the amount that went to states with which the Netherlands has a tax treaty was substantially lower. This is probably related to the fact that since 2024 the United Arab Emirates is no longer a low-tax jurisdiction for the purposes of withholding tax. The second explanation is that in some cases the recipient entity in the low-tax jurisdiction is transparent for tax purposes (from the perspective of both the Netherlands and the other country). This means that the payments are taxed in the hands of the underlying parties or participants in the country in question. If that country is not a low-tax jurisdiction, the payments will be taxed sufficiently. For this reason, no withholding tax will be levied. Because DNB statistics do not take account of the concept of tax transparency, the payment will in fact count as a payment to a low-tax jurisdiction.

In regard to the discrepancy observed in connection with dividends and retained earnings, firstly, no withholding tax is levied on retained earnings because the conditional withholding tax on dividends takes effect when dividends are paid. According to DNB, approximately one third of the sum of €5.2 reported over 2024 concerned retained earnings. Unfortunately, within the DNB income definitions it is not possible to break down these income flows into retained earnings and dividends in accordance with the meaning for tax purposes. For more information please refer to the monitoring letter from 2020.⁸ The rest of the discrepancy is largely due to the same cause observed in connection with interest and royalties. It is expected that dividend flows to LTJs in the DNB statistics shown in table 1 largely run via transparent entities in low-tax jurisdictions. If a dividend is taxed in the hands of the underlying parties or participants there is no reason, from the perspective of the conditions and aim of the conditional withholding tax on dividends, to levy withholding tax on it.

2. Limitation of liquidation and cessation loss relief

Liquidation and cessation loss relief enables Dutch corporation taxpayers to deduct liquidation and cessation losses of foreign and domestic subsidiaries and foreign permanent establishments subject to certain conditions. Since 1 January 2021 the scope of liquidation and cessation loss relief has been scaled back. The aim is to counter the erosion of the Dutch tax base. For the application of the liquidation loss rules, a temporal, a territorial and a material condition have been introduced, with the latter two conditions only applicable to losses above a threshold amount. As a consequence of the temporal condition, liquidation losses can be recognised only if the liquidation takes place within a period of three years after the calendar year in which the business ceased to operate. The three-year time limit applies as from the end of 2020. This means that enterprises that stopped trading earlier than 2020 could in principle make use of liquidation and cessation loss relief until 2024 at the latest.

Following the introduction of the threshold amount, liquidation losses of more than €5 million can be recognised only if both the territorial and the material condition are met. The territorial condition entails that the loss arises in the European Union, the European Economic Area or a state

⁷ Parliamentary Papers, House of Representatives 2024/25, 25 087, no. 343.

⁸ Parliamentary Papers, House of Representatives, 2019/20, 25 087, no. 259, appendix 1.

with which the EU has concluded a specific association agreement. The material condition entails that the interest required for application of the liquidation loss rules has been increased to what is known as qualifying interest (i.e. the ability to exercise such a degree of influence over the decisions of an entity as to make it possible to determine that entity's activities). The application of the cessation loss rules is subject to territorial and temporal conditions that have a comparable effect to the territorial and temporal conditions for the liquidation loss rules.

The table below illustrates the use of liquidation and cessation loss relief. In it a distinction is made as to the country in which the losses originate and the extent to which those losses were above or below €5 million in the case of countries outside the EU/EEA. The changes to the liquidation and cessation loss rules introduced with effect from 2021 have placed a particular restriction on deductions in the latter case.

The figures show that the limitation of the scope of liquidation and cessation loss relief has led to a substantial decrease in the liquidation and cessation losses that have been deducted. The figures also show that taxpayers anticipated the changes by deducting additional losses in 2020. In anticipation of the tax changes, parent companies in the Netherlands took action to liquidate old enterprises in 2020 whose activities had already ceased in order to be able to recognise the losses under the old rules. Due to the introduction of the three-year time limit, tax planning of this kind is no longer possible.

Use of liquidation and cessation loss relief based on country category and amount (x million)

Tax year	The Netherlands	In the EU/EEA	Outside the EU/EEA and amount below 5 million	Outside the EU/EEA and amount above 5 million	Total
2018	1,615	1,475	303	2,264	5,657
2019	1,995	1,586	338	1,595	5,514
2020	2,375	1,350	495	3,659	7,879
2021	1,055	1,088	301	444	2,888
2022	1,633	2,853	300	227	5,013

The amount of losses in EU/EEA countries fell from €1.5 billion in 2018 to €1.1 billion in 2021. Anticipatory tax planning had almost no visible impact here. The amount of liquidation losses in 2022 was higher than in 2021, in connection with a number of extremely large liquidation losses in that year. This amount is expected to be lower again in 2023. In relation to amounts below €5 million in non-EU/EEA countries, anticipatory tax planning had an impact in 2020. After that, the amount was reasonably in line with previous years.

The key difference is the treatment of losses of more than €5 million outside EU/EEA countries. Whereas €2.2 billion was deducted in 2018 and €2.6 billion in 2019, anticipatory tax planning also had an impact in this respect in 2020. Subsequently, the amount deducted in 2021 fell to €0.4 billion and to €0.2 billion in 2022. The amount is expected to fall further after 2022 as the possibility of relying on the transitional rules becomes increasingly smaller. From 2024 onwards, the amount is expected to be nil due to the application of the temporal condition.

Liquidation losses have developed in line with expectations. Their development will continue to be monitored in the years ahead.

3. Application of Arm's Length Principle (Tackling Mismatches) Act

The arm's length principle⁹ requires taxpayers in the Netherlands to account for transactions with associated parties at arm's length prices for Dutch tax purposes. This can lead to downward (and

⁹ "Zakelijkheidsbeginsel" in Dutch.

upward) adjustments of Dutch taxable profits in combination with a notional capital contribution or a constructive dividend distribution.

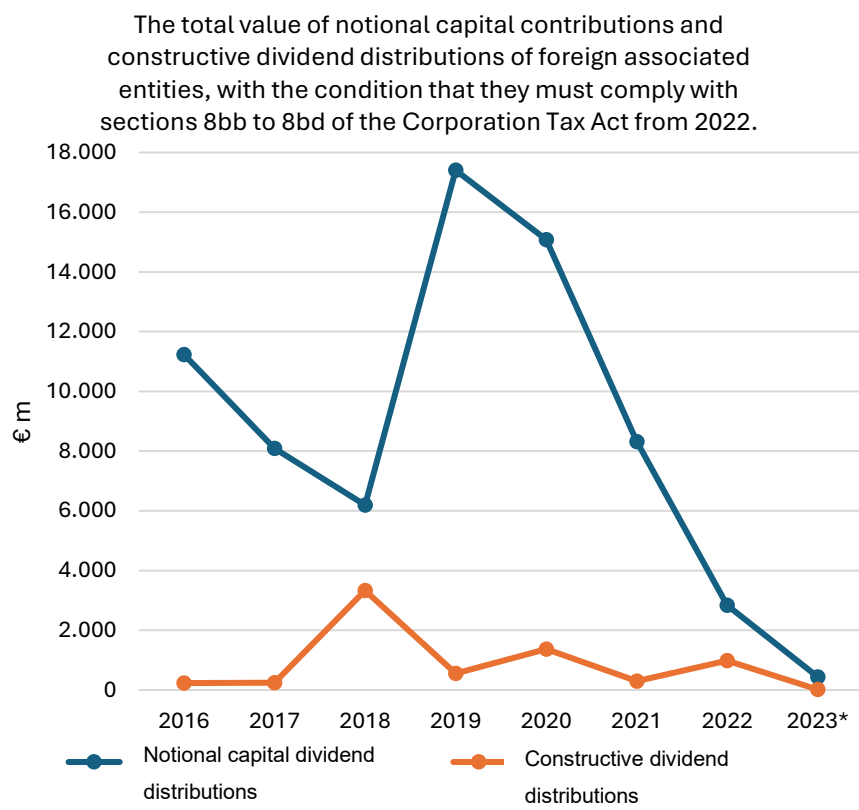
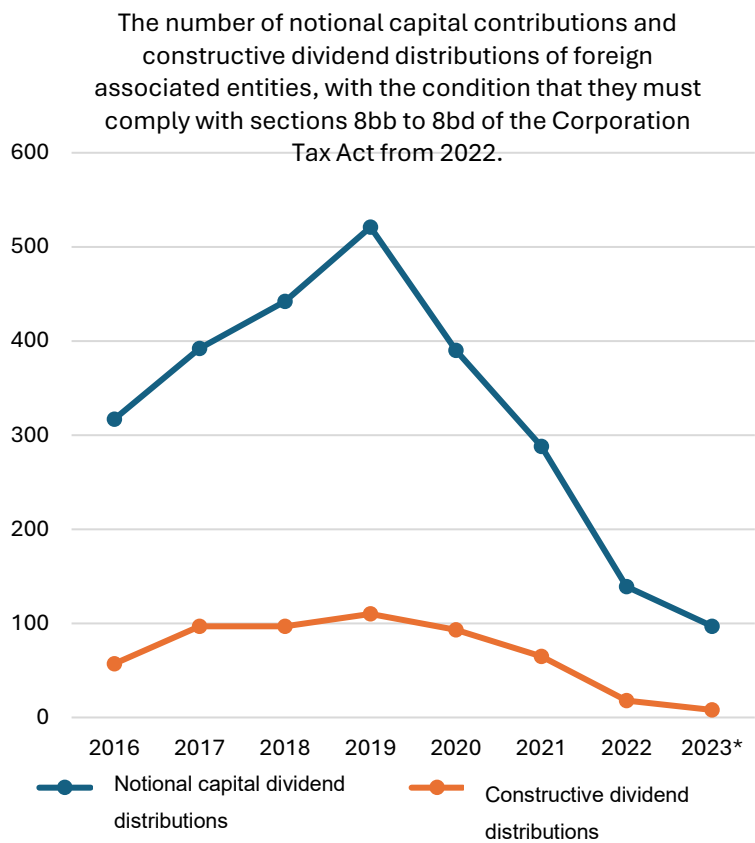
Other countries sometimes treat these matters differently. As a consequence, in the case of a cross-border transaction, the country in which the party with which the transaction is concluded is based may not apply a corresponding adjustment. This gives rise to a transfer pricing mismatch in the application of the arm's length principle, which can lead to double taxation (if the profit in the Netherlands is adjusted upwards and is not adjusted downwards in the other country) or double non-taxation (if the profit in the Netherlands is adjusted downwards and is not adjusted upwards in the other country).

The Tax Administration tightened up its ruling policy with effect from 1 July 2019. Engaging in preliminary consultations to obtain certainty in advance is no longer possible in the case of a downward adjustment without an equal upward adjustment in the other country. On 1 January 2022 the Application of the Arm's Length Principle (Tackling Mismatches) Act entered into force for financial years commencing on or after 1 January 2022.¹⁰ The Act is intended to prevent mismatches which, mainly in international situations, arise from the application of the arm's length principle and lead to double non-taxation. The Act restricts the scope for taxpayers to recognise a downward adjustment of profit on the basis of the arm's length principle in so far as a corresponding upward adjustment (of an equal amount) is not made to the tax base of another associated entity involved in the transaction. The measures ensure that the profit is taxed somewhere at least once.

Since 2016 taxpayers have been asked on tax return forms whether a notional capital contribution or a constructive dividend distribution has arisen and, if so, for which amount. In 2022 the extra conditions in the new sections 8bb to 8bd of the Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) were added to this so that notional capital contributions and constructive dividend distributions that lead to a downward adjustment of profit may be reported as such in a tax return only if a corresponding upward adjustment is subject to a tax on profit elsewhere. The figures below show the numbers and amounts for foreign situations up to and including 2023.¹¹

¹⁰ Application of Arm's Length Principle (Tackling Mismatches) Act, Bulletin of Acts and Decrees 2021, no. 654.

¹¹ Figures for the years up to including 2021 for all notional capital contributions and constructive dividend distributions, including in domestic situations, were presented in the previous monitoring letter. Because the measures do not affect domestic situations a priori, they have been omitted here. In some cases the tax return is incomplete, such that it is unclear whether it is a notional capital contribution or a constructive dividend distribution of a domestic or foreign associated party. These cases too have been omitted from the figures.



*2023 figures are provisional.

Cases involving double non-taxation should decrease from 2019 onward and disappear entirely

from the figures as of 2022, either because there is no mismatch or because the profit may not be adjusted downward. This can indeed be seen in the figures: the numbers show a clear decrease since 2019, and a reduction by more than half from 2021 to 2022. The amounts are more volatile, particularly in regard to the constructive dividend distributions, because they are driven by a small number of cases involving large amounts. In relation to notional capital contributions, there has been a significant decrease in the amounts since 2019, from a peak of €17.4 billion in 2019 to €8.3 billion in 2021 and € 2.8 billion in 2022. The decline appears to have continued in 2023, but the figures for that year are still provisional.

It can be inferred from the data that the measures to tackle mismatches in the application of the arm's length principle are effective in countering double non-taxation. The figures also show that in the past double non-taxation probably did occur and in the case of notional capital contributions large amounts were involved.

4. Foreign direct investment

The results of these and previous monitoring letters show that the measures to combat tax avoidance by multinationals have been remarkably effective.

The impact of national and international policy aimed at countering international tax avoidance can also be seen in the figures for foreign direct investment (FDI). This is reflected in recent publications by Statistics Netherlands (Centraal Bureau voor de Statistiek, CBS) and DNB.^{12 13} Direct investment comprises investment by an entity resident in one economy in an enterprise resident in another economy for the purpose of establishing a lasting interest in that enterprise.¹⁴ This may include investments by, for example, companies, investment funds, pension funds or private equity parties. There has been a clear break in the trend since 2018. The Dutch stock of foreign direct investment relative to GDP fell sharply between 2017 and 2024. Anti-tax avoidance measures are presumed to be the cause of the decline. This is explained below.

Foreign direct investment in the Netherlands is not limited to 'real' investments in the Dutch economy. Imagine, for example, that a large US multinational decides to establish the company's European headquarters in the Netherlands. The real investments in the Netherlands would be limited to investments connected with the Dutch headquarters function, such as office space. However, the value of the entire European part of the multinational would be included in the Netherlands' balance of payments as a direct investment in the Netherlands. The amount involved could easily be tens of billions of euros. At the same time, corresponding foreign direct investment from the Netherlands to all of the other countries that come under the European headquarters would be recorded. In that case, both inward and outward investment would be increased by approximately the same large amount. The same occurs in cases where a multinational establishes a conduit company in the Netherlands, whether or not with the aim of avoiding taxation.

This is illustrated in the figures below.¹⁵ IMF data shows that new foreign direct investment¹⁶ from and to the Netherlands remained below 10% of GDP for many years running but has surged since the turn of century. Internationalisation and the Netherlands' attractive position prompted many companies to set up (regional) headquarters in the Netherlands or to route financial flows through the country via conduit companies. Since then, the data has shown sharp upward and downward variations, at times exceeding 70% of GDP per year, with largely parallel increases and decreases in new inward and outward investment. Given the volume of annual inward investment, it is not

¹² Statistics Netherlands (2025), Dutch Trade in Facts and Figures, pp. 147-151.

¹³ DNB (2024), International interconnectedness in sharper focus, pp. 20-21.

¹⁴ A lasting interest entails that there is (i) a long-term relationship between the investor and the enterprise in which the investment is made and that (ii) the investor has a degree of influence over the policy pursued. In concrete terms, this means that a foreign direct investment relationship exists if an investor (the 'parent') has an interest of more than ten per cent in the enterprise in which it has invested (the 'subsidiary'). Securities, such as shares in a listed company, are not classified as foreign direct investment.

¹⁵ Both figures show 'directional' data for foreign direct investment. In other words, investment from a parent company to a subsidiary is netted against investment from the subsidiary to the parent company.

¹⁶ This concerns annual flows, including price and exchange rate fluctuations.

possible that this comprised exclusively real investment in the Dutch economy. It is also difficult to imagine that the Netherlands could have invested 70% of total earnings in one year in foreign entities in that same year. The figures for Germany show that a large share of investment in the Netherlands could not have been real investment in the Dutch economy: Germany's new inward and outward foreign direct investment ranged from -1% to 5% of GDP, apart from a peak in 2000. DNB data shows that in recent years conduit companies have been responsible for the largest share of the total stock of Dutch foreign direct investment (see second figure).

As a consequence of these developments, in the mid 2010s the Netherlands' stock of direct investment was the largest in the world in absolute amounts; in euros, even surpassing the United States. The DNB and CBS data in the second figure below show that the stock of inward foreign direct investment totalled 559% of GDP at its zenith. By comparison, in Germany the stocks of direct investment ranged from 23% to 27% of GDP, according to IMF figures.

It is important to emphasise that the total stock of FDI in the Netherlands also includes real investment and structures that are not motivated mainly by tax considerations. It is therefore not a good indicator for measuring or monitoring tax avoidance, as the Committee on Conduit Companies (Commissie Doorstroomvennootschappen) has concluded.¹⁷

This does not alter the fact that a significant portion of the FDI is motivated by tax considerations. Research by the Netherlands Bureau for Economic Policy Analysis (Centraal Planbureau, CPB) shows that part of FDI could be accounted for by treaty shopping structures in which companies made use of the large number of bilateral tax treaties concluded by the Netherlands.¹⁸ Some companies opt for the most favourable route for shifting profits from A to B, and the Netherlands was often on that route. The monitoring results in this letter and in previous editions show the effects of each measure on financial flows amounting to billions or even tens of billions of euros. Furthermore, most Dutch tax treaties now include a general anti-abuse provision aimed at preventing treaty shopping structures. It is therefore expected that anti-tax avoidance measures will certainly have a discernible impact on the stock of FDI in the Netherlands.

Both figures show a clear break in the trend from 2018 onward. Between 2017 and 2024, Dutch stock of foreign direct investment fell sharply, in line with the pattern of disinvestment that can be seen in new investments from 2018 onward. DNB and CBS have broken down inward investment into two categories: conduit companies and other enterprises.¹⁹ This shows that this disinvestment and the corresponding decline in the stock of direct investment are exclusively linked to conduit companies, which are being dismantled with increasing frequency. For other enterprises, where real investment in the Netherlands comprises a larger share, there has been a steady increase in FDI rather than an observable decline.²⁰ Both DNB and CBS therefore mention the anti-tax avoidance measures as the presumed cause of the decline in the total stock of FDI.

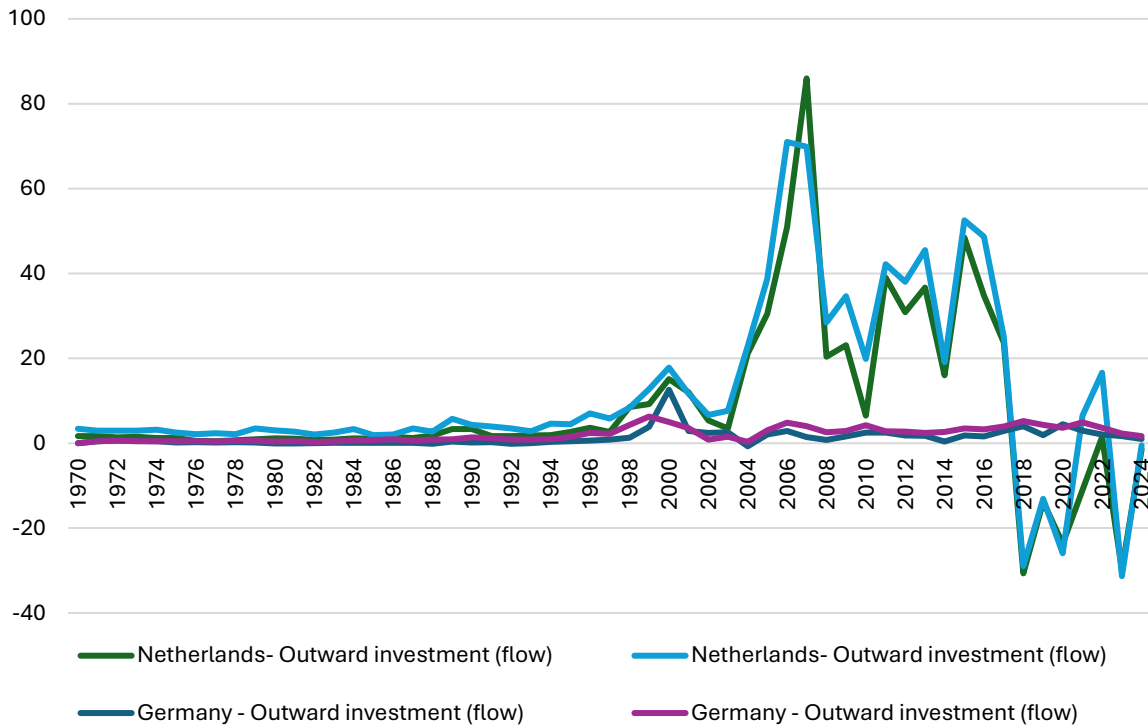
¹⁷ See p. 58 of the report by the Committee on Conduit Companies (Parliamentary Papers, House of Representatives 2021-22, 33 042 no. 286, blg-1007733).

¹⁸ Van 't Riet and Lejour (2017), *Optimal tax routing: Network Analysis of FDI Diversion*.

¹⁹ In these statistics, CBS defines conduit companies as 'holdings within multinational enterprise groups that route their profit flows, such as dividends and interest rates, within the corporation'. Some of these conduit companies may also engage in real activities to a limited extent and routing sometimes take place through non-conduit enterprises.

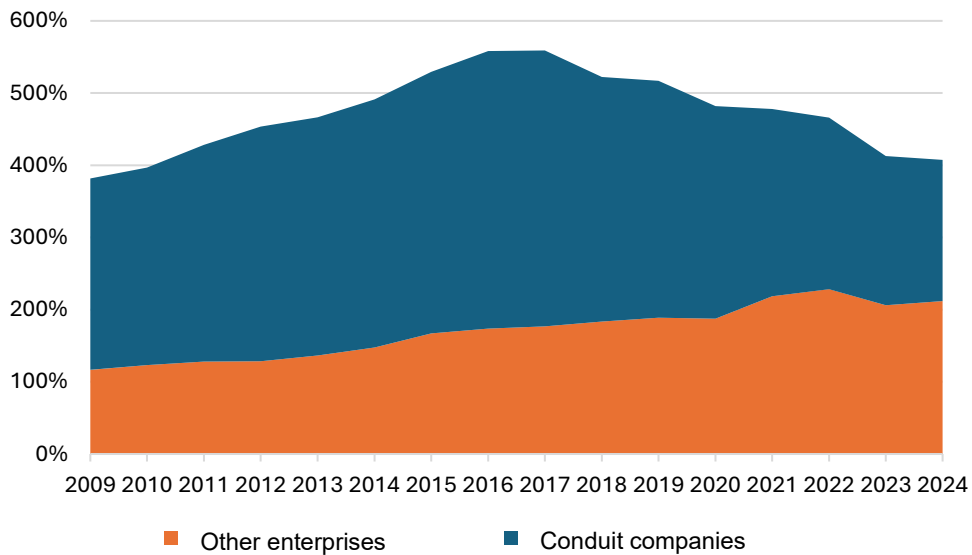
²⁰ CBS (2025), *Dutch Trade in Facts and Figures*, pp. 147-151.

New foreign direct investment as a percentage of GDP



Source: IMF

Stock of inward FDI as a percentage of GDP



Source: DNB

Though it is clearly decreasing, the stock of FDI in the Netherlands remains relatively high compared to other countries. However, this does not necessarily have anything to do with tax avoidance. As stated above, the high level of FDI is partly due to the large volume of investments motivated by non-tax-related considerations. In addition, some structures originally intended to

achieve a reduction in the tax burden will remain in existence, even though they no longer generate tax savings because of the anti-tax avoidance measures.

5. European and international developments

As in previous monitoring letters, this section presents an overview of ongoing European and international developments in efforts to tackle international tax avoidance.

5.1 Pillars One and Two

In the OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting, work has been done in recent years to reform the international tax system. This was prompted by the challenges posed by the increasingly globalised and digitalised economy to the levying of tax on multinationals. The reforms to the international tax system are grouped under Pillar One and Pillar Two.

In January 2025, the United States (US) announced that any commitments made by the previous administration regarding the global minimum effective tax rate (Pillar Two) would no longer have force or effect, absent an act by the Congress adopting the relevant provisions of the global tax deal.²¹ Since then, Pillar Two and the 'side-by-side' solution for the US tax system have been negotiated under the IF, in part because the US has had its own minimum tax rate regime. The aim was to reach agreement by the end of the year. In addition, in line with the statement issued by the finance ministers of the G7 countries on 28 June 2025²² the members of the IF also explored the possibilities for simplifying the minimum tax rate and examined the treatment of non-refundable tax credits. I hope to inform the House of Representatives as soon as possible about the outcomes of the negotiations.

Pillar One concerns a reallocation of a portion of the profits of the largest and most profitable multinationals. On the basis of Pillar One, countries where enterprises have large numbers of consumers and users are allocated additional taxing rights. Other countries will have to surrender taxing rights to prevent the reallocated profits from being subjected to double taxation. On 11 April 2025 the IF issued a statement announcing that the negotiations on Pillar One were still ongoing.²³ The Netherlands remains a proponent of Pillar One and supports these negotiations. However, the statement gave no new deadline for completing them. Given the current lack of consensus, it is unlikely that agreement will be reached in the near future. For this reason, a possible alternative to Pillar One, such as a digital services tax (DST), is being discussed in various countries. On 23 September 2025, the House of Representatives was informed by letter about the relevant considerations that could be raised in regard to the implementation of a DST.²⁴

5.2 Proposal for Unshell directive

As indicated in the assessment by the Working Group for the Assessment of New Commission Proposals (BNC),²⁵ the government is a strong proponent of the proposal for an EU directive to tackle the misuse of conduit (or 'shell') companies ('Unshell'). The directive contains measures on the exchange of information about conduit companies between member states and on denying such companies certain tax advantages. The Netherlands is actively and constructively engaged in

²¹ See <https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/>, which refers to the 'OECD Global Tax Deal'. The global minimum tax (Pillar Two) is part of that.

²² See <https://www.canada.ca/en/department-finance/news/2025/06/g7-statement-on-global-minimum-taxes.html>. The members of the G7 are Canada (current chair), the US, the UK, Denmark, France, Italy and Japan.

²³ <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/beps/statement-oecd-g20-inclusive-framework-on-beps-april-2025.pdf>.

²⁴ Parliamentary Papers, House of Representatives 2025/26, 32 140, no. 277.

²⁵ BNC file on the directive laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU (directive on administrative cooperation (DAC)), COM(2021)565, 21 February 2022, Parliamentary Paper 22112 no. 3349.

the negotiations on the directive. Tax avoidance is not confined by national borders, and the effectiveness of measures to combat it will be limited if companies are able to shift tax avoidance structures to other countries. An international approach will ensure that the misuse of conduit companies is tackled in an effective and uniform manner.

In the Council working parties concerns have been expressed about the possible imbalance between the effectiveness of efforts to tackle conduit companies and the associated administrative burden for implementing agencies and businesses. In addition, the member states expressed the desire to make better use of existing information exchange agreements rather than establishing a new, standalone information exchange system. The European Commission has taken this into account and is working on a fresh initiative that will make it possible to exchange information about conduit companies more efficiently, making use of the current directive on administrative cooperation in the field of taxation.²⁶ This new proposal is expected to be part of the broader recast of the directive on administrative cooperation, which will be published in the first half of 2026. After publication, the government will send a BNC file on this proposal to the House. In connection with this, the European Commission has withdrawn the Unshell proposal.

5.3 FASTER

On 10 December 2024 the Council of the European Union reached an agreement on the Council Directive on faster and safer relief of excess withholding taxes (FASTER). The Directive must be implemented by 31 December 2028 and will enter into force on 1 January 2030.

FASTER is aimed at harmonising and accelerating refund procedures and procedures for relief from dividend tax at source and making such procedures more resilient against misuse. It is crucial to the capital markets union that these procedures operate smoothly. At present these procedures can function as a barrier because they are cumbersome, expensive and lengthy and leave investors unable to exercise their rights in the capital markets union. The current procedures in the EU are also susceptible to fraud.

The scope of the procedures relative to the original proposal has been expanded to ensure that access is available to more investors, including contractual investment funds such as Dutch mutual funds. The procedures will be optional for member states that have both a small stock exchange and an effective system for granting investors relief at source, as long as investors retain the same rights and are not required to furnish more information than under FASTER.

In order to prevent misuse, the directive provides options for denying access to FASTER procedures, for instance if shares are acquired shortly before the ex-dividend date. Under the scope of the FASTER directive, financial intermediaries must also report more information about dividend payments and investors, which could yield new information that is useful for investigating dividend stripping schemes. Existing enforcement options available to tax authorities will remain in full force.

5.4 Proposal for a directive on transfer pricing

The proposal for a directive on transfer pricing was published on 12 September 2023. Its aim is to harmonise the rules on the application of the arm's length principle derived from the OECD guidelines within the European Union. The House of Representatives has received the government assessment of this proposal in the form of the BNC file.²⁷ In the course of the negotiations, the Netherlands, in accordance with the BNC file, expressed its support for the general objectives underlying the proposed directive, such as offering greater certainty to multinationals. In this regard it made the case for incorporating the arm's length principle in European legislation and, at the same time, for avoiding a separate European standard on the interpretation of the OECD Guidelines in relation to transfer pricing. However, various member states indicated that they were

²⁶ Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

²⁷ Parliamentary Papers, House of Representatives 2023/24, 22 112, no. 3820.

not in favour of a European directive on transfer pricing. Consideration was then given to whether there was sufficient support among the member states for other, non-legislative options for more effective cooperation at European level aimed at achieving improvements in transfer pricing practice. The Netherlands indicated that it is open to this form of cooperation, because better cooperation can help create greater certainty for taxpayers. Various member states were open to establishing a Transfer Pricing Forum, but opinions diverged on what kind of mandate such a forum should have. On 20 June 2025, the ECOFIN Council therefore concluded that no agreement had been reached.²⁸ The European Commission withdrew the proposed directive.

5.5 Proposal for BEFIT directive

On 12 September 2023, the Business in Europe: Framework for Income Taxation (BEFIT) proposal was presented. This proposed directive provides for a common tax base for corporate tax and a profit allocation mechanism. The House of Representatives has received the government assessment in the form of the BNC file.²⁹ When the proposal was considered by the House of Representatives, the motion submitted by MP Tony van Dijck was passed,³⁰ asking the government not to agree to BEFIT and to make that position abundantly clear to the European Commission in Brussels. The matter has been discussed with the European Commission at senior civil service level. There is currently little support in the Council for the BEFIT proposal. It is therefore not to be expected that there will be agreement on it in the near future.

5.6 Exchange of information

The Netherlands remains committed to promoting the exchange of information in cross-border situations. The aim of this is also to combat tax evasion and avoidance. In last year's monitoring letter³¹ my predecessor addressed the legal instruments available for this purpose, which are the Convention on Mutual Administrative Assistance in Tax Matters, in the OECD context; various bilateral treaties; and the Directive on Administrative Cooperation (DAC), in the EU context. Information relevant for the levying of tax may be exchanged automatically, spontaneously or upon request.

The Netherlands remains committed to pursuing automatic information exchange and is a proponent of expanding it further to include other categories of information wherever useful and feasible. The Netherlands also takes a positive view of the development by the OECD of the new multilateral framework for the exchange of readily available information about immovable property. This is an important step in making it easier to identify assets of very wealthy individuals. An assessment will be made to determine when and in what manner the Netherlands can participate in the future.³²

The Netherlands already exchanges some information about immovable property with other EU member states on an automatic basis. In the EU context, these and other automatic information exchanges take place on the basis of the successive DAC amendments, which have been implemented in the International Assistance (Levying of Taxes) Act (*Wet op de internationale bijstandsverlening bij de heffing van belastingen*).

²⁸ <https://data.consilium.europa.eu/doc/document/ST-10611-2025-INIT/en/pdf>

²⁹ BNC file on COM(2023)532

³⁰ Parliamentary Papers, House of Representatives 2023/24, 21501 07, no. 1981.

³¹ Parliamentary Papers, House of Representatives 2024/25, 25 087, no. 343.

³² On 4 December 2025 26 countries published a joint statement regarding the new Multilateral Competent Authority Agreement on the Exchange of Readily Available Information on Immovable Property (IPI MCAA). The statement is a political pledge to participate in the IPI MCAA as of 2029 or 2030. The Netherlands views the initiative positively. Because the consequences of implementation need to be identified in order to determine as of when and in what way the Netherlands can participate, the Netherlands has not yet signed the statement. The Netherlands aims to participate in the future.

DAC8

Since last year's monitoring letter, the bill implementing DAC8 has been submitted to the House of Representatives.³³ This amendment regulates the automatic exchange of information about transactions involving crypto-assets conducted for users of crypto-assets by crypto-asset service providers. The memorandum of reply was sent to the House of Representatives in October. As stated in last year's monitoring letter, this amendment updates a number of elements of DAC2 (disclosures by financial institutions) and DAC3 (rulings).

DAC9

The most recent amendment – the eighth (DAC9) – entered into force on 14 April 2025, laying down rules for the automatic information exchange of top-up tax information returns in the context of the global minimum tax for multinational enterprise groups (Pillar Two). The act implementing this latest amendment is part of the 2026 Tax Plan Package and has been adopted by the House of Representatives.³⁴ This bill is part of the 2026 Tax Plan Package.

Unlike the aforementioned DACs, this version is intended to reduce the administrative burden for multinational enterprise groups that come within the scope of the Minimum Tax Rate Act 2024 (*Wet minimumbelasting 2024*) by regulating the automatic exchange with other member states of information and intelligence from top-up tax information returns submitted in a member state. This amendment is not directly aimed at countering tax avoidance and evasion. DAC9 is nevertheless part of the system of measures under Pillar Two aimed at combating the tax base erosion in the single market and prevent profits being removed from the single market, and thus aids in efforts to tackle tax avoidance and evasion.

Below is an overview of the amendments to the DAC.

DAC1	Specific income and asset categories (including employment income and pension income)
DAC2	Financial accounts information
DAC3	Rulings
DAC4	Country-by-country reporting by multinationals
DAC5	Beneficial ownership
DAC6	Cross-border tax arrangements
DAC7	Sales income via digital platforms
DAC8	Information about crypto-asset transactions by clients of crypto-asset service providers
DAC9	Top-up tax information return; minimum tax framework (Pillar Two)

With the aim of improving automatic information exchange practice, the effectiveness of the implementation and operation of various international tax information exchanges is being examined at European level. A proposal for a directive (DAC10) on this issue is expected in the second quarter of 2026. The proposal could call for specific terms to be included in order to prevent mismatches between member states and for simplification of specific DACs to enhance the effectiveness of information exchange.

The legislation will provide for broad investigative powers regarding the provision of information that is reported and exchanged on the basis of the DAC and the different amendments. One of the aims of these investigative powers is to improve the quality of information exchange. A designated civil servant from the Tax Administration may initiate and conduct an investigation in connection with obligations resting on those subject to record-keeping and reporting requirements under the International Assistance (Levying of Taxes) Act. The relevant provisions of the State Taxes Act (*Algemene wet inzake rijksbelastingen*) apply *mutatis mutandis*. In that case, the powers referred to here are the powers set out in the State Taxes Act.

³³ Parliamentary Paper 36782.

³⁴ Parliamentary Paper 36818.

6. Conclusion

A number of key measures have proved effective in reducing tax avoidance. This edition of the monitoring letter shows that the system of withholding tax has proven highly effective in combating interest and royalty flows, although there has been little visible impact on dividend flows to low-tax jurisdictions. The measures to prevent mismatches in the application of the arm's length principle have also been effective. The data on foreign direct investment also points to the effectiveness of international efforts to tackle tax avoidance.

The government will continue monitoring the anti-tax avoidance measures on an annual basis.