

Key Corporate Tax Haven Indicators

Haven Indicator 15:

Deduction Limitation for Interest

What is measured?

This indicator focuses on the limitation of interest expenses by using a fixed ratio rule. It measures whether or to what extent a jurisdiction applies a fixed ratio rule to limit the deduction of interest paid to non-resident group affiliates (“intra-group interest payments”) from the corporate income tax base.

Jurisdictions may use various measures to limit the deduction of intra-group interest payments.¹ The leading model used by the Organisation for Economic Co-operation and Development (OECD) is the fixed ratio rule based on the entity’s net interest-to-Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) ratio.² This has been inspired by a rule that was first introduced in Germany in 2008. In [Action 4](#) of the Base Erosion and Profit Shifting (BEPS) project, the OECD recommends the adoption of a fixed ratio rule based on the net interest-to-EBITDA ratio and set a corridor of 10%-30% EBITDA as the best practice measure to tackle base erosion and profit shifting involving interest payments (“best practice measure”).³ Later, in 2016, the European Union employed the best practice measure limitation rule suggested by the OECD, and included it in its Anti-Tax Avoidance Directive.⁴

In practice, the EBITDA-based interest limitation rule means that companies are not able to deduct intra-group interest payments from the pre-tax profit of a company if they exceed the aforementioned fixed corridor. For example, if a company has €100 of earnings (EBITDA), from which it pays €40 in intra-group interest payments, and is required to apply the best practice measure of 30% EBITDA, the allowable deduction will be limited to €30. This means that €10 of the €40 intra-group interest payments could not be deducted according to the rule. As a consequence, these €10 would be included in the taxable profit in the jurisdiction.

The scoring matrix is shown in Table 15.1, with full details of the assessment logic presented in Table 15.5 below.

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Table 15.1. Scoring Matrix Haven Indicator 15

Regulation	Haven Score [100% = maximum risk; 0% = minimum risk]
<p><u>No limits are applied on the deduction</u></p> <p>No limits are applied on the deduction of intra-group interest payments.</p>	100
<p><u>Either the group ratio rule or the global debt-to-equity ratio opt-in is applied (regardless of whether the applied restrictions on the deductions are lax or not)</u></p> <p>Restrictions are applied in combination with a group ratio rule or global debt-to-equity ratio opt-in.</p>	90
<p><u>Lax restrictions are applied on the deduction (but no group ratio rule or global debt-to-equity ratio opt-in)</u></p> <p>A deduction is allowed either for intra-group interest payments worth 30% EBITDA (or above) and/or for other interest deduction limitation method using a fixed ratio rule (e.g., automatic application of thin capitalisation rules).</p> <p>The haven score increases by 5 if an exclusion provision for financial undertakings is applied.</p>	75 80 if financial undertaking exclusion is applied
<p><u>Restrictions are applied on the deduction (but no group ratio rule or global debt-to-equity ratio opt-in)</u></p> <p>A deduction is allowed for intra-group interest payments worth between 10% EBITDA and below 30% EBITDA.</p> <p>The haven score increases in 5 if an exclusion provision for financial undertakings is applied.</p>	50 55 if financial undertaking exclusion is applied
<p><u>No deduction of intra-group interest payments is permitted</u></p>	0

A 100 haven score is given if a jurisdiction applies no limits on the deduction of intra-group interest payments. The haven score of a jurisdiction is reduced to 75 in two cases which we consider as lax restrictions on interest deductions:

- a) a jurisdiction allows an interest deduction limitation only for payments worth 30% EBITDA or above; or
- b) the jurisdiction allows any other interest deduction limitation method using a fixed ratio rule, such as thin capitalisation rules based on a debt-

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to-equity test, unless their application is discretionary rather than automatic.⁵

This is because when a country applies thin capitalisation rules based on comparisons with corporate indebtedness in arm's length situations,⁶ the impact of thin capitalisation rules on total leverage is reduced to about half.⁷ We treat jurisdictions as if no interest deduction limitation method is applied in cases where thin capitalisation is discretionary, like in Switzerland. This is based on the weakest link principle used in the Corporate Tax Haven Index.⁸

The haven score is further reduced to 50 if a jurisdiction applies the best practice measure and allows a deduction limitation for payments worth between 10% EBITDA and below 30% EBITDA.

Alongside the best practice measure, the OECD recommends the introduction of a group ratio opt-in rule, which weakens the deduction limitation by allowing an entity to exceed the 30% limit in certain circumstances based on a relevant financial ratio of its worldwide group.⁹ This group ratio rule opt-in rule allows a company with net interest expenses above the jurisdiction's fixed ratio to deduct interest up to the level of its group's net third party interest-to-EBITDA ratio or a benchmark fixed ratio based on relevant financial ratio of its group, such as equity-to-total assets. In other words, it enables a company to deduct a higher level of interest expense. Therefore, we consider this group ratio opt-in rule an escape clause from the interest deduction ceiling, undermining the application of the best practice measure.¹⁰ The same holds true for applying a safe-harbour debt-to-equity ratio for thin capitalisation rules given that this allows a company to fully deduct the interest as loss as the fixed proportion is not exceeded.¹¹ Thus, in cases where either the group ratio rule or the global debt-to-equity ratio rule opt-in is enabled, then regardless of whether the restrictions applied on the deduction are lax or not, we consider it as an exception to the best practice measure and the haven score is reduced only to 90 (rather than to 75 in the case of lax restrictions or to 50 in the case of stronger restrictions) .

In addition, the OECD indicates a problem in applying the EBITDA-based interest limitation rule on entities operating in banking and insurance groups, as well as on regulated banks and insurance companies in non-financial groups.¹² This is because, according to the OECD, fixed ratio rules will either have no impact on these sectors or are not a suitable measure for economic activity across them. Nonetheless, the OECD emphasised that its recommendation does not imply complete exclusion of these sectors from the best practice rule but rather specific fixed ratio rules should be applied that are designed to address the risks these sectors pose. The OECD also mentioned that further work is required to identify these specific rules.¹³ However, following public consultations on interest limitation rules in the banking and insurance sectors¹⁴ and receiving

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comments,¹⁵ the OECD has not produced any specific limitation rules for the banking and insurance sectors in its latest update of Action 4.¹⁶ In a similar way, the EU Anti-Tax Avoidance Directive introduced a carve out provision in Article 4 (paragraph 7) while declaring in its preface that “the discussions in this field are not yet sufficiently conclusive [...] to provide specific rules”.¹⁷ Given that these kinds of specific rules are yet to be designed, we consider that applying the exclusion provision for financial undertakings without providing specific limitation rules is a loophole in the tax system. For this reason, in cases where a country applies the exclusion provision for financial undertakings but does not provide a corresponding specific limitation rule for these sectors, we increase the haven score by 5.

A zero haven score is granted if a jurisdiction does not permit any deductions of intra-group interest payments at all.

The data for this indicator was collected primarily from country analyses and country surveys in the International Bureau of Fiscal Documentation (IBFD) database.¹⁸ In some instances, we have also consulted additional websites and reports of accountancy firms, academic journals and other local websites.

All underlying data can be accessed freely in the CTHI [database](#).¹⁹ To see the sources we are using for particular jurisdictions please consult the assessment logic in Table 15.5 and search for the corresponding info IDs (IDs 517, 518 and 519) in the database report of the respective jurisdiction.

Why is this important?

In most countries, interest on debt is considered a deductible cost, which reduces the tax base. In contrast, dividend, or other equity returns, are generally not deductible. The difference in the tax treatment of debt and equity in the cross-border context creates a tax-induced bias towards debt financing because the more debt a company takes on, the more interest it pays. This in turn reduces its tax bill. The opportunities surrounding outbound investment potentially create competitive distortions between multinational companies and entities operating in the domestic market. Such distortions sets up tax preferences for assets to be held by multinational companies rather than domestic companies, and thus undermine capital ownership neutrality.²⁰

The distortion is also used by many multinational companies to avoid taxes.²¹ Multinational companies can easily shift profits to tax havens by heavily loading subsidiaries operating in high-tax jurisdictions with debt and then use excessive deductions and make interest payments to low tax jurisdictions. The difference in the tax treatment of debt and equity can also lead to other forms of base erosion and profit shifting. This includes using hybrid instruments that give rise to deductible interest payments with no corresponding taxable income and using loans to invest in assets resulting in returns that are not taxed or taxed at a

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reduced rate.²² These forms of base erosion and profit shifting lead countries to engage in the race to the bottom in taxation, while reducing governments' revenues needed to protect the human rights of their citizens.

For all these reasons, cross-border intra-group financing makes intra-group interest payments one of the most important concerns for tax base erosion for both developed and developing countries. Developing countries are even more prone to the erosion of their tax base through outbound intra-group interest payments because of their dependence on foreign direct investment, which is mostly financed by loans.²³

To prevent base erosion and profit shifting arising from the excessive deduction of intra-group interest payments, some jurisdictions adopt limitation rules, but many of these rules have not been very successful so far. The OECD explains the reason for this:

the fungibility of money and the flexibility of financial instruments have made it possible for groups to bypass the effect of rules and replicate similar benefits using different tools. This has led to countries repeatedly introducing new rules, or amending existing ones, creating layers of complexity without addressing the key underlying issues.²⁴

To address this problem, the OECD in Action 4 recommends countries adopt the best practice measure of a fixed ratio rule based on a net interest-to-EBITDA ratio within 10%-30%, as explained above. This current best practice measure represents a very soft approach and it may not even address the targeted problem. This is because setting the top margin of the fixed ratio on 30% of EBITDA is very high. It comes as no surprise that the highest margin of 30% has been chosen by many countries that have adopted the new best practice measure.²⁵ This high ratio will probably impact only a small number of highly indebted companies²⁶.

In order to discourage companies from over-leveraging themselves, it would be more effective if jurisdictions adopt at least the lower margin of the best practice rule, that is, 10% of EBITDA. Unfortunately, some countries have moved from the lower to the upper margin or even replaced a more rigorous measures with the EBITDA-based limitation rule. For example, Romania first introduced 10% of EBITDA-based limitation rule for intra-group interest payments, effective as of 1 January 2018.²⁷ However, not long after, it raised the interest deduction limitation cap from 10% to 30% of EBITDA, effective as of 1 January 2019.²⁸ Similarly, Denmark has changed from an EBIT-based limitation to EBITDA-based limitation when it transposed the EU Anti-Tax Avoidance Directive into domestic law.²⁹ This represents a softening of the deduction limitation rules and facilitates more interest-driven profit shifting.

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Some argue that applying a fixed ratio rule is a blunt tool as it does not take into account that groups operating in different sectors may require different amounts of leverage. According to their claim, even within a specific sector, some groups may be more highly leveraged for non-tax reasons and a fixed ratio rule could lead to double taxation for groups which are leveraged above this level.³⁰ However, if these highly leveraged groups existed in reality, the deduction limitation could incentivise a de-leveraging of these groups in order for them to avoid double taxation. Furthermore, in order to mitigate against the claimed risks of double taxation, the group ratio rule could be implemented. Yet, the implementation of this rule requires a jurisdiction to have detailed financial information about the specific worldwide group and in-depth analytical capacity at the tax administration. These conditions may often not be met, especially for developing countries. In addition, as explained above, the group ratio opt-in rule acts as an escape clause from the interest deduction ceiling, undermining the application of the best practice measure.³¹ Applying a domestic cap on interest payment deductions is essential to prevent corporate tax base erosion, even if the leverage of that company is at or below its group level.³² In a similar vein, applying an exclusion provision for financial undertakings without providing a corresponding specific limitation rule for the banking and insurance sectors constitutes a loophole that undermines the best practice rule.

Therefore, the preferred approach would be to completely disallow any deductions for intra-group interest payments by treating all related party debt as equity for the purposes of corporate tax bills. From a practical point of view, one way to justify this is that there is little difference between a shareholder loan and a dividend, other than the fact that interest payments are usually paid at a fixed rate unlike dividends.³³ This distinction is further blurred when a company uses hybrid instruments, such as profit participating loans. In fact, the difference between a shareholder who lends money to a company and a shareholder who receives a dividend is that the interest paid on the loan is drawn from the company's profit before tax and the dividend is distributed from the profit after tax.³⁴

Disallowing the deduction of intra-group interest payments would force companies to either borrow funds and share the risks among their local domestic subsidiaries (however, at a marginally higher cost than if it could be deducted)³⁵, or instead to borrow directly from the independent debt market. The effect of this would be to improve the fair market competition in the countries where multinational companies operate. It would help to create a level playing field between multinational companies and companies that solely operate domestically and thus do not have access to the more advantageous conditions that multinationals enjoy in the international capital markets.³⁶

Therefore, while adopting the best practice measure may slightly improve the debt-bias problem (particularly if the lower margin of 10% is applied), only

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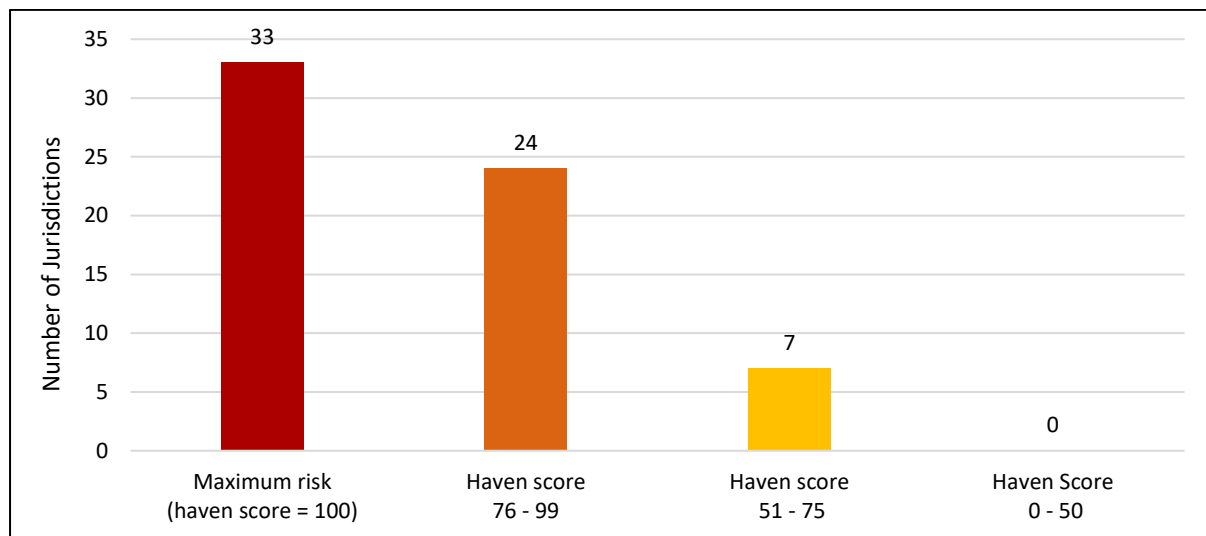
entirely disallowing the deductibility of intra-group interest payments is likely to help in protecting the tax base of host countries of multinationals, containing the race to the bottom and facilitating fair market competition in domestic markets.

An alternative way to limit intra-group interest was recently introduced by the USA as part of the US Tax Cuts and Jobs Act of 2017. The Act introduced a 30% EBITDA-based limitation rule for interest payments to both related and unrelated parties; this has already taken effect. From 1 January 2022, the USA will start implementing the 30% EBIT-based limitation rule. The Tax Cuts and Jobs Act has also created another fixed-ratio rule with the base erosion and anti-abuse tax to disallow excessive deductible payments (including interest, royalties and management fees), made by certain US firms to related non-US firms.³⁷ The base erosion and anti-abuse tax is a minimum tax that is imposed at a rate of 10%³⁸ to the taxpayer's modified taxable income,³⁹ which is calculated by adding back most categories of related-party deductible payments.⁴⁰ This tax applies to corporations with average annual gross receipts of US\$500m for the preceding three-year period; and a base erosion percentage of at least 3% for a tax year, which in practice means a threshold of base erosion payments as a percentage of total deductions.⁴¹

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Results Overview

Graph 15.1. Deduction Limitation for Interest Overview



Results Detail

Table 15.2. Deduction Limitation for Interest – Haven Indicator Scores

Country Name	Score	ISO	Country Name	Score	ISO
Andorra	100	AD	Kenya	75	KE
Anguilla	100	AI	Latvia	90	LV
Aruba	100	AW	Lebanon	100	LB
Austria	100	AT	Liberia	100	LR
Bahamas	100	BS	Liechtenstein	100	LI
Belgium	80	BE	Lithuania	90	LT
Bermuda	100	BM	Luxembourg	90	LU
Botswana	90	BW	Macao	100	MO
British Virgin Islands	100	VG	Malta	90	MT
Bulgaria	80	BG	Mauritius	100	MU
Cayman Islands	100	KY	Monaco	100	MC
China	100	CN	Montserrat	100	MS
Croatia	80	HR	Netherlands	75	NL
Curacao	80	CW	Panama	100	PA
Cyprus	100	CY	Poland	80	PL
Czech Republic	100	CZ	Portugal (Madeira)	80	PT
Denmark	75	DK	Romania	75	RO
Estonia	90	EE	San Marino	100	SM
Finland	90	FI	Seychelles	100	SC
France	90	FR	Singapore	100	SG
Gambia	100	GM	Slovakia	55	SK
Germany	90	DE	Slovenia	80	SI
Ghana	80	GH	South Africa	90	ZA

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Country Name	Score	ISO	Country Name	Score	ISO
Gibraltar	100	GI	Spain	90	ES
Greece	80	GR	Sweden	75	SE
Guernsey	100	GG	Switzerland	100	CH
Hong Kong	100	HK	Taiwan	80	TW
Hungary	90	HU	Tanzania	100	TZ
Ireland	100	IE	Turks and Caicos Islands	100	TC
Isle of Man	100	IM	United Arab Emirates (Dubai)	100	AE
Italy	90	IT	United Kingdom	90	GB
Jersey	100	JE	USA	75	US

Maximum Risk (Haven Score 100)	Haven Score 76 - 99	Haven Score 51 - 75	Haven Score 26 - 50	Haven Score 1 - 25	Minimum Risk (Haven Score 0)
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Table 15.5. Assessment Logic

Info_ID	Text_Info_ID	Answers (Codes applicable for all questions: - 2: Unknown; -3: Not Applicable)	Valuation Haven Score
517	Outbound intra-group interest deduction limitation: Does the jurisdiction restrict or disallow deducting from the corporate income tax base interest paid to non-resident group affiliates?	0: NO: No deduction limitation for intra-group interest payments; 1: YES, RESTRICTED LAX: Deduction limitation only for payments worth 30% EBITDA or above, and/or any other interest deduction limitation method using a fixed ratio rule; 2: YES, RESTRICTED: Deduction limitation only for payments worth between 10% EBITDA and below 30% EBITDA; 3: YES, DISALLOWED: Deductions of intra-group interest payments are not permitted.	ID517=0: 100 ID517=1 Or ID517=2 (i.e., ID517>=1) & ID518=1: 90 ID517=1 & ID518=0 & ID519=1: 80 ID517=1 & ID518=0 & ID519=0: 75
518	Group ratio rule: Does the jurisdiction apply a group ratio rule opt-in alongside fixed ratio limitations on interest deduction?	0: NO, group ratio rule opt-in is not applied; 1: YES, group ratio rule opt-in is applied.	

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Info_ID	Text_Info_ID	Answers (Codes applicable for all questions: - 2: Unknown; -3: Not Applicable)	Valuation Haven Score
519	Financial undertaking exclusion: Does the jurisdiction apply a financial undertaking exclusion alongside fixed ratio limitations on interest deduction?	0: NO, financial undertaking exclusion is not applied; 1: YES, financial undertaking exclusion is applied.	ID517=2 & ID518=0 & ID519=1: 55 ID517=2 & ID518=0 & ID519=0: 50 ID517=3: 0

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¹ These are: arm's length test, withholding tax on interest payments, disallowance of interest expense with a specified percentage, limitation of interest expense with a fixed ratio, limitation of interest expense with a group ratio, and disallowance of interest expense on specific transactions. For further details, see, OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project (2015), 19, para 11. <http://www.oecd-ilibrary.org/taxation/limiting-base-erosion-involving-interest-deductions-and-other-financial-payments-action-4-2015-final-report_9789264241176-en> [accessed 21 August 2018].

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⁶ An OECD report explains the inadequateness of an arm's length approach for developing countries as follows: "the disadvantage of utilising an arm's length approach is its large resource and skill requirements. In order to apply the arm's length approach, the tax auditor needs to understand the processes third party lenders uses to determine the maximum amount they would lend to a specific taxpayer. Tax authorities need to have expertise to step into the role of the third party lender and establish the specific characteristics of the group affiliate to determine an appropriate amount of debt. In practice this means that, in implementing a pure arm's length approach: iii. tax auditors need to gain significant understanding of third party lending practices iv. ...and need to investigate the application of those criteria with regards to specific taxpayers, v. And, inevitably, this will require a degree of judgment to determine the proper treatment for each factual situation." OECD, 'Thin Capitalisation Legislation A Background Paper For Country Tax Administrations (Pilot Version for Comments)', 2012 <http://www.oecd.org/ctp/tax-global/5.%20thin_capitalization_background.pdf> [accessed 15 May 2019].

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⁸ The weakest link research principle is used synonymously with the "lowest common denominator" approach. During the assessment of a jurisdiction's legal framework, the review of different types of legal entities each with different transparency levels might be necessary within one indicator. For example, to ascertain the haven score, a choice between two or more types of companies might have to be taken. In such a case, we choose the least transparent option available in the jurisdiction. This least transparent option will determine the indicator's haven score.

⁹ OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2015 Final Report*, 57–58, paras 115, 118.

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¹¹ See, Ernst & Young, 'Thin Capitalization Regimes in Selected Countries-Report Prepared for the Advisory Panel on Canada's System of International Taxation', 2008
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¹³ OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2016 Update: Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project (2016), 80 <https://www.oecd-ilibrary.org/taxation/limiting-base-erosion-involving-interest-deductions-and-other-financial-payments-action-4-2016-update_9789264268333-en> [accessed 22 August 2018].

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2016 <<https://www.oecd.org/ctp/aggressive/comments-received-Discussion-draft-Banking-Insurance-sectors.pdf>> [accessed 26 December 2018].

¹⁶ OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2016 Update*, 80.

¹⁷ Council of the European Union and Council of the European Union, 'Council Directive (EU) 2016/1164 of 12 July 2016 Laying down Rules against Tax Avoidance Practices That Directly Affect the Functioning of the Internal Market'. para. 9.

¹⁸ IBFD, *Tax Research Platform: Country Surveys, Country Analyses, Country Key Features*, Accessed 2018-2019, 2018 <<https://research.ibfd.org/>> [accessed 9 May 2019].

¹⁹ <http://www.corporatetaxhavenindex.org/database/menu.xml>

²⁰ OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2015 Final Report*, 15.

²¹ OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2016 Update*, 19.

²² OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2015 Final Report*, 16.

²³ Hugh J Ault and Brian J Arnold, 'Protecting the Tax Base of Developing Countries: An Overview', *United Nations Handbook on Selected Issues in Protecting the Tax Base of Developing Countries*, New York, 2015. second Edition 2017 p.11. As we noted above, applying limitations on interest payments of standalone entities rather than at a group ratio level also carry base erosion and profit shifting risks, see OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2015 Final Report*, 19.

²⁴ OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2015 Final Report*, 17.

²⁵ <https://www.taxjustice.net/wp-content/uploads/2017/11/Dodging-taxes-with-debt-TJN-Briefing.pdf>; [accessed 16 August 2018].

²⁶ <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-beeps-action-4-interest-deductions-implementation-matrix.pdf>; [accessed 16 August 2018].

²⁷ O. Popa, *Romania - Corporate Taxation* sec. 1., Country Analyses IBFD, https://research.ibfd.org/#/doc?url=/document/cta_ro_s_1.; [accessed 7 February 2019].

²⁸ Romania - Tax amendments enacted (23 Jan. 2019), News IBFD.

²⁹ Denmark - Proposal transposing ATAD Directive presented to parliament (10 Oct. 2018), News IBFD, https://research.ibfd.org/#/doc?url=/document/tns_2018-10-

[10 dk 1](#); [accessed 27 May 2019]. The Action 4 Final Report suggests that “across all industry sectors, average gross interest/EBIT ratios based on information taken from consolidated financial statements are approximately 40% higher than average gross interest/EBITDA ratios, although there can be a significant variation between different industry sectors.” See OECD, *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2015 Final Report*. p. 48. In fact, in the preamble of the Anti-Tax Avoidance Directive, the EU Council indicated that it aimed to lay down minimum standards to enable member states to adopt a more rigorous measure for a taxpayer’s EBIT. See, Council Directive (EU) 2016/1164, para. 6.

³⁰ Davis Tax Committee, ‘Second Interim Report on Base Erosion And Profit Shifting (BEPS) in South Africa: Introduction-ANNEXURE 4: Summary of DTC Report On Action 4: Limit Base Erosion via Interest Deductions And Other Financial Payments’, 2015 <https://www.taxcom.org.za/docs/New_Folder3/6%20BEPS%20Final%20Report%20-%20Action%204.pdf> [accessed 15 May 2019].

³¹ See, Wolfgang Tischbirek, Germany: interest barrier, loss of losses and other delicacies, *Euromoney Handbooks*, p. 14, <https://m.pplaw.com/sites/default/files/publications/2008/11/wt-2008-germany-interest-barrier.pdf>. See also: <https://www.deloitte-tax-news.de/german-tax-legal-news/lower-tax-court-clarifies-application-of-escape-clause-in-harmful-shareholder-financing.html>; [accessed in 2 December 2018].

³² Peter Barnes, *Limiting Interest Deductions*, in *United Nations Handbook on Selected Issues in Protecting the Tax Base of Developing Countries (Second Edition)*, Edited by Alexander Trepelkov, Harry Tonito and Dominika Halka. (New York, 2017), 199 <<https://www.un.org/esa/ffd/wp-content/uploads/2017/08/handbook-tax-base-second-edition.pdf>> [accessed 23 December 2018].

³³ George Turner, *Tax Justice Network Briefing- Shifting Profits and Dodging Taxes Using Debt* (November 2017) <<https://www.taxjustice.net/wp-content/uploads/2017/11/Dodging-taxes-with-debt-TJN-Briefing.pdf>> [accessed 15 May 2019].

³⁴ George Turner, *Tax Justice Network Briefing- Shifting Profits and Dodging Taxes Using Debt*.

³⁵ The advantage of passing the borrowing further down the chain is that each member of the corporate group gets to pool their risk and have access to a lower interest rate on their borrowing.

³⁶ George Turner, *Tax Justice Network Briefing- Shifting Profits and Dodging Taxes Using Debt*.

³⁷ Susan C. Morse, ‘International Cooperation and the 2017 Tax Act’, *The Yale Law Journal Forum*, 2018 <https://www.yalelawjournal.org/pdf/Morse_ac1hex9k.pdf> [accessed 13 May 2019].

³⁸ Note that this will increase to 12.5% as of 2026 and was temporarily set to 5% for 2018.

³⁹ https://www.bakermckenzie.com/-/media/files/insight/publications/2018/02/nl_na_taxnewsdevelopmentv2_feb2018.pdf?la=en [accessed 14 May 2019], 17-18.

⁴⁰ Morse, 'International Cooperation and the 2017 Tax Act'.

⁴¹ Rebecca M. Kysar, 'Critiquing (and Repairing) the New International Tax Regime', *The Yale Law Journal Forum*, 2018

<https://www.yalelawjournal.org/pdf/Kysar_su38oca6.pdf> [accessed 13 May 2019].