CHAPTER 12

Residence-Based Taxation: Is There a Way Forward?

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INTRODUCTION

The world is in a state of fairly deep confusion regarding whether the international tax system is to be moved toward or away from residence-based corporate taxation. Chapter 7 outlined the parameters of that confusion and described the historical and recent steps that have been taken to strengthen the application of the residence basis; these steps have included combatting both the erosion of the tax base and the practice of shifting taxable profits. This chapter explores ways in which those efforts could be, and are being, strengthened still further. Yet, at the same time, as also described in Chapter 7, most advanced economies—the primary capital exporters—have now moved away from worldwide taxation toward territorial systems that in theory tax active business income at the source only, by one mechanism or another, largely for reasons of tax competition.

It may be that this confused state is inevitable in a world in which no profound principles underlie the international allocation of the tax base constituted by the economic return to business capital.[1] In that case, we must ask of the potential reforms affecting residence-based taxation—from minimal fixes to more fundamental changes—what their impact will be on efficiency (economic and administrative), overall tax revenue generation, and perceptions of inter-nation fairness. While the first two of these at least permit of objective, if complex, answers, the last—fairness—is viewed very differently by various observers.

This chapter discusses options for the way forward for residence-based taxation, beginning where Chapter 7 left off—with what might be termed loophole closers—and proceeding through more fundamental changes that could be (and in some cases are being) considered. It should be emphasized that in many of these areas, effectiveness will depend upon multilateral agreement to proceed, though this is more true of some cases than others. And, as will be mentioned below, it must also be noted that the lines between some of these possibilities are themselves not bright. Where do territorial—source-based—taxes leave off and

[1] See, for example, Mirrlees and others (2011, 430).

controlled foreign corporation (CFC) rules begin, for example, or minimum taxes end and worldwide taxation begin?

CONTINUED STRENGTHENING OF ANTI-AVOIDANCE PROVISIONS

Controlled Foreign Corporation Rules

As discussed in Chapter 7, CFC rules have been implemented widely in advanced economies as a means to counter tax deferral under worldwide tax systems or to bring some types of income earned abroad into the residence country tax net under otherwise territorial systems. In other words, such provisions represent partial movements toward contemporaneous worldwide taxation. Although varying in details across jurisdictions, these provisions are intended to tax immediately the undistributed income of overseas subsidiaries of a resident company as income of the resident company, thus combatting the planning device of shifting taxable income from the source country into an intermediate (generally low-taxed) jurisdiction where it can remain untaxed by the residence country because of deferral. However, as also discussed, tensions between the desire to enforce residence taxation, and to permit deferral or avoidance of tax for competitive (or other) reasons, have led to increasingly complex, and avoidable, CFC rules. The OECD/G20 Base Erosion and Profit Shifting Project, launched in 2013 (or BEPS 1.0), attempted to give guidance on implementing more stringent criteria for these rules—but was unable, for those reasons, to get OECD/G20 countries to agree to adopting these more stringent rules as BEPS minimum standards.

While the European Union Anti-Tax Avoidance Directive (ATAD) that followed BEPS was more forceful in its mandatory CFC provisions, those, too, are not unavoidable, at least with regard to transfers among EU countries. Restricting the application of CFC rules to artificial arrangements or to the nondistributed income of CFCs arising from "non-genuine arrangements which have been put in place for the essential purpose of obtaining a tax advantage"[2] not only increases administrative costs and difficulties of application, but allows countries concerned about tax competitiveness to interpret artificial or essential purposes in an overly restrictive manner, thus undermining the purpose of the rules.

To avoid discretionary application and uncertainty for taxpayers, CFC rules should rather be based on objective criteria. For example, there should at a minimum be a clear distinction between active business income and passive income (the payment of interest, dividends, or royalties from foreign subsidiary companies), and the rules should apply to prescribed passive income regardless of the existence or nature of business activities that may have given rise to that income. If CFC rules allow any exceptions with regard to passive income, such exceptions should also be subject to very restrictive and objective criteria. Policymakers could

[2] Council Directive (EU) 2016/1164 of 12 July 2016, Article 7, 2(b).

usefully reflect in developing these criteria, for example, upon how the "active financing exception" has undermined the effectiveness of the US CFC rules, as described in Chapter 7.

CFC rules may not be an urgent issue for economies from which outbound investment by their resident companies is still limited and for those that do not host headquarters of multinational enterprises. However, it is important for these economies to introduce good CFC rules early on and to keep track of outbound investment by their resident companies, as it will become more difficult to start this monitoring after any substantial amount of outbound investment has begun. Such expanding companies in these economies may not be required at early stages to comply with international accounting standards, unless and until they plan to list their shares in stock exchanges in advanced countries. Their residence country governments, therefore, should legally require taxpayers to provide data on their outbound investment. Data on controlled foreign subsidiaries can also be useful in detecting risks of transfer price manipulation and other base erosion problems. It should also be noted that residents of emerging and developing countries may make round trip investments into the resident country through a nonresident company that the resident owns, as disguised foreign investment (Vann 1996). If the country provides tax incentives for foreign investors, the incentives for this circular investment will only increase. While the actual application of CFC rules to such circular investment can only be accomplished by penetrating such a disguised structure, nonetheless CFC rules and accompanying disclosure requirements could have deterrent effects.

Effective enforcement of CFC rules is premised on the accurate reporting of the existence of all CFCs to the residence country tax authorities. While this can be to some extent verified through financial statements of multinational enterprises under international accounting standards, as noted, this is unfortunately no guarantee. Accounting standards define a subsidiary as a company with stock that is more than 50 percent controlled by another company—similar to the commonly used definition of CFCs. But the standards do allow a company to exclude certain categories of subsidiaries from consolidated financial statements, though these unconsolidated subsidiaries should be listed in consolidated balance sheets as investments and their information (such as name, place of business, and ownership interests held) should be disclosed.[3] However, as witnessed in the Enron case, in which Enron notoriously did not disclose its 3,500 special purpose vehicles in low-tax jurisdictions, tax authorities need measures other than financial statements to verify the accuracy of CFC reporting by taxpayers.

To this end, a corporate register with extensive beneficial ownership information would help tax authorities to detect noncompliance with CFC reporting requirements. At the G8 summit meeting in 2013, members agreed on the need to make available to tax collection and law enforcement agencies information on who really owns and profits from companies and trusts, for example through

[3] International Financial Reporting Standard (IFRS) 12: 19B.

central registers of company beneficial ownership (Group of Eight 2013). Three countries, the United Kingdom, Denmark, and Ukraine, implemented public beneficial ownership registers for companies by October 2017 (Global Witness 2017). In addition, the European Union agreed to establish a centralized and public register of companies and their ultimate beneficial owners by January 10, 2020.[4] According to a report by Global Witness, only five EU members, Bulgaria, Denmark, Latvia, Luxembourg, and Slovenia, met the directive's deadline (Global Witness 2020).[5] If a multilateral agreement could be reached on establishing a universal public corporate register of beneficial ownership information, it could greatly strengthen the implementation of residence-based taxation.

Residence Definitions

While most advanced countries use the place of effective management,[6] sometimes along with the place of incorporation, as the criterion for defining the residence of a company,[7] the United States uses the place of incorporation as the sole criterion.[8] This formalistic and objective criterion provides taxpayers with predictability. However, as described in Chapter 7, in interacting with different criteria in other countries this criterion also permits manipulation, including the creation of companies that technically are not resident anywhere. It has also allowed US companies to be inverted into existing or new subsidiaries, thus becoming nonresident for US purposes without changing anything of substance—a technique that has given rise to various rounds of anti-avoidance rules and increased complexity.

Using the place of effective management criterion can also lead to dual residence—as opposed to no residence—which was the only problem that was considered when these rules were originally created. This was then to be dealt with under bilateral treaties and tie-breaking rules, with the OECD Model Treaty,

[4] Fifth Anti-Money Laundering Directive (Directive 2018/843 of the European Parliament and of the Council), entered into force on July 9, 2018. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0843&from=EN.

[5] According to the Global Witness (2020) report, in addition to the five members that are compliant with the directive, five other members have a centralized register of the beneficial owners of companies that is available to the public, but it contains significant restrictions that hinder its effective use. Harari and others (2020, 31–32) examined 133 jurisdictions through the Financial Secrecy Index and found that, as of April 2020, 44 jurisdictions have effective beneficial ownership registration; out of these 44 jurisdictions, Denmark and the United Kingdom have updated beneficial ownership information available online for free in open data format, and Ecuador and Slovenia have updated beneficial ownership information available online for free.

[6] Some common law countries such as the United Kingdom and Canada use central management and control as a test to determine the residency of a company. For a fuller description, see Vann (1996).

[7] The OECD Model Tax Convention provides place of management as a criterion (Article 4(1)). The UN Model Tax Convention provides both place of incorporation and place of management (Article 4(1)).

[8] Japan and Korea use head or main office to determine the residency of a corporation, though given applicable law, this results in place of incorporation also counting.

for example, expecting that dual residence issues would be solved by means of mutual agreement procedures on a case-by-case basis.[9] It can be helpful, if not dispositive, for tax authorities to provide guidance on how the place of effective management criterion will apply. For example, India, which introduced the place of effective management criterion in its Income Tax Act in 2016,[10] issued detailed guiding principles in 2017.[11]

How can these problems be solved? This is an area in which multilateral agreements and standards are crucial. As is evident, and increasingly so over the past 25 years of globalization of the economy, any differences in the definitions of residence of corporations across jurisdictions virtually beg for aggressive tax planning to take advantage of the interstices thereby created.[12]

Yet the greater the enhancement of effective enforcement of worldwide taxation, the greater the incentives for competition to host the headquarters of multinational enterprises, effected by reducing the local tax rate on the income of such resident companies—and the greater the incentives for the owners of such companies to move, or form, their headquarters in lower-taxed jurisdictions.

How can that problem be addressed?

MINIMUM TAXATION

> *"In international tax policy debate, global minimum taxes are currently having their moment."*
>
> (Shaviro 2020)

Tax competition can be mitigated—and the corporate income tax thus safeguarded—by ensuring that "all internationally operating businesses pay a minimum level of tax" (OECD 2020, 13). This is a phrase easily said, but less easily achieved. International minimum taxes[13] can be used to protect either (or both) the source base or the residence base. This section addresses the latter—minimum taxation of the return to outbound capital investment by the residence country.

The astute reader may ask how this approach differs from CFC rules, on the one hand, and from immediate (without deferral) worldwide taxation, on the other. The technical answer to these questions is, on the one hand, that CFC rules

[9] The OECD's Committee on Fiscal Affairs recognized that although situations of double residence of entities other than individuals were relatively rare, there had been a number of tax-avoidance cases involving dual-resident companies (commentary on Article 4(3)).

[10] Section 6 (3)(ii) of the Income Tax Act. Previously, the Income Tax Act had used a place of incorporation criterion.

[11] Central Board of Direct Taxation (CBDT) Circular 06/2017, January 24, 2017.

[12] Some examples are given in Chapter 7.

[13] Corporate minimum taxes have also been used extensively in the domestic context, generally to guard against the complete erosion of the tax base through preferences arising in the tax country's tax code. This chapter, though, focuses on their use in the international context.

as typically implemented and in their usual meaning apply only to passive sources of income generated abroad—interest and royalties in particular—and, for example in the case of US rules, explicitly not to the return on active business income even if channeled through an intermediate CFC. If CFC rules applied to any and all income derived by an overseas subsidiary, regardless of business activities, where the actual tax burden of the subsidiary is zero or extremely low, this would be such a minimum tax. And minimum taxes differ from pure worldwide taxation by virtue of not being applied at the full rate applicable in the residence (capital-exporting) country. Thus, such an outbound minimum tax constitutes not only a floor under the total tax paid by a multinational enterprise, but a step back from the implementation of territorial taxation on active business income—with the tax competition that such a source-based system entails. In a system that is not based on an underlying allocation principle, minimum taxes represent a messy, but perhaps advisable, compromise.

While such outbound minimum taxes apply directly in the residence country, if adopted widely among capital exporters, they can nonetheless help to protect the tax base of source-only, capital-importing, countries by setting a floor beneath which it will not benefit the source country to reduce its tax burden. Any further reduction would, in a pure minimum tax system, simply result in the balance of tax up to the minimum applicable rate being paid to the residence country—just as in the case of the former worldwide systems, at least in theory, before the addition of the element of deferral and the manipulation of the location of the residence tax bases.

These taxes are, indeed, having their moment—but they are by no means easy to design. The United States has led in the area, by enacting as part of the 2017 Tax Cuts and Jobs Act the global intangible low-taxed income (GILTI) provision. GILTI is calculated as the total active business income earned by a US resident firm's foreign affiliates that exceeds an amount equal to 10 percent of the foreign affiliates' tangible assets. Thus, the idea is that an excessive return (over 10 percent)—theoretically attributed to *intangible* assets, including, it is to be supposed, excess returns attributable to market dominance—will be brought into the US residence tax net on a current basis, but at a rate equal to only half of the US domestic corporate tax rate. Additional complexities—of effective rate and otherwise—arise as a result of the partial crediting of the GILTI tax for foreign tax credit purposes, as well as from the fact that the calculation of the tax base, relative to the foreign tangible assets, is done on an aggregate basis, rather than by looking at each foreign country and the assets and income therein. This opens the way to—again—extensive tax planning by US-resident multinational enterprises. Somewhat counterintuitively, for example, an incentive arises to invest more tangible assets abroad in order to minimize the GILTI base.

More recently, a coordinated effort on minimum taxes has also been underway. Under the Inclusive Framework, a two-pillar approach to reforming international taxation is under preparation. For the purposes of this chapter, the relevant component is the outbound minimum tax, which is part of Pillar Two (along with an inbound minimum tax). The details of the proposal are still subject to change (a blueprint was published in October [OECD 2020]), but the basic idea is to have a globally coordinated minimum outbound tax. Unlike GILTI, this would likely be on a country-by-country basis, and foreign tax credits would be granted fully (rather than at only 80 percent). One complication is the need to determine the order of taxing rights, when both inbound and outbound minimum taxes may apply. If ultimately consensus is reached and such a tax adopted, it could have a powerful impact on tax competition: unlike a unilateral minimum tax, this would not leave source countries competing for investment from other capital exporters. And a country-by-country approach reduces the scope for avoidance found in GILTI from the mixing of income from high- and low-tax jurisdictions.

MORE RADICAL REFORMS

This chapter, and Chapter 7, have made clear that the national residence of a legal entity is, at least in today's world, essentially an arbitrary concept—one that now facilitates tax avoidance and does not eliminate tax competition. How, then, to proceed? The foregoing sections have discussed ways in which steps can be taken to make more effective the use of residence as a concept for base allocation—essentially retaining the current system with some improvements. This section looks at more radical reforms, which would completely change the way profits are allocated. The first radical option considered is to do away with source and residence definitions, as well as separate accounting, and allocate profits by formula. The second option is to maintain a definition of residence but to base it on the ultimate human owners of firms rather than the entities themselves.

Allocation by Formula

A fundamental reform—discussed in more detail in Chapter 14—would be to give up on the separate entity or arm's length method of allocating the corporate tax base altogether, and instead to adopt a unitary approach to calculation of the tax base, with allocation by means of a formula. In most countries that use such formula apportionment in the subnational context, and in most proposals for adopting this approach in the supranational context (including under the proposed EU consolidated corporate tax idea), allocation of the unified tax base of a multinational enterprise depends upon the locations of physical capital, labor, and consumption. In this case, the place of ownership of capital—as well as the so-called residence of the unified multinational enterprise—becomes irrelevant to the allocation of the tax base. Beyond transition problems, a problem with this approach lies in the use of physical capital location as part of the allocation formula. Again, this approach was developed in a world largely addressing physical goods rather than services. Where more and more of the capital inputs to world production are intangibles—intellectual property, in essence—some might argue that a formula that leaves such intangibles out of the allocation process is missing the point. Arguably, though, on the other hand, this could be seen as exactly the point. A formula that explicitly includes the location of such easily "moveable" intangibles bring back all the difficulties of valuation and arbitrary location. And indeed, as discussed in Chapter 14, the value of intangibles is implicitly allocated to the locations at which the labor and physical capital used in their creation is located.

Moreover, such a formulary approach would essentially allocate profits based on a mix of the source (capital, employment) and destination (sales) principle. So far, it is very rare to include proxies for a residence base.[14] Hence, while addressing the difficulty of defining residence, typically formulary apportionment effectively also does away with residence-based taxes and hence with their mitigating impact on competition over source-based taxes.

Taxing Owners of Corporations

While the concept of residence of a company—which is, after all, just a legal fiction—is inherently artificial, for the great majority of human beings, residence is a very natural concept. Moreover, while the country of residence of a human is not fixed, it is much harder to change than it is for a company, given that there are financial and emotional costs as well as restrictions on migration. It therefore makes sense to explore reforms that use the residence of owners in allocating taxing rights.

One approach would be to assign the residence of an entity to the ultimate beneficial (human) owners of all of its capital. The great majority of multinational enterprises are, however, owned by stockholders resident in many different countries, and for many firms the investor base is likely to be so diverse that no country of residence represents an absolute majority among all stocks owned.

Hence, instead of assigning the entire tax base of the entity to one country, a solution more directly tied to ownership would allocate the tax base to the ultimate owners and tax it in their country of residence, with no need for defining a corporate residence.

Would this be possible? Or, put another way, can transparency and technology save the residence basis? Until recently, the answer would certainly have been negative without a shadow of doubt and, as discussed in Chapter 2, the impossibility of collecting and enforcing a personal income tax on business profits was one of the motivations for having a corporate income tax in the first place. It is still likely not possible at this moment, but technological advances coupled with multilateral approaches to information exchange and crackdowns on tax evasion by individuals are coming together to make this possible in the foreseeable future.

As noted in Chapter 10, digitalization provides many challenges to corporate tax systems and intensifies existing problems. Another aspect of digitalization is that it may—at least at some point in the future—also strengthen global data tracking to the extent that tax authorities in one country could monitor information on profits of their residents in corporations worldwide. Devereux and Vella (2017, 99–103) discuss the issues that would arise if profits were taxed in such a manner. They note

[14] This could be done through an additional allocation factor for the country of residence, one that would take into account typical definitions of residence, such as location of headquarters, incorporation, and effective management. Another approach would be to allocate based on the residence of a firm's owners, an approach similar to the one that will be discussed in the following section. (At the subnational level, China allocates 50 percent of profit to the location of the corporation's headquarters, as mentioned in Chapter 14.)

that there are two ways of taxing profits at the level of the owner: either by treating firms as pass-throughs, allocating a share of their calculated profits to each owner, or simply by taxing dividends and capital gains. The second option is only relevant for listed shares, where capital gains can be determined.

Data requirements would be high, especially in the case of pass-through treatment of firms, where it is not sufficient to know share prices and dividends, and one country's tax authority would need access to information on profits elsewhere.[15] Auditing such information in another jurisdiction would also prove challenging, and the country where a firm is located might not have a strong incentive to be vigilant, in case the share of foreign owners (and hence related taxing rights) is high. Another difficulty relates to ownership changes during the course of the year, which would require some allocation rules among owners at different points in time.

Even if restricted to listed firms only (possibly combined with a mandate that multinational enterprises above some size be listed), the data and information requirements are extensive. First, a universal system of corporate ownership registration would be required. To be effective, this would have to reveal beneficial ownership so that avoidance through indirect holdings (located in low-tax jurisdictions) would not be an option. Obtaining information is not just a technological issue but also requires transparency and willingness to share data, that is, a robust exchange of information across all jurisdictions for individuals. And while the world has made enormous strides in the latter regard over the past decade, through the mechanism of the Global Forum on Transparency and Exchange of Information, this process is nowhere advanced enough to support such a radical reform, although it helps in enforcing the current personal income tax (Box 12.1).

In addition to technological and data transparency issues, a system based on the residence of owners would need to tighten definitions of residence and deal with people resident in more than location.[16] As noted, residence is both clearer and harder to change for individuals than it is for firms, but for some individuals determining a residence can still be complicated because it involves various countries. Moreover, a system of international business taxation based on owner residency would present greater incentives to move such residency than does the current framework. Even more problematic than actual international relocation would be cases where the country of residence is changed on paper only, which would then raise a similar issue to the one currently encountered with corporate residence.

Even now, where the issue is just personal income tax, there is some competition over high-income or high-net-worth individuals. Countries with no or low personal income taxes, or a personal income tax that does not tax foreign source income of a resident, whether or not remitted (what might be called preferential

[15] Indeed, as the calculation of taxable profits differs across jurisdictions, there might be a need for detailed access to accounting items—some of which might not be collected if not relevant in the location of the firm.

[16] The tax base for such people could be either allocated to the country of principal residence (however defined) or among all residence countries, for example, based on time spent in each one.

Box 12.1. Global Forum on Transparency and Exchange of Information

The Global Forum is a body with 161 members that monitors global standards on transparency and exchange of information, both on request and automatically (the newer and more demanding standard). Compliance is assessed through a system of peer reviews.

The OECD/G20 publishes a list of jurisdictions deemed noncooperative with the Global Forum, and the G20 has at least raised the possibility of countries adopting "defensive measures" on this basis. This will not be enough to ensure success, though. The terms of reference for peer reviews of implementation of automatic exchange of information include assessment of beneficial ownership information. However, a country that is not compliant with the beneficial ownership requirement will not be rated as noncompliant with the standards for exchange of information, automatic or not, if the country or jurisdiction complies with other elements of the review standards. This lack undermines the purpose of the G20's decision to include beneficial ownership information in tax transparency standards. Beneficial ownership information should be included as one of the criteria identifying noncooperative jurisdictions to be reported to the G20 and subjected to defensive measures.

The present mechanism for exchange of information works as follows. Under the rules for automatic exchange of information—the present standard—when an individual resident of Country X opens a bank account in Country Y, he or she must self-certify that he or she is a resident of country X, providing certain required documents. The Country Y bank will report financial information of the nonresident's account to the tax authority of Country X through its own tax authority in Country Y, annually. Thus, the tax authority of Country X can in theory obtain data on its residents' foreign earned income or foreign assets and cross-match this information against its residents' tax returns. If the tax authority needs further information regarding taxpayers' bank accounts in Country Y or their transactions with residents of Country Y, it may make a request for information to its counterpart in Country Y.

personal income tax systems) can serve to undermine the taxation by other countries of residence by allowing individuals to assert and declare their residency in the preferred jurisdiction, without requiring actual long-term physical presence. The United States taxes its citizens irrespective of their place of residence, but even that can be—practically though not legally—circumvented by jurisdictions that offer "citizenship by investment."[17] Although safeguards are intended to prevent dual citizens in such jurisdictions from evading tax in their other location(s) of residence or citizenship, this is not always effective, as financial institutions have no way of knowing about additional citizenships of customers presenting local identification papers only and hiding their other nationalities. Moreover, people with citizenships and (claimed) residence of countries in nonreciprocal jurisdictions (that is, countries providing *automatic exchange of information* to other countries but not requesting it for their own residents) may manage to escape taxation irrespective of where their funds are held, because financial

[17] There are more than 30 countries that have both preferential personal income tax systems and a program of citizenship or residency by investment (Knobel and Heitmüller 2018).

institutions are not required to collect and report to local authorities information on their nonresident clients who are residents of such jurisdictions.[18]

And while financial institutions can be put under strict due diligence requirements to ascertain the citizenships and residence countries of their customers, it is hard to imagine corporations doing this for each of their stockholders. If one is willing to assume away all technological and transparency constraints, though, none of the issues are insurmountable: with a global taxpayer register, giving each human being a unique taxpayer identification number and determining residency based on a single agreed set of criteria, combined with extensive data sharing for detection of fraud, it would become workable.

Another issue with taxing corporations on a purely pass-through basis would be that a significant proportion of the ultimate shareholders of major multinational enterprises are tax-free entities—particularly pension funds as well as major universities and the like. In the United States, for example, this represents at least 25 percent of shareholdings. Thus—if the ultimate tax burden were not to be changed—it would be necessary to impose a compensating tax on those tax-exempt shareholders.

CONCLUSION

Residence-based taxation, though at first sight on the way out with countries moving to territoriality, is making a comeback, notably through minimum taxes on outbound investment. Avoidance is harder than in the past, both because the new minimum taxes avoid the deferral that typically featured in previous residence-based taxes and because of tightening anti-avoidance legislation, covering stricter definitions of the place of residence and advanced CFC rules.

More fundamental reforms, notably tying taxation to the residence of owners rather than entities, address more directly the problems of the current system: given that human beings are less mobile than investment or corporations, this would significantly reduce pressures for tax competition, even for the location of corporate headquarters. For now, the technological and data requirements appear insurmountable, but this is an area with rapid, and often unpredictable, changes. It is worth remembering that one of the motivations for taxing corporations is the enforcement of the personal income tax. If that can be done through other means, then taxing owners rather than corporations would be a more efficient approach to taxation. It would, however, imply major redistribution away from source countries with little ownership in multinational enterprises, that is, from developing countries, which would be a strong counterargument even if all technological obstacles could be overcome.

[18] The Tax Justice Network calls them "voluntary secrecy" countries. Knobel and Heitmüller (2018) listed Barbados, Belize, Cayman Islands, Costa Rica, Cyprus, Montserrat, Samoa, St. Lucia, and Turks and Caicos Islands as voluntary secrecy countries. Residence of a country that does not participate in the automatic exchange of information could achieve the same.

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