

Notional Interest Deduction Regime in Belgium: What Indonesia Should Learn to Design the CFC Regulation?

Russel Butarbutar^a, ^aFaculty of Law, University of Indonesia, Depok, 16424 West Java, Indonesia, Email: russelbutar@gmail.com

This study used qualitative research and comparative study of NID regimes. It was found that the application of NID regimes has reduced the effective tax rate and allowed companies to strengthen their capital structure with the added benefit of tax-deductible interest costs. However, the existing CFC rules are not enough to ward off the NID Regimes abuses of the MNEs group. Therefore, Indonesia in the formulation of CFC Rules must consider aspects that can limit excessive claims related to the reduction of notional interest on equity. This includes limiting regulable deduction, acquisition of business operations, contributions or transfers of participation between related parties executed for resulting in a higher notional interest deduction in equity, an internationally coordinated interest rate reduction and royalty reduction, a reverse tax credit, withholding tax on all interest and royalty payments, withholding tax as an anti-tax-avoidance regulation.

Key words: *NID, Regimes, Belgium, CFC, Indonesia*

Introduction

Notional Interest Deduction (NID) also called Risk Capital Deduction (RCD), allows for tax deductions for notional/capital costs and applies to both Belgian companies and foreign Belgian branch companies (Quaghebeur, 2007). This allows equity to finance Belgian companies and branches to reduce their effective tax rates significantly. Reflecting Belgium's status as a financial centre, Belgian law regulates a unique tax measure for Belgian and foreign-driven investment, known as "Notional Interest Reduction" (Intertrust, n.d.). In 2014, 12 European countries operated an Intellectual Property (IP) regime that provided a substantially reduced corporate tax rate for revenues from important forms of intellectual property (Evers, Miller, & Spengel, 2015).

NIDs are designed to align the tax treatment of equity costs with debt costs (e.g., dividends cannot be deducted, while interest on financing is tax-deductible costs) and therefore, carry

equity financing equivalent to debt financing. This is achieved by allowing companies and partnerships to claim reductions for "interest on risk capital" (Deloitte, n.d.). Some countries have introduced a NID regime which calculates the allowable deduction by multiplying the pre-determined interest rate by the amount (qualification) of taxpayer equity. The effects of a NID regime must amount to less (excessive) debt financing and more equity financing. The NID regime results in lower effective tax rates (Bal et al., 2015).

NID reflects changes in tax incentives caused by notional interest deductions due to; (1) notional interest reductions cause a significant reduction in simulated average marginal tax rates and (2) changes in simulated marginal tax rates due to the introduction of significant notional interest reductions in explaining changes debt ratio (Kestens, Van Cauwenberge, & Christiaens, 2012).

This paper argues that the NID Regimes in Belgium has succeeded in attracting investors to invest in Belgium. Although the effective tax rate has fallen considerably, MNEs are still looking for loopholes to avoid tax. Indonesia has signed a tax treaty with Belgium, but has not been able to pursue the strategy that has been adopted by Belgium, which already adheres to the NID Regime. There is a need to design tax law rules to overcome tax avoidance, especially the abuses of the NID Regime and it is recommended that the Government of Indonesia continuously improve the existing CFC Rules.

Methods

The research method used is qualitative research (Webley, 2010) that describes NID Concepts, NID Regime in Belgium and Italy, NID Regime Practices implications of NID regimes and lessons from NID regimes in Belgium. A comparative study by Sandford (2000) was applied to find out Belgium's strategies and policies in the NID regime concepts, abuses of NID practices, and restrictions in the case of NID regimes so that Indonesia has a contribution of experience and a map of reference to design future CFC Rules.

Paper Structure

After the introduction, section 2 (background) will discuss the NID concepts, the NID regime in Belgium, and in Italy, which studies the NID regime practices. Section 3 (results) discuss the Implications of NID regimes; and lessons from NID regimes. Closing notes will then be drawn from the discussions presented in the paper.

Our Contribution

Our main contribution is to look qualitatively at NID concepts and arrangements in Belgium that are apart of Belgium's strategy to attract investors to them and win challenges for

competition between countries. Also, to look further into the tax relationship between Indonesia and Belgium, which is regulated in a tax treaty since 1997 (Indonesia, 1997). While since 2006, Belgium has implemented NID regulations to attract investors to Belgium (De Mooij, Hebous, & Hrdinkova, 2018).

With the tax treaty, Indonesia is also in a difficult position to offset the tax policy of Belgium, the relevant country participating in the tax competition between Belgium and Indonesia. Therefore, the present research is needed to see the position of Indonesia to follow and analyse the development of tax rules in Belgium, to improve the accuracy of the design of CFC rules and future tax treaties.

Background

NID Concepts

NID is an explicit equity reduction that was introduced in 2006 to reduce tax-driven distortions that support the use of debt financing (Van Campenhout & Van Caneghem, 2013). NID allows companies to deduct from their taxable income the notional cost that is equal to the product's book value of equity, multiplied by the reference interest rate based on historical long-term government bonds. As a result, and very different from traditional tax incentives, the company's marginal financing decision is given with a significant tax reduction, regardless of the source of its financing.

The NID can be illustrated as follows; a company has a balance sheet with 1 million receivables from group companies, bears an interest rate of 4%, and 1 million share capital. Such a company has used all its share of capital to finance the group. This means that profit before tax is 40,000 (4% of 1 million). The effect on the effective tax rate can be seen in table 1, which assumes that the corporate income tax rate is 25% and the notional interest rate reduction applied to the rate is 3% (Bal et al., 2015).

Table 1. An Example Illustrating the Effective Tax Rate (ERT)

Profit and loss account	Without NID	With NID
Profit before tax	40.000	40000
NID 3%	N/A	-30000
Taxable profit	40.000	10000
CIT rate 25%	10.000	2500
ETR	25%	6,25%

NID reduces tax discrimination between debt and equity financing by allowing companies to reduce the notional interest expense on their equity, in the same way, that interest on loans can



be tax-deductible (Schepens, 2016). The deductible amount from the taxable basis is equal to the cost of fictitious interest on adjusted equity capital (Belgium, 2019).

In this way, NID allows an actual reduction in proportion to the equity invested in a Belgian company or branch office. By harmonizing the tax treatment of debt and equity financing, NID allows companies to strengthen their capital structure with the added benefit of tax-deductible interest costs. This measure applies to all companies with a taxable presence in Belgium, whether local or foreign and regardless of their size, industry, or activity (although the NID rate for small and medium-sized companies is 0.5% higher than the standard level) (Belgium, 2019).

NID Regimes in Belgium

The big challenge and big opportunity for multinational companies today is to manage local and foreign taxes effectively in a way that is in line with their overall business goals and operations. On June 22, 2005, the Belgian parliament passed a law to reduce notional interest (NID) to replace the central coordinating regime and counteract the country's high nominal corporate tax rates. Effective since the beginning of the 2006 tax year (2007 valuation year), NID has changed the Belgian taxation system and has helped preserve the overall appeal of doing business in Belgium (Belgium, 2019).

The NID regime is expected to encourage the use of equity capital into the corporate structure, which is said to produce economic de-leveraging and encourage economic growth (Van Campenhout & Van Caneghem, 2013). NID can remove any distortion between equity and debt financing by bringing equity and debt to the same level because both will be entitled to tax deductions (EY, 2015). This step was very successful, with a significant increase in foreign direct investment in Belgium. While the new Belgian Government reaffirmed its commitment to reducing notional interest and launched a related international promotion campaign, it simultaneously issued a circular to address the potential of 'rough schemes' lacking the right economic substance.

Belgium and Italy are well-known countries with laws governing NID regimes. Belgium was one of the first countries to introduce a regime of NID (Bal et al., 2015). Initially, the interest rate was set at 6.5%, which is the same as the interest rate on 10-year government bonds. Since the NID regimes were a huge success, and because it was too expensive for the government the rate has been gradually reduced to what it is at present, 1.63% (2.13% for small and medium-sized entities). Eligible equity is defined as total capital stock, (stock premiums, revaluation gains, reserves including retained earnings), and capital investment subsidies. To avoiding the accumulation of tax benefits, certain goods are excluded from the equity base.

For example, revenues and profits which fall under the exemption from Belgian participation and released profits attributed to foreign Permanent Establishment (PE) from entities living in Belgium (Bal et al., 2015).

In Belgium, arrangements for corporate taxation consist of residence, basis, a taxable income. Taxable income also includes income attributed to the Belgian company under the controlled foreign company (CFC) legislation (under Anti-avoidance rules) (Deloitte, 2019).

Likewise with the regulation of withholding tax aspects, including:

- *Dividends* – the default withholding tax rate on dividends paid to both residents and non-residents is 30%. Under Belgium’s implementation of the EU parent-subsidiary directive, no tax is withheld on dividends paid to a company established in Belgium (or another EU member state that holds directly at least 10% of the company paying the dividends), provided the participation is held an uninterrupted period of at least one year (Deloitte, 2019).
- *Interest* - Interest paid is subject to a 30% withholding tax (15% for certain government bond interest and deposits that are set to exceed a certain threshold) unless the rate is reduced based on a tax agreement or an exemption applies under the direction of EU interests and royalties or domestic law (Deloitte, 2019).
- *Royalties* - Withholding tax rates on royalties are 30%, reduced by a standard 15% reduction in fees. The rate as 15% for certain income is literally and related rights and from legal and compulsory licenses not to exceed EUR 59,970 (for the 2019 tax year). Above this threshold, the tax rate depends on the nature of the activities that generate the income (Deloitte, 2019).
- *Technical service fees* - Tax must also be withheld on certain payments to non-residents (both companies and individuals) at a rate of 33%. The effective withholding tax rate is reduced to 16,5% as the result of a 50% lump-sum cost deduction. Further reductions may be available under an applicable tax treaty (Deloitte, 2019).
- *Branch remittance tax* – No (Deloitte, 2019).
- *Capital duty* – No, except for a fixed fee of EUR 50. An exception may apply in the case of “mixed” contributions (Deloitte, 2019).

Results

Implications of NID Regime

Although it seems counterintuitive for a system to reduce taxes for large multinational companies, NID is one of Belgium's main wealth creation mechanisms. NID has reduced the company's taxable base and resulted in higher returns after-tax. This move encourages more businesses to set up shop in Belgium because it is more attractive to the largest capitalized companies. For this reason NID can have a structural influence on the financial behaviour of economic agents in Belgium. Therefore, the introduction of NID strengthens Belgium's

attractiveness as a favourable location for treasury centres and capital-intensive investments in general (Belgium, 2019).

On the other hand, NID can also face challenges from the MNEs group. For example, in the case of Argenta Spaarbank NV. Argenta Spaarbank NV is a Belgian financial institution with a PE in the Netherlands. The company does not exclude the Dutch branch's net assets from the NID base in Belgian company tax returns as required by law. Therefore, the Belgian tax authority refuses to give a NID on the number of net assets associated with foreign branches (Belgium, 2019).

The amount of notional deduction that exceeds the net tax base can be forwarded to mitigate future taxable income without a time limit. The Italian notional interest deduction rules provide specific up and down adjustments to the equity base (Bal et al., 2015). The advantages of the NID regime include:

- Lowering the nominal and effective corporate tax rate;
- Enhance and increase the equity of Belgian companies;
- Keep the remaining coordination centers in Belgium;
- Reduce the gap in the tax treatment of interest payments and dividends;
- Promote capital-intensive investments in Belgium (B & Hermie, 2011).

Even with the exception and anti-avoidance measures, the possibility of abuses of the system can occur. NID offers the potential for double-dipping, especially if the parent company has issued a bank loan, to subscribe to the newly issued share capital of a Belgian company, that will claim the risk of reduction capital (Quaghebeur, 2007). The parent company has the right to reduce interest, while the Belgian subsidiary can cancel the tax on dividends distributed by reducing the notional interest. Especially because NID has to encourage treasury and corporate finance centres within the group of companies, the parent company has the potential to borrow from the Belgian treasury centre, to subscribe to its share capital (Quaghebeur, 2007).

The implication of NID as a tool for conducting tax avoidance can be seen from intergroup financing and debt licensing strategies (see Figure 1), playing an important role in the current debate about tax avoidance by MNEs (Bal et al., 2015). In the past two decades, many countries have taken steps to limit MNEs' tax avoidance. These include various forms of thin capitalisation rules; there is currently a debate about extending this approach to royalty payments. These steps aim to make the transfer of profits more difficult by extending taxes in the country of origin (Finke, Fuest, Nusser, & Spengel, 2014). The main problem in the debate about anti-tax avoidance policies is that unilateral actions can easily lead to double taxation and may also have undesirable side effects on companies that are not involved in transferring profits (Finke et al., 2014).

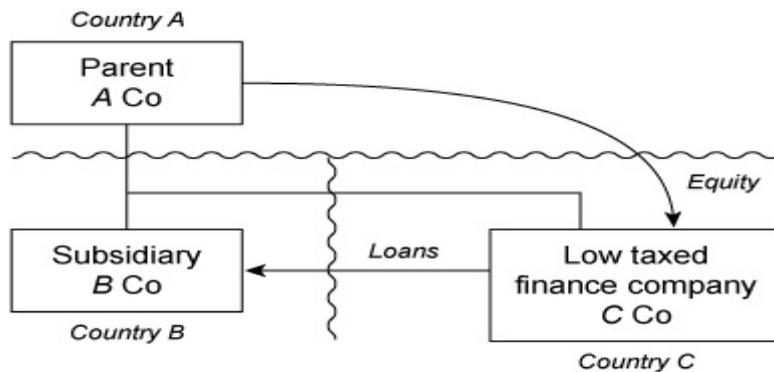


Figure 1. Tax Structures using a low-taxed group financing

The effectiveness of the intra-group financing structure, as illustrated in figure 1, can be reduced by the Control Foreign Company (CFC) laws that apply in the parent company (for example, the United States and the United Kingdom). The effect of the CFC rule is that income arising at the level of a low tax finance company must be included as taxable income at the parent company level (Bal et al., 2015).

However, CFC rules are not always effective because they can be circumvented by applying check-the-box rules in the United States or by invoking an exception such as for group financing activities in the United Kingdom (Bal et al., 2015). Furthermore, within the EU, the CFC rules are effective only concerning wholly artificial arrangements, as stipulated by the ECJ in the Cadbury Schweppes case (Bal et al., 2015).

The notion of abuse of freedom of establishment, already addressed in Segers, Centros and Inspire Art judgments, has been further clarified by the ECJ in Cadbury Schweppes case (12 September 2006, case C-196/04, Reports, I-7995), where the parent company, *Cadbury Schweppes*, resident in the United Kingdom, had incorporated two subsidiaries in Dublin to benefit from the more favourable Irish tax regime (Conroy, Honohan, & Maître, 1998; Vinther, N., & Werlauff, 2006).

Lessons from NID Regimes

Indonesia and Belgium signed tax treaties on September 16, 1997, in Brussels. This agreement applies to any identical or substantially similar tax which is subsequently levied as an addition, or as a tax substitute (Indonesia, 1997). Competent authorities of the Contracting States will notify each other of substantial changes that have been made in their respective taxation laws. The Belgian double taxation agreement has been ratified after the OECD Tax Convention on Income and Capital (Lawyersbelgium.com, 2019).

The Federal Public Service in Belgium is the main regulatory body in terms of economic agreements. The Department of Foreign Affairs is responsible for conclusions from economic

arrangements such as multiple tax treaties but also other agreements. Belgium has concluded social security agreements intended to oversee national and foreign employees, and bilateral investment agreements (BIT) intended to attract and protect foreign investment (Lawyersbelgium.com, 2019).

Seeing the number of Belgian companies investing in Indonesia, it is necessary to study all aspects of taxation in Belgium as the Contracting States in the tax treaty, to create an anti-avoidance policy for Belgian companies operating in Indonesia (Indonesia-investments, 2017).

Each country will compete in obtaining taxes in relation to other countries (Wilson, 2005). Competition promotes the free movement of best practices, not only for tax planning opportunities but also for tax laws (R. S, 2007). After the legislative step turns out to be successful in attracting investment, other countries use the legislative step. Belgium itself has enacted the NID Regime (Kessler, W., & Eicke, 2008). Because after all, tax competition between countries is common because countries tend to support MNEs from their countries to be able to compete with MNEs from other countries. However, MNEs domicile countries also try to prevent MNEs from avoiding taxes by having the opportunity to delay taxation on investments made in countries of origin Indonesia and Belgium share the principle of withholding tax (Darussalam & Ganda, 2014).

Therefore, in accordance with the OECD directives in the BEPS Project, it suggests that countries strengthen the CFC rules so that the new regime will capture all types of income that cause BEPS or tax avoidance issues. This strengthens recommendations (which could also mean adopting) that CFC rules are based on the fact that MNEs can create low-tax non-tax affiliations where they divert income (Tax, 2016). These individual MNE units carry out their activities as a single integrated company operating within the overall MNE policy and strategy framework. The OECD has observed through several studies that there is a separation between the location of business activities and investments taking place and the locations where profits for tax purposes are reported (Sihaloho, 2019).

According to Avi-Yonah, the risk in terms of difficulty in determining the company's place of residence and is relatively insignificant (R. S, 2007). Residence based on the establishment is formalistic and subject to taxpayer control, while the residence is based on management and control can also be manipulated. Finally, MNEs can exert significant political influence in jurisdictions other than the residence of the parent company's jurisdiction, and hence concerns about foreign taxation are less applicable to them (R. S, 2007).

A regulatory number is issued through the Indonesian Minister of Finance, when comparing tax regulations in Indonesia. 107 / PMK.03 / 2017 (PMK-107), which has been amended by Regulation of the Minister of Finance of the Republic of Indonesia to No.93 / PMK.03 / 2019

(PMK-93) and concerns Controlled Companies (CFCs) that apply from fiscal 2017 onwards (EY, 2017). PMK-107 explicitly mentioned the direct and indirect CFC criteria as follows:

- A direct CFC is a foreign company that is owned by an Indonesian taxpayer, or together with other Indonesian taxpayers (s), with direct ownership of at least 50% of the total paid-in sharing capital.
- An indirect CFC is a foreign company at least 50% of whose shares are collectively owned by an Indonesian taxpayer and a direct or indirect CFC, or collectively owned by Indonesia taxpayer and another Indonesia taxpayer through direct or indirect CFC or collectively owned by CFC direct and/or indirect (Deloitte, 2017).

PMK-93 provides several alternatives, for example, related to the calculation of dividends that were considered originally calculated based on profit after tax. That is, the government does not distinguish active and passive income, but now it is determined based on the net amount after tax, on certain income that comes from passive income. Passive income in the latest regulations includes dividends, interest, rent (in the sense of rent obtained from controlled non-financial foreign business entities related to the use of land or buildings or leases other than property originating from transactions with related parties), royalties, and excess profits from sales (Suwiknyo, 2019).

According to the regulation (PMK-107), domestic taxpayers who own shares abroad, both directly and indirectly, with a minimum percentage of ownership of 50% (and those shares not listed on the stock market), will be subject to a deemed dividend (DDTC, 2019). Deemed dividends are determined based on net income after tax of the direct CFC multiplied by the shareholding percentage in such direct CFC. Meaning, the tax base is the indirect CFC's net income after tax multiplied by the effective shareholding percentage of the direct CFC over the indirect CFC (DDTC, 2019).

If the dividends received from the controlled Non-Financial Foreign Business Entity directly exceed the deemed dividend that can be calculated, the amount of the income tax that can be credited is calculated as follows (DDTC, 2019):

- The portion of dividends received up to the deemed dividend that can be calculated, calculated in accordance with the provisions; and
- The portion of dividends that exceeds the deemed dividend that can be calculated is determined based on the least amount among the income tax that should be owed or should be paid abroad for a part of the dividend that exceeds the deemed dividend that can be calculated by taking into account the provisions in the tax treaty if a tax treaty is effective (DDTC, 2019).

Indonesia must also pay attention to tax policy and crisis mountains as a tax preference for corporate debt financing. For example, in the Payment System in the United States (and most other countries) prefer funds issued from existing funds because of money spent and funds that cannot be deducted. In some cases, this can be offset by the tax liability of individual preferences for investment in assets. An example is the imposition of a tax rates on dividends that began in 2003 in the US, but offset this by further increasing the interests of tax-exempt investors, wherever tax preferences apply. As a whole, the net preference for financing will almost certainly prevail. To the extent that leverage is higher than the others, so too is the trade sector linked to bankruptcy (Slemrod, 2009). Therefore CFC Rules in Indonesia must contain general anti-abuse rules and contain specific anti-abuse provisions to limit claims that are too high related to the reduction of notional interest on equity (Thuronyi, 1996).

For this reason, the following additional restrictions and the abuse provisions regarding NID on equity should be considered:

- There is an anti-abuse provision (OECD, 2017) for limiting the notional interest reduction claim on equity applied by the parent company to finance the subsidiary (Grant Thornton, 2019).
- Limitation Acquisitions of business operations, contributions, or transfers of participation between related parties that do not have a business purpose but are only driven by tax considerations, are carried out through anti-abuse provisions (Grant Thornton, 2019).
- International coordinated interest rate reductions and royalties (Collins, J. H., & Shackelford, 1997).
- Reverse tax credit (Moffitt, 2003).
- Withholding tax on all payments of interest and royalties (Grubert, 1998).
- Withholding tax as an anti-tax-avoidance regulation (Dourado, 2016).

Conclusion

This paper has discussed several matters related to NID regulations. The significance of Belgium in designing the NID regime is that Belgium may benefit because it can attract the attention of investors from abroad to invest in Belgium. Indonesia, as the Contracting States in the tax treaty with Belgium, must be vigilant and prudent in formulating CFC Rules as a tool to prevent tax avoidance by Belgian companies operating in Indonesia, since Belgium implements NID Regimes, which Indonesia must respect its national tax law policy. In the formulation of the CFC Rules, Indonesia must include all aspects that can limit excessive claims related to the notional deduction of equity interest. This includes; limiting double deductions, acquisition of business operations, contributions or transfers of participation between related parties executed to produce a notional deduction of interest higher equity, interest limits and internationally coordinated reduction in royalties, reverse tax credits,



withholding taxes on all interests and royalty payments, withholding taxes as an anti-tax-avoidance regulation. But more importantly, Indonesia must provide the best alternative to create tax regulations that attract outside investors to invest in the long term with rational restrictions.

REFERENCES

- B, P., & Hermie, T. (2011). Notional interest deduction: the Belgian experience. *Tiberghien Lawyers Brussels, Memos and Publications*, 27.
- Bal et al., A. (2015). *International Tax Structures in the BEPS Era : An Analysis of Anti-Abuse Measures*. (M. Cotrut (Ed.), Ed.). Amsterdam: IBFD.
- Belgium, A. (2019). Notional Interest Deduction. Retrieved August 27, 2019, from <http://www.amcham.be/policy/corporate-taxation/notional-interest-deduction>
- Collins, J. H., & Shackelford, D. A. (1997). Global organizations and taxes: An analysis of the dividend, interest, royalty, and management fee payments between US multinationals' foreign affiliates. *Journal of Accounting and Economics*, 24(2), 151–173. [https://doi.org/10.1016/S0165-4101\(98\)00004-4](https://doi.org/10.1016/S0165-4101(98)00004-4)
- Conroy, C., Honohan, P., & Maître, B. (1998). Invisible entrepot activity in Irish manufacturing. *Irish Banking Review*, 22-38.
- Darussalam, & Ganda, T. (2014). Rencana Aksi Base Erosion Profit Shifting dan Dampaknya Terhadap Peraturan Pajak Indonesia. *International Taxation Series No. 0714, Juni 2014*, 8–9.
- DDTC. (2019). Perhitungan Deem Dividend dalam CFC Rules di Indonesia. Retrieved August 28, 2019, from <https://news.ddtc.co.id/perhitungan-deem-dividend-dalam-cfc-rules-di-indonesia-15151>
- De Mooij, R., Hebous, S., & Hrdinkova, M. (2018). Growth-enhancing corporate tax reform in Belgium, 1(1). <https://doi.org/10.1515/ntaxj-2018-0004>
- Deloitte. (n.d.). Malta alert Notional interest deduction rules introduced. Retrieved August 22, 2019, from <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-malta-16-october-2017.pdf>
- Deloitte. (2017). Indonesia Tax Alert August 2017. Retrieved August 28, 2019, from <https://www2.deloitte.com/content/dam/Deloitte/id/Documents/tax/id-tax-alert-en-11aug2017.pdf>
- Deloitte. (2019). International Tax Belgium Highlights 2019. Retrieved August 22, 2019, from <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-belgiumhighlights-2019.pdf>
- Dourado, A. P. (2016). The EU Anti Tax Avoidance Package: Moving Ahead of BEPS? *Intertax*, 44(6), 440-446.
- Evers, L., Miller, H., & Spengel, C. (2015). Intellectual property box regimes: effective tax rates and tax policy considerations. *International Tax and Public Finance*, 22(3), 502–530. <https://doi.org/10.1007/s10797-014-9328-x>



- EY. (2015). Cyprus introduces Notional Interest Deduction regime and non-domiciled rules. Retrieved August 27, 2019, from <https://www.ey.com/gl/en/services/tax/international-tax/alert--cyprus-introduces-notional-interest-deduction-regime-and-non-domiciled-rules>
- EY. (2017). The New Indonesia's Controlled Foreign Corporations Rule. Retrieved August 28, 2019, from [https://www.ey.com/Publication/vwLUAssets/EY-the-new-indonesias-controlled-foreign-corporations-rule/\\$FILE/EY-the-new-indonesias-controlled-foreign-corporations-rule.pdf](https://www.ey.com/Publication/vwLUAssets/EY-the-new-indonesias-controlled-foreign-corporations-rule/$FILE/EY-the-new-indonesias-controlled-foreign-corporations-rule.pdf)
- Finke, K., Fuest, C., Nusser, H., & Spengel, C. (2014). *Extending Taxation of Interest and Royalty Income at Source—an Option to Limit Base Erosion and Profit Shifting?* (". ZEW-Centre for European Economic Research Discussion Paper, (14-073)). <https://doi.org/10.2139/ssrn.2509193>
- Grant Thornton. (2019). Tightening of tax rules for Liechtenstein companies. Retrieved August 28, 2019, from https://www.grantthornton.ch/globalassets/1.-member-firms/switzerland/insights/pdf/2018/201807/180711_steuerliche_verschaeerfungen_en.pdf
- Grubert, H. (1998). Taxes and the division of foreign operating income among royalties, interest, dividends and retained earnings. *Journal of Public Economics*, 68(2), 269-290. [https://doi.org/10.1016/S0047-2727\(97\)00077-7](https://doi.org/10.1016/S0047-2727(97)00077-7)
- Indonesia-investments. (2017). Deals Signed between Belgium and Indonesian Companies. Retrieved August 27, 2019, from <https://www.indonesia-investments.com/news/todays-headlines/deals-signed-between-belgium-and-indonesian-companies/item8275>
- Indonesia. Agreement Between The Government Of The Republic Of Indonesia And The Government Of The Kingdom Of Belgium For The Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes On Income (1997). Brussels.
- Intertrust. (n.d.). Notional Interest Deduction. Retrieved August 22, 2019, from https://www.intertrustgroup.com/~/_media/Files/I/Intertrust-Group/documents/brochures/notional-interest.pdf
- Kessler, W., & Eicke, R. (2008). The Emergence of R&D Tax Regimes in Europe". *Tax Notes International*, 50(10), 845.
- Kestens, K., Van Cauwenberge, P., & Christiaens, J. (2012). The effect of the notional interest deduction on the capital structure of Belgian SMEs. *Environment and Planning C: Government and Policy*, 30(2), 228-247. <https://doi.org/10.1068/c1163b>
- Lawyersbelgium.com. (2019). Double Taxation Treaties in Belgium. Retrieved August 27, 2019, from <https://www.lawyersbelgium.com/double-taxation-treaties-in-belgium>



- Moffitt, R. A. (2003). The negative income tax and the evolution of US welfare policy. Journal of economic perspectives. *Journal of Economic Perspectives*, 17(3), 119-140. <https://doi.org/10.1257/089533003769204380>
- OECD. (2017). *2017 Update to the OECD Model Tax Convention*.
- Quaghebeur, M. (2007). Belgium targets risk capital deduction abuses. *Tax Notes International*, 48(7), 627.
- R. S, A.-Y. (2007). *Tax Competition, tax arbitrage, and the international tax regime* (U of Michigan Law & Economics, Olin Working Paper No. 07-001).
- Sandford, C. T. (2000). *Why tax systems differ: A comparative study of the political economy of taxation*. Bath: Fiscal publications.
- Schepens, G. (2016). Taxes and bank capital structure. *Journal of Financial Economics*, 120(3), 585-600. <https://doi.org/10.1016/j.jfineco.2016.01.015>
- Sihaloho, E. L. (2019). *The New "CFC Regime" of Indonesia: Should Indonesia Follow the OECD Recommendations on Designing CFC Rules?* Tilburg University. Retrieved from <http://arno.uvt.nl/show.cgi?fid=147599>
- Slemrod, J. (2009). Lessons for tax policy in the Great Recession. *National Tax Journal*, 62(3), 387-397. <https://doi.org/10.17310/ntj.2009.3.02>
- Suwiknyo, E. (2019). Skema Pajak Dividen dari Badan Usaha RI di Luar Negeri Direlaksasi. Retrieved August 28, 2019, from <https://ekonomi.bisnis.com/read/20190702/259/1119028/skema-pajak-dividen-dari-badan-usaha-ri-di-luar-negeri-direlaksasi>
- Tax, I. (2016). Aksi BEPS: Menangkal Penggerusan Basis Pajak.
- Thuronyi, V. (1996). *Tax Law Design and Drafting, Volume 1*. Washington, D.C: International Monetary Fund.
- Van Campenhout, G., & Van Caneghem, T. (2013). How did the notional interest deduction affect Belgian SMEs' capital structure? *Small Business Economics*, 40(2), 351-373. <https://doi.org/10.1007/s11187-011-9364-1>
- Vinther, N., & Werlauff, E. (2006). Tax motives are legal motives: the borderline between the use and abuse of the freedom of establishment with reference to the Cadbury Schweppes case. *European Taxation*, 46(8), 383-386.
- Webley, L. (2010). *Qualitative approaches to empirical legal research. The Oxford handbook of empirical legal research*. <https://doi.org/10.1093/oxfordhb/9780199542475.013.0039>
- Wilson, J. D. (2005). *Tax competition with and without preferential treatment of a highly-mobile tax base. The Challenge of Tax Reform in a Global Economy*. Springer.