Google will finally stop using controversial Irish and Dutch tax loopholes

The era of Google using a pair of controversial loopholes to save billions of dollars in taxes on overseas ad revenue is coming to a close, according to a new report from *Reuters*. In 2020, the company will no longer take advantage of the so-called “Double Irish” and “Dutch sandwich” loopholes, which allowed it and countless other corporations to shift money from Ireland to the Netherlands and Bermuda, sheltering billions from taxes in the process.

The move comes as regulations aimed at changing how companies skirt taxes take effect in both the US and Ireland. Previously, multinational organizations like Google were able to use a network of affiliate organizations located in Ireland, the Netherlands, and Bermuda to collect and hold money made overseas, thanks in large part to lenient Irish tax laws.

Google used companies in Ireland, the Netherlands, and Bermuda to collect and hold money earned overseas

The name comes from the strategy of moving money from an Irish subsidiary to a Dutch holding company, and then back to an Irish shell company located in Bermuda that has the rights to license Google intellectual property, thus the “Dutch sandwich” in between. Bermuda has no corporate income tax, making it a lucrative final stop to report income. The whole process effectively avoids paying US income tax and European withholding taxes on overseas profits, although some money is still paid to the Irish government.

In 2014, facing mounting pressure from the EU and the US, Ireland closed these loopholes. Companies were given until 2020 to comply with the new regulations, which is why Google is just changing its tax structure now. Google continued to use the tax scheme to funnel money around the globe until the deadline. According to *Reuters,* the company moved $23 billion to Bermuda in 2017 alone using this tax avoidance strategy.

In the US, the Trump administration has also tried to incentivize companies to return profits to the US by lowering the corporate tax rate from 35 percent to 21 percent. The Tax Cuts and Jobs Act of 2018 allowed companies to return money made overseas to the US without facing more US taxes. These changes could prove critical for Google, which is sitting on tens of billions in overseas earnings.

“We’re now simplifying our corporate structure and will license our IP from the US, not Bermuda,” a Google spokesperson told *The Verge*. “Including all annual and one-time income taxes over the past ten years, our global effective tax rate has been over 23%, with more than 80% of that tax due in the US.”

https://www.theverge.com/2019/12/31/21044662/google-end-tax-loophole-double-irish-dutch-sandwich-2020