The Outsized Role of Tax Havens in Mergers and Acquisitions*

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Abstract

Tax havens are used for tax minimization. Whether tax havens affect corporate control in the form of cross-border mergers and acquisitions (M&A) or are merely used as conduits between host and destination countries of (greenfield) foreign direct investment and portfolio investment is an open question. We provide new stylized facts through the first comprehensive analysis of cross-border, tax-haven mergers and acquisitions (M&A). Using novel tax residence data, we investigate 20,360 such transactions from 1990 to 2023, totaling $8.3 trillion in deal value, or 29.7% of cross-border M&A volume. $4.6 of the $8.3 trillion exceeds our prediction based on a gravity model with economic fundamentals. Small havens such as Bermuda alone make up $2.4 trillion or 8.5% of cross-border M&A volume. For identification, we use a change in US tax law in 2004.

Keywords: Capital flows, cross-border mergers and acquisitions, tax havens.
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1 Introduction

Tax havens are known to facilitate both tax evasion (outright violations of tax law) and tax avoidance (violating the spirit but not the letter of tax law) (Hines and Rice, 1994; Desai, Foley, and Hines, 2006; Alstadsæter, Johannesen, and Zucman, 2018). Research on international capital flows has shown that tax havens affect flows of portfolio investment through, for instance, private savings flowing to Swiss banks. Moreover, many multinational firms raise debt financing via subsidiaries that reside in tax havens (Coppola et al., 2021) or use shell companies in tax havens to lower their taxes in other ways. Prior work has shown that tax havens affect a narrow set of cross-border mergers and acquisitions (M&A)—so-called (M&A) inversions, which are limited in number, such as the 130 transactions in Col et al. (2020) or the 35 in Babkin et al. (2017). However, there is no research on the overall sample of cross-border, tax haven M&A, which might be much larger. Importantly, M&A is distinct from other outcome variables that have been studied in relation to tax havens, because M&A affects who controls the production inputs of a firm, which has real effects.

Could it be that tax havens affect corporate control of *real* companies (e.g., a pharmaceutical company) and not just *shell* companies (e.g., a legal entity only related to a mailbox on the Cayman Islands)? Could a firm be more likely to be involved as an acquirer or target in a cross-border M&A if it resides in a tax haven? Could such an effect be quantitatively large enough to show up in the workhorse model for capital flows in international economics, the gravity model? On the one hand, setting up a shell company in a haven is easier to implement than, for instance, a cross-border acquisition between two pharmaceutical firms (with one of these two firms residing in a tax haven). In addition, the unique specialization of tax-haven economies (e.g., reinsurance industry in Bermuda, hedge fund administration in the Cayman Islands, or private wealth management in Switzerland) could have the potential effect that there are few firms outside tax havens for which there are sufficient synergies for tax haven firms to merge with. As a result, the effect of tax havens on the incidence of cross-border M&A could range from insignificant to negative when compared to similar-sized

economies. On the other hand, the effect of tax havens on the incidence of cross-border M&A could be substantial, and comparable to, for instance, the effect of tax havens on portfolio investment and tax avoidance. Cross-border, haven M&A provides a stronger link to a tax haven, enabling greater tax avoidance than what can be achieved through a shell company (Meier et al., 2025), suggesting a quantitatively large effect. Moreover, prior work could have missed such transactions due to data limitations.

Consequently, the research question of this paper is whether tax havens affect cross-border capital flows in the form of cross-border mergers and acquisitions in a quantitatively meaningful way. We define cross-border, tax-haven M&A as cross-border deals where the acquirer or target resides in a tax haven. We use novel tax residence data that allows for a more precise measurement of a firm's tax residence.

Summary statistics alone suggest that the magnitude of cross-border M&A involving tax havens is strikingly large—so large that documenting these stylized facts is an important contribution on its own. From 1990 to 2023, we find 20,360 such deals worth $8.3 trillion in deal value, which is substantial compared to the $19.8 trillion in non-haven, cross-border M&A deal value over the same time period. In Table 1, we plot the top acquirer and target countries by cross-border M&A deal value. Eight havens stand out: the Netherlands, Ireland, Bermuda, the Cayman Islands, Luxembourg, Switzerland, Hong Kong, and Singapore. The Netherlands and Switzerland each have more cross-border volume than Japan (the third largest economy in 2022 by nominal GDP). Focusing on the acquirer side, Ireland, Bermuda, and Luxembourg have cross-border M&A volumes that are larger or comparable to those of China and Italy. To more meaningfully interpret the data, we distinguish between the five havens with relatively large underlying economies (Hong Kong, Ireland, the Netherlands, Singapore, and Switzerland) and the remaining small-economy havens (e.g., Bermuda and the Cayman Islands).[1] On average, the ratio of cross-border to domestic M&A deal value is

[1]The difference between the GDP of the fifth and sixth largest havens is $273 billion. This distinction is independent of a country's importance in our sample and its level of taxation. We define a country as a tax haven according to Dharmapala and Hines (2009), and then add the Netherlands given its importance as documented in more recent studies (Tørsløv et al., 2022; Damgaard et al., 2024). Hines and Rice (1994)

1:2 when the acquirer is in a non-haven country. For deals with large-haven (e.g., Ireland) acquirers, this ratio is 3:1, and for deals with small-haven (e.g., Bermuda) acquirers, it is 12:1. These numbers suggest that tax havens attract M&A activity beyond what would be expected given their economic fundamentals.

To formally quantify the extent to which cross-border M&A activity in havens is "abnormal," we estimate a gravity model following Portes and Rey (2005) and Silva and Tenreyro (2006) with the help of novel tax residence data. The Poisson pseudo-maximum-likelihood (PPML) approach by Silva and Tenreyro (2006) is the state-of-the-art technique that gives consistent standard errors for a research design like ours that features heteroskedasticity, some large and many small countries, and many observations for which the dependent variable equals zero. In particular, the dependent variable is the M&A deal value at the acquirer country × target country × year level. Tax havens have 115% (70%) more deal volume on the acquirer (target) side than would be predicted based on economic, cultural, and geographic factors. Next, we rerun this analysis, but apply the aforementioned distinction between large and small havens. Among the two specifications, we prefer this one, since it captures meaningful differences across havens. Country pairs with a large- (small-) haven *acquirer* have 100% (525%) more deal value than predicted based on their economic fundamentals, and country pairs with a large- (small-) haven *target* have 53% (337%) more deal value. There is $1,173 billion in abnormal deal value for the Netherlands, $491 billion for Ireland, $590 billion for Bermuda, $373 billion for the Cayman Islands, $396 billion for Luxembourg, $258 billion for Switzerland, $383 billion for Hong Kong, and $479 billion for Singapore. The remaining small havens have lower abnormal deal values. The corresponding total abnormal dollar values are $2,784 and $1,785 billion for large and small havens, respectively, resulting in a total of $4.6 trillion. Our methodology classifies 54.8% of cross-border M&A deal value involving tax havens as abnormal, with percentages ranging from 16.8% for Switzerland to 97.7% for the British Virgin Islands.

use a distinction between "dots" and "big" havens that is similar to our distinction between large and small havens.

We also aggregate the abnormal, haven M&A by the non-havens involved. The United States is the top non-haven by abnormal deal value with havens, with substantially more deal value than the United Kingdom and China, which are second and third. China stands out as a country that has relatively little cross-border M&A for an economy of its size, but haven M&A makes up an outsized share of its cross-border M&A. In contrast, Germany is among the most active countries worldwide for total cross-border M&A, but has very little cross-border M&A with havens.

Next, we examine abnormal deal value at the country-pair level, distinguishing between pairs where a haven is on the acquirer (which we call "asset building") or target (which we call "haven purchase") side. This level of aggregation sheds light on whether some havens do more haven purchases or asset building and whether some havens "specialize" in particular non-haven jurisdictions. There are 11 country-pairs with more than $100 billion in abnormal deal value, all of which involve either the United States or the United Kingdom. Mirroring earlier results, most havens have much more abnormal deal value as acquirers than as targets. The Cayman Islands stands out as the only jurisdiction that has more deal volume for haven purchases ($240 billion) than for asset building ($148 billion). Switzerland is the exact opposite—a large amount of abnormal M&A activity as an acquirer but not as a target. Moreover, Switzerland has negative abnormal deal value with its neighboring countries Germany, Italy, and France.

How does tax-haven M&A lead to tax savings? Asset building deals result in tax savings since, from a tax perspective, a non-haven firm is worth more as a subsidiary of a tax-haven firm than as a standalone company. In addition, haven purchases allow the acquirer to establish a presence in a haven. The scope for tax avoidance is higher for subsidiaries with real operations as opposed to shell companies, since this, for instance, facilitates the manipulation of transfer pricing if actual intra-firm trade is taking place between a firm's haven and non-haven operations (Bartelsman and Beetsma, 2003; Meier et al., 2025). Meier et al. (2025) find that for a US (non-US) firm, a haven purchase results in a 3.80 (1.65)

percentage point drop in the cash effective tax rate. An example of a firm engaging in asset building is Bacardi (of the namesake rum). Bacardi is headquartered in Bermuda and has engaged in four asset building transactions totaling about $10 billion, acquiring iconic brands such as Bombay Sapphire Gin and Martini & Rossi.

For identification, we exploit variation in the incentives for US firms to engage in haven purchases. Before 2004, a US firm could move its tax residence to a foreign country without having any operations in that country. Since 2004, firms have had to demonstrate substantial operations in the country in which they seek incorporation or merge with a sufficiently large foreign company. This change made renouncing the US tax jurisdiction more difficult for US firms, since they would now have to acquire large or numerous foreign firms if they wanted to relocate via cross-border M&A. Consistent with this, we find that M&A activity involving US firms acquiring large-haven targets increases after 2004, supporting our interpretation that cross-border M&A involving havens is pursued for tax saving motives.

A concern is that differences in tax rates are driving the results and not the haven dummies. For instance, an acquirer in a high-tax country might want to take over a target in a low-tax country, even if the latter is not located in a tax haven. Two pieces of evidence address this issue. First, we find quantitatively large point estimates for the haven dummies regardless of whether they are on the target side (positive tax rate differential) or acquirer side (negative tax rate differential). Second, controlling for the difference in tax rates between the acquirer and target countries hardly effects the estimates of abnormal, tax-haven M&A. The reason is that tax rates are not a good proxy of the tax environment of tax havens (despite them having low or even no taxes), especially given the willingness of a tax haven to help multinational firms avoid taxes in jurisdictions other than the haven itself.

Another concern is whether we misclassify some of the cross-border M&A in havens such as Switzerland as being tax motivated, when they could be driven by factors such as, in the case of Switzerland, its low level of corruption. First, we conduct a large battery of robustness tests, where we show that the gravity model results hold for different controls

(e.g., control of corruption) and subsamples (e.g., economically open countries) that capture many of these non-tax factors that could potentially drive our results. Second, we are not arguing that all tax-haven M&A are tax driven—only that the abnormal 54.8% are, with values ranging from 16.8% for Switzerland to 97.7% for the British Virgin Islands. However, even if most transactions have a strategic rationale, many of these deals might not occur if the tax environment in havens were less beneficial (facing higher taxes, these deals would no longer be NPV positive). Our abnormal deal value estimates are thus capturing the dollar amount of deals that would vanish if a country were no longer a tax haven, independently of a deal being "strategic" or not.

Lastly, regulatory arbitrage might also play a role, as many tax havens have less stringent regulations that often target particular industries. For example, Bermuda and the Cayman Islands court insurance and reinsurance companies with attractive regulatory frameworks; and Luxembourg specializes in investment funds. We do not refute the idea that regulatory arbitrage can be a motivation for cross-border M&A. However, as relaxed regulation always goes hand-in-hand with tax benefits in haven countries, we do not view this as an independent driver of cross-border M&A.

We also address the following questions and concerns: why there are not even more tax-haven M&A if they result in such large tax savings as shown in Meier et al. (2025), whether haven M&A might primarily involve shell companies, and whether intangible assets could be moved to havens and then sold in cross-border deals, inflating abnormal, haven M&A.

We contribute to three different literatures. First, we add to a nascent literature on abnormal capital flows associated with havens by documenting that havens have $4.6 trillion in abnormal M&A deal value. Coppola et al. (2021) restate the abnormally high portfolio investment positions of havens based on a "nationality" concept (which is different from tax residence). Bertaut et al. (2018) and Damgaard et al. (2024) also document large distortions in official statistics for capital flows.

Second, we contribute to the literature on the determinants of cross-border M&A (Rossi

and Volpin, 2004; Di Giovanni, 2005; Erel, Liao, and Weisbach, 2012; Ahern, Daminelli, and Fracassi, 2015; Fresard, Hege, and Phillips, 2017) by documenting that the tax savings provided by havens are a significant determinant of cross-border M&A.[2] With the exception of Di Giovanni (2005), the cross-border M&A literature ignores the M&A activity of small havens. Ignoring these transactions implies missing 8.5% of the $28.1 trillion in total cross-border M&A deal value. Moreover, cross-border M&A involving small *and* large tax havens amounts to 29.7% of all cross-border M&A deal value–a significant share that has received limited attention in previous research. Addressing this imbalance in coverage is one of our goals.

Third, we contribute to the literature on tax havens (Hines and Rice, 1994; Desai, Foley, and Hines, 2006; Alstadsæter, Johannesen, and Zucman, 2018). Our paper is the first to document that havens affect the actual ownership of assets on a large scale and not just the ownership of assets "on paper." Using firm-level data, Meier et al. (2025) estimate the tax savings from buying a firm that resides in a tax haven. Dyreng and Lindsey (2009) investigate the effect of having a tax-haven subsidiary on a firm's tax payments. Coppola et al. (2021) find that many multinational firms raise debt financing via subsidiaries that reside in tax havens. Bennedsen and Zeume (2018) investigate shareholders' reactions to the increased transparency of corporate tax haven activities. O'Donovan, Wagner, and Zeume (2019) study how firms use secret offshore vehicles. Johannesen and Zucman (2014) document that the end of bank secrecy in some tax havens caused a relocation of bank deposits to the benefit of the least compliant havens. Tørsløv et al. (2022) estimate that close to 40% of the foreign profits of multinational firms were shifted to tax havens in 2015, while Blouin and Robinson (2024) question this figure.

[2]See Ahern (2025) for a literature review on multinational firms and cross-border M&A.

2 Institutional Details and Data

2.1 How can Tax-Haven M&A Result in Tax Savings?

Tax-haven M&A can enable tax avoidance in two distinct ways depending on whether the acquirer or target is in a tax haven.

Haven Purchases. When the target is in a tax haven, we refer to these deals as "haven purchases." For US firms (non-US firms), Meier et al. (2025) find that a haven purchase result in a 3.80 (1.65) percentage point drop in the cash effective tax rate. This is calculated by identifying incremental tax savings that accrue to the acquirer's global legal parent (GLP) following haven purchases. These estimates include tax savings resulting from profit shifting and the relocation of the acquirer's tax residence to havens.

Firms resident in countries with worldwide systems of taxation and territorial tax systems have incentives to engage in haven purchases. For firms in territorial countries, haven purchases facilitate profit shifting, which allows firms to book profits in lower-tax countries, thereby lowering their tax bill (Langenmayr and Liu, 2023). For firms in countries with worldwide systems of taxation, haven purchases allow firms to book profits in havens and defer paying home country tax until the profits are repatriated, which would never occur if the funds are continuously used to reinvest in the firms' operations overseas. An example of a haven purchase is the acquisition of the luxury fashion company Gucci Group, headquartered and incorporated in the Netherlands, by the French luxury goods company Pinault-Printemps-Redoute, for almost $6 billion (in 2004 dollars). See Appendix C.1 for further examples of haven purchases.

Asset Building. When the acquirer is in a tax haven, we refer to these deals as "asset building," since a firm in a tax haven has an incentive to acquire firms in non-havens to scale up its asset base exposed to the lower tax rate. There are two reasons why the location of the firm's parent matters for tax purposes. First, the tax residence of the parent determines whether the firm is subject to controlled foreign corporation (CFC) rules, which

constrain a firm's ability to shift profits. Second, the rate of double taxation on foreign profits varies across countries, depending on whether they have territorial or worldwide systems of taxation, and the degree to which intra-firm payments are assessed withholding taxes. Voget (2011) finds empirical support that firms account for both of these factors in assessing the attractiveness of different parent locations. Since many tax havens do not have CFC rules (PwC, 2017), having a tax-haven parent makes it easier to shift profits. Barrios et al. (2012) document that parent country taxation affects the location decisions for subsidiaries. Moreover, since tax havens generally have territorial tax systems or worldwide tax systems with low corporate income tax rates, and they usually do not have withholding taxes on intra-firm payments, the rate of double taxation on foreign-sourced income is low. This makes tax havens an attractive place for a company's tax residence, and explains why non-haven firms can be worth more as subsidiaries of tax-haven firms than as standalone companies. See Appendix C.2 for further examples of asset building deals.

The evidence in Voget (2011) and Barrios et al. (2012) implies that there are benefits to moving a firm's tax residence from a country with a territorial or worldwide system of taxation to a haven. There are numerous examples of firms relocating out of the US (which had a worldwide system of taxation prior to 2018), several of which are listed in Appendix C.1. In addition, firms also choose to relocate their tax residence from countries with territorial systems of taxation to tax havens: Frontline moved from Sweden to Bermuda in 1997,[3] Tyco International moved from Switzerland to Ireland in 2014,[4] and Aptiv moved from the UK to Ireland in 2018.[5]

[3]Frontline Ltd, *Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2010* (filed April 4, 2011), "Item 4.A. History and Development of the Company," https://www.sec.gov/Archives/edgar/data/0000913290/000091957411002596/d1184224_20-f.htm (accessed August 28, 2025).

[4]Tyco International PLC, *Annual Report on Form 10-K for the Fiscal Year Ended September 25, 2015* (filed November 13, 2015), "Item 1. History and Development," https://www.sec.gov/Archives/edgar/data/833444/000083344415000091/fy1510-k.htm (accessed August 28, 2025).

[5]Aptiv PLC, *Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2018* (filed May 2, 2018), "Item 1.1. General," https://www.sec.gov/Archives/edgar/data/0001521332/000152133218000025/aptv331201810-q.htm (accessed August 28, 2025).

2.2 Data

Tax Residence. Since we are interested in investigating tax avoidance, the appropriate measure of a firm's location is the tax residence of its global legal parent (GLP), which depends on the location of the GLP's headquarters and incorporation. There are two challenges in accurately measuring tax residence. First, it is not reported in commercial databases, and firms typically do not disclose it in their annual reports or regulatory filings. Second, to determine a firm's tax residence when it is incorporated and headquartered in different countries, one needs to account for the unilateral tax laws in each country, as well as the bilateral treaties between countries that stipulate tie-breaking provisions in the event the unilateral application of each country's laws renders the firm a dual resident. We overcome these challenges by using the novel tax residence algorithm of Meier and Smith (2023), which takes a firm's incorporation and headquarters as inputs, and provides the firm's tax residence as the output based on the laws and bilateral tax treaties of 150 countries. The paper by Meier and Smith (2023) is a "measurement" paper in which this new tax residence algorithm is developed and validated. This paper applies this novel tax residence data.

M&A Data. We obtain M&A data from SDC Platinum. The sample includes deals announced between 1990 and 2023 and subsequently completed. We exclude self-tenders, repurchases, recapitalizations, spin-offs, split-offs, equity issuances, and block purchases. As in Meier and Servaes (2019), we further exclude deals that involve a supranational organization (e.g., the World Bank). In addition, we exclude deals where the buyer or seller nation is listed as "Multi-National." This typically occurs when the acquirer or target company is listed as "Investor Group." We use the GDP price index from the Bureau of Economic Analysis[6] to convert deal value to 2023 USD, and remove observations with missing deal value or deal value below $1 million. The sample includes deals where an entire firm is acquired, as well as deals where assets, a subsidiary, or a division of another firm are acquired.

[6] "Table 1.1.4. Price Indexes for Gross Domestic Product," *U.S. Bureau of Economic Analysis*, December 19, 2024, https://www.bea.gov/data/prices-inflation/gdp-price-index (accessed January 14, 2025).

Examples of the latter types include deals where a pharmaceutical company buys the generic drug division of another company, or where a retailer buys 100 stores from another retailer.[7] For acquisitions of entire firms, we further require that at least 50% of the target's shares are acquired as part of the transaction or as part of several transactions over the sample period. Lastly, we remove countries with less than $50 million in aggregate deal value on the acquirer or target side. The final data set has 246,859 deals from 185 countries,[8] 75,567 of which are cross-border. Intra-country deals are included for comparison only, and are not included in any of the regressions.

For deals flagged as reverse acquisitions in SDC, we classify the acquirer as the target and the target as the acquirer. In this way, the acquirer is always the economic acquirer (the larger company), as opposed to the legal or accounting acquirer.[9]

Country-level Data. We use the CEPII GeoDist Database for country-pair data, which includes geographic distance, a same-country dummy, a previous colonial-relationship dummy, and a common official language dummy.[10] GNI, GDP, and GNI/GDP per capita are from the World Development Indicators (WDI) when available.[11] Otherwise we use estimates from the United Nations (UN).[12] We fill in these variables for additional countries using methods described in Appendix A.1. Since GDP is highly volatile for many tax havens

[7] Unless otherwise stated, the acquirer refers to what SDC considers the acquirer's ultimate parent, and the target refers to the direct target. For example, if Disney Parks, Experiences and Products, a subsidiary of Disney and the owner of the Walt Disney World, purchased Universal Parks and Resorts, then Disney would be the acquirer and Universal Parks and Resorts the target. Had we instead considered the target to be the target's ultimate parent, then the target in this deal would be Comcast. Since Disney is not buying Comcast, but a subsidiary of a subsidiary (NBCUniversal) of Comcast, the appropriate target should be the direct target (Universal Parks and Resorts).

[8] We use the terms nation and country broadly to include both sovereign nations and dependent territories and regions. In short, if SDC considers a geographical entity a country, then we do as well.

[9] If the smaller company in an M&A transaction is listed as the acquirer, then SDC will mark the deal as a reverse acquisition. Reverse acquisitions typically occur when a firm wants the smaller company to be the parent of the combined firm. This is often the case when the smaller firm is in a tax-favored location.

[10] "GeoDist, Dyadic File," *CEPII*, December 2011, https://www.cepii.fr/cepii/en/bdd_modele/bdd_modele_item.asp?id=6 (accessed August 31, 2019).

[11] "World Development Indicators," *World Bank Group*, March 11, 2025, https://databank.worldbank.org/source/world-development-indicators (accessed March 11, 2025).

[12] "Table 1.1 Gross Domestic Product by Expenditures at Current Prices," *United Nations Statistics Division*, March 8, 2025, https://data.un.org/Data.aspx?d=SNA&f=group_code%3a101 (accessed March 8, 2025).

and does not reflect domestic economic activity due to profit shifting Tørsløv et al. (2022) we use GNI instead of GDP when available. The difference between GDP and GNI is net income from abroad, since GNI = GDP + Net Income from Abroad, where Net Income from Abroad is income earned by residents from foreign investments minus income earned by foreigners within the country). Lane (2017) shows that modified GNI[13] is the best measure of economic activity for Ireland.[14] However, since we do not have modified GNI for any other country than Ireland, we use GNI as the second best option. Lastly, we obtain data on statutory corporate tax rates from the Tax Foundation.[15]

Tax Havens. We start with the list of tax havens from Dharmapala and Hines (2009), and then add the Netherlands given its importance as documented in more recent studies (Tørsløv et al., 2022; Damgaard et al., 2024). Next, we divide the tax havens into large and small havens, thereby approximating whether a haven has a quantitatively important amount of economic activity beyond its haven activities. When sorted by GNI, the gap between the fifth and sixth largest haven is $336 billion. As such, we define the five largest (Hong Kong, Ireland, the Netherlands, Singapore, and Switzerland) as large havens and the remaining as small havens. Among the 185 countries included in the M&A dataset, the total GNI for the five large havens is $3,216 billion, and the total GNI for the 33 small havens is $438 billion as of 2023. The distinction between large and small havens is therefore independent of a country's importance in our sample and its level of taxation. Given these stark differences in economic activity among tax havens, separating them in this way allows for a more meaningful interpretation of the results. This approach is similar to that of Hines and Rice

[13]Modified GNI is defined as: mod. GNI = GNI - Depreciation of domestic capital owned by foreign investors.

[14]Ireland's GDP is highly volatile and does not reflect domestic economic activity due to tax avoidance by US multinationals, particularly high-tech companies such as Alphabet and Apple. For instance, due to a one-off internal reorganization of Apple's tax avoidance operations, Ireland's GDP grew by more than a quarter in 2015. As a result, the Irish Central Bank and the Central Statistics Office Ireland developed alternative macroeconomic indicators to GDP to more accurately measure the development of the Irish economy. We use modified GNI instead of GDP or regular GNI for Ireland, since Ireland's modified GNI best adjusts for the aforementioned tax avoidance techniques of US firms.

[15]"Corporate Tax Rates Around the World, 2024," *Tax Foundation*, December 17, 2024, https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2024/ (accessed March 8, 2025).

(1994), who distinguish between "dots" and "big" havens. However, our categorization relies on GNI, while Hines and Rice (1994) rely more on total population. In particular, Hines and Rice (1994) consider Hong Kong, Ireland, Lebanon, Liberia, Panama, Singapore, and Switzerland as big havens, while our list of large havens includes the Netherlands but classifies Lebanon, Libera, and Panama as small havens. Since GNI (or GDP) generally enters in a gravity model, but total population generally does not, we think that our distinction is more appropriate for our setting. Moreover, our set of large havens all feature stable macroeconomic environments, which cannot be said of Lebanon and Liberia, which both had relatively recent civil wars. In addition, Panama was invaded by the United States in 1989/1990, highlighting that Panama is also a less stable country than the ones considered by us as large havens.

Firm-Level Data. To accurately classify the tax residence of acquirers and targets in M&A, we need data on firms' headquarters and incorporation. We obtain this data from several sources. First, the Names File of Compustat Snapshot (henceforth Snapshot), which contains the historical firm name, nation of headquarters, and nation of incorporation for firms in Compustat North American. Both Compustat North America and Compustat Global report only current identifying information, and backfill this current data to all prior years. Since, there is no global version of Snapshot, we rely on historical vintages of Compustat Global from Meier and Smith (2023). We supplement the Compustat data with our own data collected from SEC filings. We scraped data on firms' headquarters and incorporation from 225,970 10-Ks, and manually verified the information for 2,200 10-Ks corresponding to the largest firms. In addition, we use hand-collected data on firms' incorporation and headquarters from Meier et al. (2025), along with headquarters data collected from SEC filings by Duchin et al. (2024) and Duchin and Sosyura (2024).

Compustat is merged with SDC using the matched data from Meier et al. (2025), which was constructed by first merging by CUSIP, then SEDOL, then firm name. Next, Meier et al. (2025) use data from Ewens et al. (2025) (which builds on the earlier mapping by

Phillips and Zhdanov (2013)) to link the remaining unmatched deals.[16]

3 Gravity Model

3.1 Descriptive Statistics

Simple summary statistics alone suggest that the magnitude of cross-border M&A involving tax havens is strikingly large. In Table 1, we plot the top acquirer and target countries by cross-border M&A deal value. The Netherlands and Switzerland have more cross-border M&A volume than Japan (the third largest economy by nominal GNI for most of our sample period). Focusing on the acquirer side, Ireland, Bermuda, Luxembourg, Hong Kong, and Singapore have cross-border M&A volumes that are higher or comparable to those of China and Italy. Three (eight) tax havens enter the top 10 (30) countries by cross-border M&A volume. On the target side, two (eight) tax havens enter the top 10 (30) countries by cross-border M&A volume. In general, many tax havens have M&A volumes much larger than non-haven economies that are often one or several magnitudes larger when it comes to GNI, GDP or population.

Next, we report the total deal value based on the location of the acquirer and target, and whether the deal is cross-border or intra-country in Table 2.[17] As with all other analyses in this paper, a firm's location is its tax residence based on the novel tax residence algorithm of Meier and Smith (2023). If one considers intra-country M&A deal value as a proxy for the economic activity in a country, then one can standardize cross-border M&A deal value by dividing it by intra-country M&A deal value. The ratio of cross-border to intra-country M&A deal value when the acquirer is in a non-haven is 0.50. This ratio jumps to 2.92 and 11.22 if the acquirer is in a large haven or a small haven, respectively. Similarly, the ratios when the target is in a non-haven, large haven, and small haven are 0.54, 2.16, and 7.81,

[16] Michael Ewens, Ryan H. Peters, and Sean Wang, *Measuring Intangible Capital with Market Prices,* Dataset, https://github.com/michaelewens/SDC-to-Compustat-Mapping (accessed November 15, 2019)

[17] Summing the cross-border deal value on the acquirer and target sides for large and small havens yields $8.9 trillion and thus will not match the total haven deal value of $8.3 trillion reported in the abstract. The discrepancy arises since summing the deal value in the acquirer and target columns double counts the $0.6 trillion in cross-border deal value where both the acquirer and target are in havens.

respectively. Overall, tax havens appear to have unusually high cross-border M&A volume relative to their intra-country deal volume. To highlight the magnitude of this pattern in the summary statistics, we have plotted these ratios in Figure 1. This pattern also holds for the number of M&A deals (Table C1, Panel A).

In Panels B and C of Table C1, we report the mean and median M&A deal value. By construction, the values for the acquirer and target splits are identical for intra-country deals. Independent of the metric or the sample split used, cross-border deals are consistently larger than intra-country deals. The average cross-border deal on the acquirer side is $371 million for non-havens, $384 million for large havens, and $356 million for small havens.

3.2 Empirical Strategy

As the summary statistics indicate, there seems to be considerably more cross-border M&A associated with havens than can be explained by the size of their economies. We follow Portes and Rey (2005) in using a gravity model to study a financial outcome variable. Specifically, we estimate the following model:

$$Y_{ijt} = \exp\left(\beta_0 + \boldsymbol{\kappa_t} + \beta_1 HA_i + \beta_2 HT_j + \boldsymbol{\theta' X_{ijt}}\right) + \epsilon_{ijt}, \tag{1}$$

where i indexes the acquirer countries, j the target countries, t the year, and $i \neq j$. The variables are defined as follows:

- Y_{ijt}: aggregate M&A deal value with the acquirer in country i and the target in country j in year t
- $\boldsymbol{\kappa_t}$: year fixed effects
- HA_i: dummy that equals 1 if country i is a tax haven
- HT_j: dummy that equals 1 if country j is a tax haven
- $\boldsymbol{X_{ijt}}$: controls

The model is estimated using Poisson pseudo-maximum-likelihood (PPML) following Silva and Tenreyro (2006). This methodology has two advantages compared to estimating the

log-linearized version of the model using OLS. First, if the errors are heteroskedastic (which is likely the case), estimating the model in log-linearized form would lead to inconsistent estimates of the parameters. Second, Poisson pseudo-maximum likelihood provides a way to deal with the many zeros in the dependent variable, as most country pairs have no M&A transactions in a given year. Had we used OLS, $\ln(Y_{ijt})$ would be undefined when $Y_{ijt} = 0$, so we would have to drop these observations or modify the dependent variable by defining it as, for instance, $\ln(Y_{ijt} + 1)$. Thus, the research design is not only well suited to deal with a data set that involves some large countries and many small ones such as tax havens, but it is also the state-of-the-art research design for research questions like ours.

The controls are chosen based on factors or proxies known to affect the volume of cross-border M&A (Rossi and Volpin, 2004; Di Giovanni, 2005; Erel et al., 2012; Ahern et al., 2015). Table 3 contains the variable definitions.

The variables of interest are the haven dummies. Since the payoffs to asset building increase linearly with the size of the firms acquired, haven firms have an incentive to continually scale up. Thus, we expect β_1 to be positive. Moreover, given the tax benefits associated with haven purchases, a firm is more likely to be acquired if it is in a haven than if it is in a non-haven, all else equal. Therefore, havens should see more M&A deal value on the target side. This implies that β_2 should be positive as well. Lastly, these estimates are conservative. Absent the tax savings that tax havens offer to international corporations, the GDP of these countries would be lower. Since GDP and GDP per capita are important predictors of M&A flows, we underestimate the share of total M&A deal value associated with tax avoidance.

3.3 Results

Baseline. We present the results in Table 4. Both haven dummies are positive, statistically significant, and economically large in all four specifications. Tax havens have 115%-355% more deal volume on the acquirer side than would be predicted based on economic, cultural,

and geographic factors.[18] The corresponding figures on the target side are 69%-219%. The difference between the haven acquirer and haven target dummies is positive (although not statistically significant) in all specifications. This difference likely reflects the fact that, while asset building savings increase linearly with the size of the acquired firms, the tax savings from haven acquisitions increase at a decreasing rate. The concave nature of the tax savings from haven acquisitions arises since significant savings can result from establishing a presence in a haven. However, once the firm has sufficient haven operations necessary to shift profits or relocate its tax residence, the scope for further savings from haven acquisitions is lower.

The control variables have the expected signs. Larger economies have significantly more M&A volume; a 1% increase in GNI for either the acquirer or target country results in about a 1% increase in M&A deal value. Countries that are geographically closer or share a common language have more M&A volume between them. In addition, countries with colonial ties tend to have more M&A volume, as this likely proxies for similar cultures and legal systems. Lastly, richer countries, as indicated by GNI per capita, tend to have more M&A volume.

A concern about the results so far might be that differences in tax rates are driving the results and not the classification as a tax haven. For instance, an acquirer in a high-tax country might want to take over a target in a low-tax country, even if the latter is not located in a tax haven. Similar, the incentives for an acquirer of a low tax-country to take over a target from a haven country might be limited. Two pieces of evidence address this issue. First, we find quantitatively large point estimates for the haven dummies, whether they are on the target side (positive tax rate differential) or on the acquirer side (negative tax rate differential). Second, in column 4, we control for the difference between the statutory corporate income tax rate of the acquirer country and that of the target country. This allows us to assess the extent to which differences in tax rates explain our results. If differences in statutory tax rates explain the results, then this should substantially affect the point

[18] Going from a non-haven to a haven jurisdiction is expected to increase the M&A deal volume by $(e^{\beta} - 1) \times 100\%$.

estimates for the haven dummies, since many tax havens have very low taxes or do not charge income tax at all. Due to data limitations, the sample size drops by around 20% relative to columns 1-3. The coefficients of the haven dummies hardly change and remain statistically significant, while the tax rate variable is statistically insignificant. This suggests that differences in statutory tax rates do not explain our results. The reason is that tax rates are not a good proxy of the tax environment of tax havens, especially the willingness of a tax haven to help multinational firms avoid taxes in jurisdictions other than the haven itself, by enabling, for instance, very aggressive profit-shifting techniques. The effective tax rate paid by large foreign multinationals in jurisdictions such as Ireland or Luxembourg is essentially unrelated to the statutory tax rate of these jurisdictions because these firms can strike–maybe not de jure but at least de facto–bespoke tax arrangements. For example, in the year 2015 the effective tax rate paid by US multinationals in Ireland is 4%, while the Irish statutory corporate income tax rate is 12.5% (Tørsløv et al., 2022).

Small vs. Large Havens. To more meaningfully interpret the data, we now distinguish between tax havens with small and large underlying economies. The five large-haven economies—Hong Kong, Ireland, the Netherlands, Singapore, and Switzerland—have GNIs in the hundreds of billions, whereas small havens such as Bermuda and the Cayman Islands have GNIs of less than $10 billion. Large havens have substantial non-tax haven activities in their economies and have population sizes in the millions. The economies of small havens are overwhelmingly dominated by activities related to the tax haven status and their population sizes are often in the five digits. Therefore, we expect a larger effect of the tax haven status for small havens than for large havens.

We present the results in Table 5. All four haven dummies are positive, statistically significant, and economically large in all four specifications. Small havens have 525%-1,966% (337%-1,137%) more deal volume on the acquirer (target) side than would be predicted based on economic, cultural, and geographic factors, and large havens have 100%-287% (53%-165%) more. In line with our conjecture above, we find that the difference between the small- and

large-haven coefficients is statistically significant at the 5% level for both the acquirer and target dummies in all specifications. This means small tax havens have significantly more abnormal M&A volume than large havens.

Aggregation: Method. Next, we estimate the dollar amount of M&A deal value in havens beyond what would be predicted had these countries not been havens. We refer to this as *abnormal deal value*, and estimate it for a particular country pair and year as follows:

$$\alpha_{ij,t} = Y_{ij,t} - e^{\widehat{\ln(Y_{ij,t})} - \beta_1 SM_i - \beta_2 LG_i - \beta_3 SM_j - \beta_4 LG_j}, \tag{2}$$

where all variables are as defined in Equation 1 and SM (LG) refers to a small (large) tax haven. We use the point estimates from column 3 of Table 5. We use the specification with the large and small dummies since it captures meaningful differences across havens. With regards to the specific model from Table 5, we chose column 3 since it contains important control variables relative to columns 1 and 2. We do not choose column 4 because of the smaller sample and the statistical insignificance of the tax rate differential variable (the point estimates of the haven dummies also hardly change). Summing over all applicable country pairs and years, we obtain a total abnormal deal value associated with havens of $4.6 trillion. We disaggregate this total by haven using the following formula:

$$\sum_i \sum_j \sum_t \alpha_{ij,t} = \sum_{h \in H} \alpha_h, \tag{3}$$

where H is the set of all havens and α_h is the total abnormal deal value for haven h. We define α_h as follows:

$$\alpha_h = \sum_t \left(\sum_{i \notin H} \alpha_{ih,t} + \sum_{j \notin H} \alpha_{hj,t} + \frac{1}{2} \left(\sum_{i \in H} \alpha_{ih,t} + \sum_{j \in H} \alpha_{hj,t} \right) \right). \tag{4}$$

The total abnormal deal value for haven h includes all deals with a non-haven acquirer and h as the target (the first term of the sum). In addition, it includes the abnormal deal value of all deals with h as the acquirer and a non-haven target (second term). However, what should be done about cross-border deals with h on one side and another haven on the other?[19] We

[19] $0.6 trillion of the $8.3 trillion in total cross-border, haven M&A deal value has a haven on both sides.

cannot take the sum, since this term would appear for both haven h and the other haven, which would result in double counting and invalidate Equation 3. Thus, we adopt the simple and intuitive approach and take one half of the abnormal deal value associated with these deals (third and fourth terms).

Aggregation: Results. Abnormal deal value by tax haven is reported in column 2 of Table 6. There is $1,173 billion in abnormal deal value for the Netherlands, $590 billion for Bermuda, $491 billion for Ireland, $479 billion for Singapore, $396 billion for Luxembourg, $383 billion for Hong Kong, $373 billion for the Cayman Islands, and $258 billion for Switzerland. The remaining small havens have lower abnormal deal values. The total abnormal deal values for small and large havens are $1,785 billion and $2,784 billion, respectively.

For comparison, column 3 of Table 6 reports the total cross-border M&A deal value for each haven. As with the abnormal deal value, the total cross-border deal value for haven h is equal to the total deal value when the acquirer is in h and the target is in a non-haven, plus the total deal value when the target is in h and the acquirer is in a non-haven, plus 1/2 of the total deal value when one side of the deal is in h and the other is in another haven. Column 4 reports the ratio of abnormal deal value to total deal value. Our methodology classifies 54.8% of cross-border M&A deal value involving havens as abnormal. This average masks important cross-sectional variation. Of the top havens listed in the table, the haven with the lowest share of abnormal deal value is Switzerland with 16.8%. The Netherlands, Ireland, and Luxembourg have shares of 55.2%, 51.8%, and 75.5%, respectively. Hong Kong and Singapore, have similar shares of 50.4% and 61.7%, respectively. The havens with the highest shares of abnormal deal value are the British Virgin Islands (97.7%), the Cayman Islands (96.1%), Bermuda (95.2%), and the Netherlands Antilles (94.3%). Thus, the ratio of a haven's abnormal to total M&A deal value is negatively correlated with its GNI.

To visualize this relationship, we compare the abnormal ratio to the log of GNI for the top havens in Figure 2. The regression line fits the data well (the coefficient of ln(GNI) has

a p-value of less than 0.02).

Finally, we aggregate the country-level abnormal deal values to for all asset building and haven acquisitions and present the results in Table 7. As discussed above, asset building transaction make up a larger portion (approximately 64.0%) of abnormal deal value. This is consistent with the idea that asset building savings increase linearly with target size, whereas the tax savings from haven acquisitions increase at a decreasing rate, once a presence in a haven is established. This finding holds for large and small havens alike. The table also shows that small havens are similarly important for asset building and haven acquisitions as large havens, with a share of 37.9% for asset building and 41.1% for haven purchases.

Interpretation. Cross-border, haven M&A makes up 26.9% of overall cross-border M&A by deal count and 29.7% by deal value. The $4.6 trillion in abnormal deal value corresponds to about 16.2% of overall cross-border M&A deal value. Thus, we conclude that the magnitude of tax-haven M&A is quantitatively large—both for large and small havens, and both on the acquirer and target sides. The literature on the determinants of cross-border M&A ignores the role of tax savings as a determinant of cross-border M&A and the role of tax havens in cross-border M&A more broadly. Furthermore, with the exception of Di Giovanni (2005), this literature removes small havens such as Bermuda and the Cayman Islands from its samples, which results in missing deal value that amounts to $2.4 trillion or about 8.5% of total cross-border M&A over our sample period. One of our contributions is to redress this imbalance in coverage.

3.4 Are Some Non-Tax-Driven Deals Misclassified as Tax-Driven?

A potential concern is whether we misclassify some of the cross-border M&A in havens such as Switzerland as being tax motivated when they could be driven by factors such as, in the case of Switzerland, its low level of corruption. There are several arguments against this. First, we conduct a large battery of robustness tests, where we show that the gravity model results hold for different controls (e.g., control of corruption) and subsamples (e.g., economically open countries). Second, we are not arguing that all tax-haven M&A are

tax driven–only that 54.8% are. Moreover, the percentage of abnormal deal value relative to total deal value across havens seems in line with the economic fundamentals of these countries, with values ranging from 16.8% for Switzerland to 97.7% for the British Virgin Islands. While we can estimate a haven's aggregate share of abnormal, cross-border M&A, we cannot pinpoint whether an individual transaction is "abnormal" or not. However, even if some transactions have a strategic rationale, such as asset building acquisitions of US firms by pharmaceutical companies in Switzerland, many of these deals might not occur if the tax environment in havens were less beneficial, since higher taxes would reduce the net present value (NPV) of these transactions. The more extensive argument goes along the following lines. Imagine that all haven M&A involving Ireland were Irish pharmaceutical firms buying British pharmaceutical firms. Assume that all these deals are "strategic" deals that unlock operational synergies. Now, if Ireland no longer had such an attractive tax environment because it ceased to be a tax haven, then, in an NPV framework, some strategic deals would no longer be NPV positive (an increase in taxes will lead to lower investment in a neoclassical framework). Because taxes in Ireland are particularly low, there will be many such "strategic" deals occurring because of the low taxes, but many such transactions would no longer be viable if taxes rise substantially. Our abnormal deal value estimates are thus capturing the dollar amount of deals that would vanish if a country were no longer a tax haven, independently of a deal being "strategic" or not. Lastly, of the $4.6 trillion in abnormal cross-border M&A associated with havens, 39.1% of this is associated with small havens such as Bermuda and the Cayman Islands, for which any other explanation other than tax avoidance seems unlikely.

4 Abnormal Deal Value by Non-Havens

In Table 6 we aggregate the abnormal, cross-border, haven M&A deal value by tax haven. Now, we pursue a different but complementary approach. We aggregate the abnormal, haven M&A by non-haven. We report the top 10 non-havens separately for asset building deals with

a non-haven target (Panel A of Table 8) and haven acquisitions with a non-haven acquirer (Panel B of Table 8).

The United States is the top country in both tables with abnormal deal values of $1,620 billion in Panel A and $610 billion in Panel B. The United Kingdom ($431 billion in Panel A and $312 billion in Panel B) and China ($177 billion in Panel A and $279 billion in Panel B) are second and third, respectively, in both panels. The United States is substantially more involved in asset building deals than haven acquisitions, while the numbers are much less skewed for the United Kingdom and China. While the United States and the United Kingdom are also the top two countries for total cross-border deal value on the acquirer and target sides (see Table 1), China is only the 9^{th} (acquirer-side) and 14^{th} (target-side) country by total cross-border deal value (see Table 1). Thus, while China stands out as having relatively little cross-border M&A for an economy of its size (though this is partially explained by its relatively lower GNI per capita compared to more developed countries), haven M&A makes up an outsized share of its cross-border M&A.

Australia has much more M&A activity as a target than as an acquirer. A significant share of these asset building transactions are driven by Swiss acquirers. Unreported results show that these Swiss-Australian deals are dominated on the acquirer side by Swiss headquartered commodity trader and miner Xstrata and later on by Glencore (once Glencore had acquired Xstrata), and involve Australian mining assets on the target side. While Canada makes it into the top 10 in both panels, relative to its overall amount of cross-border M&A in Table 1, it has a relatively small amount of abnormal deal value, at least when compared to other jurisdictions. France, similar to Canada, has relatively little abnormal haven deal value given its amount of total cross-border deal value, but it stands out as one of the few non-havens that has more haven deals as an acquirer than as a target.

Brazil, India, and Russia only show up in the top 10 as target countries. Japan is an outlier in the opposite direction, only showing up in the top 10 as an acquirer country. Japan's $84 abnormal deal value as an acquirer is, however, driven by a single deal, the $73

billion (in 2023 dollars) acquisition of Shire by Takeda Pharmaceutical. Malaysia and South Africa are also only in the top 10 as acquirers.

Germany is a notable omission from these tables. It is a very large economy with the third most total cross-border M&A on the target side (see Table 1). Another G7 country not found in the top 10 is Italy.

In summary, the non-haven countries most active in cross-border, haven M&A are the United States, the United Kingdom, and China. Other major economies like Canada, France, Japan, and Brazil also show up in the top ten. These results show that abnormal, cross-border M&A volume with tax havens is largely driven by economic activity (total and per capita) and capital market development. At the same time, other factors also seem to play a role, as evidenced by Germany and Italy's absence from the top ten non-haven countries.

5 Abnormal Deal Value at the Country-Pair Level

Next, we aggregate abnormal deal value at the country-pair level, where a haven is on one side and a non-haven is on the other (see Table 9). Asset building transactions are reported in Panel A and haven acquisitions are reported in Panel B. In each panel, we report the top 10 havens by total abnormal deal value and the top three non-havens for each haven. In total, we report 60 country pairs (2 panels $\times$ 10 havens $\times$ 3 non-havens per haven). This level of aggregation sheds light on important haven-non-haven pairs and whether some havens specialize more on haven acquisitions or asset building.

The United States is in the top 3 for 15 of the 20 havens, the United Kingdom for 12, China for 8, France for 5, and Australia for 4. 17 non-havens show up once. The dominance of the United States and, to some degree, the United Kingdom is also reflected in the absolute values in both panels. Moreover, there are 11 country-pairs with more than \$100 billion in abnormal deal value, all but one of which involve either the United States or the United Kingdom. Eight of these country-pairs are on the asset building side, including Switzerland and the United States with \$323 billion (the only pair above \$300

billion abnormal deal value), Ireland and the United States with $282 billion, the Netherlands and the United States with $332 billion, Bermuda and the United States with $254 billion, the Netherlands and the United Kingdom with $170 billion, Switzerland and the United Kingdom with $110 billion, and Hong Kong and China with $110 billion. The three pairs of haven acquisitions with more than $100 billion in abnormal deal value are the United Kingdom and the Netherlands with $246 billion, the United States and the Netherlands with $160 billion, and the United States and Ireland with $157 billion. The fourth largest pair is Hong Kong and China at $95 billion.

As in Table 6, the Netherlands is the top haven in both panels of Table 9. Its top two counter parts for haven acquisitions and asset building are the United States and the United Kingdom. Singapore is involved in asset building transactions (ranked second in Table 9, Panel A) to a much greater extant, particularly with the United States ($203 billion), than haven purchases (ranked eighth in Table 9, Panel B). In contrast, the Cayman Islands stands out as the only jurisdiction out of the top eight havens in total abnormal deal value that has more deal volume for haven acquisitions than asset building (ranked eighth in Table 9, Panel A and fourth in Table 9, Panel B). An unreported analysis of the top transactions for the Cayman Islands reveals that this is driven by a large number of transactions and many acquirers. Similarly, no industry singularly dominates, though financial services and software/internet firms play an outsized role.[20]

Switzerland is ranked sixth for asset building but does not enter the top 10 for haven acquisitions. Asset building involving Swiss acquirers and US targets is, as mentioned earlier,

[20]For most firms, relocating to a tax haven is primarily driven by tax considerations. However, Chinese firms in a number of strategically important industries that wanted to open their equity to foreign investors in the past could use a complicated legal structure called "variable interest entity" (henceforth VIE) which, while not officially endorsed, was long tolerated by Chinese policymakers and regulators and widely used by Chinese firms. These VIEs involve issuing equity in non-mainland-China stock exchanges through a shell company that is usually incorporated in the Cayman Islands or sometimes the British Virgin Islands. One implication of the complicated legal structure of VIEs is that the tax residence of the global legal parent company is outside China. Some of the China-Cayman Islands (or reverse) cross-border M&A are thus very likely involving such VIE firms. For more detail on the economic implications of these VIE structures, see Coppola et al., 2021. For more detail on the tax and legal implications of VIEs, see Dienst (2012), Whitehill (2017), and Meier and Smith (2023).

the pair with the most abnormal deal value ($323 billion). This is larger than the aggregate abnormal deal value for Switzerland (see Table 6), implying that Switzerland has negative abnormal deal value with some countries. In particular, Switzerland has less cross-border deal value with Germany, Italy, and France than predicted by the gravity model based on the size of the economies involved, the high GNIPCs, and the common border shared between these countries and Switzerland. Australia is counter part number three for Switzerland in Panel A of Table 9. As discussed in the prior section, the Swiss-Australian deals are dominated by Swiss commodity trader and miner Xstrata and its successor Glencore acquiring Australian mining assets.

Hong Kong is seventh for asset building and sixth for haven purchases. As with most other havens, Hong Kong has more deal volume on the acquirer side than the target side. China is the top counterpart for Hong Kong for both types of transactions. Singapore is ranked second for asset building and eighth for haven acquisitions. For asset building, the United States dominates, while the three geographically close countries of Malaysia, China, and Thailand are the top country pairs for haven acquisitions.

6 Identification and Robustness

The findings so far suggest that cross-border M&A involving havens is primarily pursued for tax avoidance purposes. Next, we entertain alternative explanations. However, the number of possible alternative explanations for our results is limited, since such explanations would have to explain why, for instance, Bermuda and the United States have seen cross-border M&A deal value of $333 billion from 1990 to 2023 for reasons other than tax avoidance, which seems unlikely. Moreover, any alternative explanation also needs to address why we find an abnormal amount of cross-border M&A deals with haven countries on both the acquirer *and* target sides. Nevertheless, we take multiple approaches to address remaining concerns that cross-border M&A involving havens is motivated by other economic forces. We also provide evidence that the results in this paper survive a battery of robustness tests.

6.1 US Tax Law Change in 2004

To address alternative explanations, we use a change in US tax law that occurred as part of the American Jobs Creation Act (AJCA) of 2004. Prior to 2004, a US firm could undertake a "naked" inversion whereby it reincorporates in a foreign jurisdiction without having any significant operations there. Since 2004, a firm can move its incorporation outside of the US if (1) it has "substantial operations" in the country in which it seeks incorporation, or (2) in the case of a merger with a foreign firm, the US shareholders make up less than 80% of the combined firm (Marples and Gravelle, 2014). Initially, the IRS did not provide a precise definition of "substantial operations." However, a 2006 regulation defined the substantial operations threshold: this threshold is met if the firm has 10% of its employees, tangible assets, and sales in the foreign country in which it seeks incorporation (VanderWolk, 2010). Despite initial uncertainty surrounding the meaning of "substantial operations," it is clear that, post 2004, "[t]he act effectively ended shifts to tax havens where no real business activity took place" (Marples and Gravelle, 2014). The existence of these thresholds made inversions more difficult for US firms, since they now have to acquire larger or additional foreign firms if they want to invert as a result of cross-border M&A. Only large havens are likely to have a sufficient pool of such firms, so we predict that M&A volume with a US acquirer and a large-haven target will increase after the law change. The prediction for small havens, with their much smaller economies, is unclear. On the one hand, it could be that the few large firms in small havens are acquired by US firms, which would imply a positive effect for small havens. On the other hand, it could be that small-haven firms are not sufficiently large or numerous for US firms to pass the threshold, resulting in a decline in M&A volume for small havens due to a substitution effect at their expense in favor of large havens. We test the hypothesis using a triple differences-in-differences research design, as shown below:

$$Y_{ij,t} = \exp\left(\beta_0 + \boldsymbol{\kappa_{j,t}} + \beta_1 US_i \times LG_j \times Y04_t + \beta_2 US_i \times SM_j \times Y04_t + \boldsymbol{\delta'} \boldsymbol{D_{ij,t}} + \boldsymbol{\theta'} \boldsymbol{X_{ij,t}}\right) + \epsilon_{ij,t}, \tag{5}$$

where i indexes the acquirer countries, j the target countries, t the years, and $i \neq j$. The variables are defined as follows:

- $Y_{ij,t}$: aggregate M&A deal value with the acquirer in country i and the target in country j in year t
- $\boldsymbol{\kappa_{j,t}}$: target country $\times$ year fixed effects
- US_i: dummy that equals 1 if country i is the United States
- LG_j: dummy that equals 1 if country j is a large tax haven
- SM_j: dummy that equals 1 if country j is a small tax haven
- $Y04_t$: dummy that equals 1 if $t \geq 2004$
- $\boldsymbol{D_{ij,t}}$: all other main effects and double interactions involving US_i, LG_j, SM_j, and $Y04_t$ (except $LG_j \times SM_j$, which is always 0, and $Y04_t$, SM_j, LG_j, $SM_j \times Y04_t$, and $LG_j \times Y04_t$, which are absorbed by the fixed effects)
- $\boldsymbol{X_{ij,t}}$: time-varying acquirer-country controls

We include target country $\times$ year fixed effects to account for time-varying macroeconomic conditions in the target countries that would affect the attractiveness of the countries' firms/assets in M&A. As in Section 3.2, we estimate the model using Poisson pseudo-maximum-likelihood. The hypothesis implies that the triple interaction with the large-haven dummy is positive. We have no clear prediction for the sign of the small-haven triple interaction. Since the law was made effective on October 22, 2004, we define years in our data as beginning on October 22. That way, the $Y04_t$ dummy takes on the value 1 when the law is in effect.

The results are reported in column 1 of Table 10Table 10. The large-haven triple interaction is positive and significant, confirming our hypothesis. The small-haven triple interaction is insignificant. This result documents that a tax-law change in how easy it is for US firms to use cross-border, tax-haven M&A to invert out of the US results in a change in deal value consistent with tax avoidance motives driving cross-border, tax-haven M&A.

The AJCA also granted US firms access to a temporarily lower tax on repatriated earnings. Specifically, firms could access the lower tax rate "for either the taxpayer's last taxable

year which begins before October 22, 2004, or the taxpayer's first taxable year which begins during the one-year period beginning on October 22, 2004."[21] Thus, firms could potentially repatriate earnings at the reduced rate up to and including October 20, 2006. Given that foreign cash holdings can influence cross-border M&A (Edwards et al., 2016; Hanlon et al., 2015), we rerun the model excluding years 2004 and 2005 to rule out any impact the repatriation holiday might have. Since each year begins on October 22, we compare the post period beginning on October 22, 2006 to the pre-period ending on October 21, 2004. As indicated in column 2 of Table 10Table 10, the results are robust to the exclusion of these years.

6.2 Additional Alternative Explanations and Robustness Tests

The Role of Shell Companies. A concern is that the majority of haven entities in M&A are shell companies. This issue mainly affects haven purchases, and, to a lesser extent, asset building transactions. Since firms can easily set up shell companies themselves, it seems unlikely that they would spend $3,771 billion acquiring haven firms if they could obtain the same benefits by setting up a shell company. The mean deal value in a cross-border deal when the target is in a large (small) haven is $441 million ($467 million), so these cannot be small shell companies on average. For asset deals, the location of the target is the location reported in SDC, which is defined as the location of business activities. Asset deals with a haven target thus involve the acquisition of real haven operations. In the case of M&A transactions where the target is a standalone, haven-resident firm, one could still be concerned that the actual operations of the target might be shell-like, since it could be incorporated but not headquartered in a haven. (We are making the implicit assumption that a firm being headquartered in a haven is not a shell company.) Relatedly, one could be concerned that firms become tax resident in havens without having any real operations, such as their corporate headquarters, in the haven. They then make cross-border acquisitions, which would inflate the abnormal deal value associated with havens.

[21] "Domestic Reinvestment Plans and other Guidance under Section 965," *Internal Revenue Service*, January 13, 2005, https://www.irs.gov/pub/irs-drop/n-05-10.pdf (accessed August 29, 2025).

To address these concerns, we rerun all of the results by dropping acquirers and targets that are tax resident in a haven but not headquartered in a haven. The results are robust to this exclusion; total abnormal deal value falls from $4.6 to $3.8 trillion.

Intangible Assets in Tax Havens. One could be concerned that firms move intangible assets, such as intellectual property, to havens and then, potentially at a later point, sell them to other firms in cross-border deals. This would inflate abnormal deal value in havens without any associated real investment or real activity in havens. First, it should be noted that many transactions where intangible assets are sold are not covered by SDC, simply because SDC does not consider them an M&A transaction. This includes the sale of patents, film rights, awards of licenses or rights to operate, and the distribution rights from a manufacturer to a distributor. SDC only includes intangible asset deals involving the sale of pharmaceutical (if post-clinical trials) and other brand rights (Bollaert and Delanghe, 2015). Moreover, this concern only applies to asset deals and not transactions where an entire firm is sold. There are 4,067 cross-border asset deals[22] worth $1,467.9 billion where the target is in a haven, compared to $2.3 trillion where an entire haven resident firm is sold. We manually look through the largest of these asset deals and classify 331 deals worth $520.1 billion as not having an intangible target, and 8 deals worth $11.8 billion as having an intangible target. The remaining 3,728 deals worth $936.0 billion we either did not look into (3,701 deals), or, due to a lack of information, could not determine whether the target was an intangible asset (27 deals). To be conservative, we assume that all of these unclassified asset deals involve an intangible target, and rerun the results excluding such deals along with the 8 deals with a verified intangible target. The results are robust to this exclusion–total abnormal deal value falls from $4.6 to $3.6 trillion.

Are the Results Driven by a Single Tax Haven? One might be worried that the

[22]A deal is an asset deal if the target is not a standalone firm and there is no sell side PE involvement. A target is a standalone firm if it has the same CUSIP or the same SEDOL as its ultimate parent. A deal has sell side PE involvement if the seller is a private equity, venture capital, leveraged buyout, or infrastructure fund. In other words, asset deals are those where the target is selling something that is not itself in a strategic deal.

results are driven by a single tax haven. Table 6 can be used to illustrate the sensitivity of the results to individual tax havens. Column 2 of the table contains the abnormal deal value estimate of each haven, which shows how much each haven contributes to the $4.6 trillion in total abnormal deal value. The table illustrates that no single tax haven accounts for more than 26% of total abnormal deal value.

Secrecy and Anonymity Offered by Havens. Executives could defraud or steal from (minority) shareholders using the secrecy provided by havens (Bennedsen and Zeume, 2018; O'Donovan et al., 2019). But if executives seeking to defraud shareholders was the main motive in cross-border, haven M&A, the implied fraud and theft would be on such a massive scale—havens have $4.6 trillion in M&A deal value beyond what is predicted based on their economic fundamentals—that either haven M&A fraud and theft would regularly make the headlines, which is not the case, or there would be massive undiscovered amounts of fraud, which seems implausible.

Corporate Governance. One could be concerned that executives use haven M&A to enjoy the "quiet life," undisturbed by shareholders (Bertrand and Mullainathan, 2003), by exploiting the generally worse shareholder protection laws in havens compared to those of major economies such as the US or the UK. This is implausible. First, this concern only applies to haven purchases that result in an inversion of the acquirer to a tax-haven country, but not to the overwhelming majority of transactions in our sample which are asset building transactions or haven purchases that do not result in an inversion, since the corporate governance of the buyer will not change in these transactions. Second, if executives wanted to enjoy a "quiet life" through bad corporate governance that shields them from demanding shareholders, there are easier ways to do so, such as adopting staggered boards or poison pills, rather than engaging in cross-border, haven M&A (Gompers et al., 2003; Bebchuk and Cohen, 2003). Third, cross-border M&A involving havens such as Bermuda or Ireland implies the opposite of the "quiet life" hypothesis, since executives have to manage a more complex corporate organization and have to spend a substantial amount of time

interacting with tax lawyers and accountants to implement and operate these corporate structures.

Alternative Clustering. We double cluster standard errors in all gravity models at both the acquirer- and target-country-level since this generally results in the largest and thus most conservative standard errors. To document robustness, we replicate column 3 of Table 5 (also displayed in column 1 of Table 11, Panel A) using country-pair clustering and report the results in column 2 of Table 11 (Panel A). The haven coefficients remain statistically significant.

Additional Control Variables. We test the robustness of the gravity model results by including a number of additional variables to control for : (1) bilateral investment treaties (Bian et al., 2021) in column 3 of Table 11 (Panel A), (2) double tax treaties and exchange of information agreements from the Exchange of Information Database[23] in column 4 of Table 11 (Panel A); (3) a measure of corruption from the World Governance Indicators[24] in column 1 of Table 11 (Panel B); (4) whether the country has a UK legal origin (La Porta et al., 2008)[25] in column 2 of Table 11 (Panel B); (5) capital account openness (Chinn and Ito, 2006)[26] in column 3 of Table 11 (Panel B); (6) the acquirer country's imports and exports from the UN[27] in column 4 of Table 11 (Panel B). Table 11 indicates that our results are robust to all of these controls, neither the economic nor statistical significance of the haven dummies is affected much.

[23]Exchange of Information Database, January 1, 2019, https://eoi-tax.com/ (accessed January 1, 2019).

[24]"Worldwide Governance Indicators, 2024 Update," *World Bank*, www.govindicators.org (accessed February 13, 2025).

[25]Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, *The Economic Consequences of Legal Origins,* Dataset, Tuck School of Business at Dartmouth, https://faculty.tuck.dartmouth.edu/rafael-laporta/research-publications (accessed February 15, 2025).

[26]Menzie D. Chinn and Hiro Ito, *What Matters for Financial Development? Capital Controls, Institutions, and Interactions* Dataset, https://web.pdx.edu/~ito/Chinn-Ito_website.htm (accessed February 15, 2025).

[27]"UN Comtrade Database," *United Nations*, March 9, 2025, https://comtradeplus.un.org/ (accessed March 9, 2025).

7 Conclusion

Firms and individuals use tax havens to minimize their taxes, both in legal and illegal ways. Whether tax havens affect corporate control in the form of cross-border mergers and acquisitions (M&A), or are merely used as conduits between host and destination countries of (greenfield) foreign direct investment and portfolio investment is the research question that this paper answers.

We provide new stylized facts through the first comprehensive analysis of cross-border, tax-haven mergers and acquisitions (M&A). Using novel tax residence data, we document that firms spent $8.3 trillion on 20,360 cross-border, tax-haven M&A from 1990 to 2023. Using a gravity model research design, we classify 54.8%, or $4.6 trillion of this deal value as abnormal, or beyond what is predicted based on the economic fundamentals of these havens. 39.1% of this abnormal deal value from haven M&A involve small havens such as Bermuda and the Cayman Islands. Given these magnitudes, it is surprising that prior research on cross-border M&A generally omits M&A involving small havens from their samples.

We make three contributions to the literature. First, we add to a nascent literature on abnormal capital flows associated with havens by documenting that havens have $4.6 trillion in abnormal M&A deal value. Second, we contribute to the literature on the determinants of cross-border M&A by documenting that the tax savings provided by havens are a significant determinant of cross-border M&A. Third, we contribute to the literature on tax havens by documenting that havens affect the actual ownership of assets on a large scale and not just the ownership of assets "on paper."

The results in this paper are highly relevant for policy makers, as the recent OECD-led pact that aims to increase the effective tax rates paid by large multinationals shows.[28]

One question that might arise is why there are not even more tax haven M&A if they result in such large tax savings. First, the volume of cross-border M&A involving havens is,

[28]Financial Times (2021): "136 nations agree to biggest corporate tax deal in a century," October 8, https://www.ft.com/content/5dc4e2d5-d7bd-4000-bf94-088f17e21936 (accessed August 29, 2025).

by any metric, very large. Second, there are factors that might limit the ability of firms to engage in haven M&A, such as regulatory or national security based restrictions on cross-border M&A, execution risk inherent in complex transactions such as cross-border M&A (e.g., cultural differences or exchange rate risk), reputational concerns, or a lack of suitable takeover targets in haven jurisdictions. Providing quantitative evidence on this question appears like a fruitful avenue for future research.

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Table 1: Top Countries by Cross-Border M&A Deal Value

This table reports the aggregate cross-border M&A deal value from 1990 to 2023 of the top countries based on the tax residence of the acquirer (columns 1-2) and target (columns 3-4). *Deal Value* refers to total deal value in billions of inflation-adjusted 2023 dollars. Tax-haven jurisdictions are in bold.

Acquirer Country	Deal Value (bn $)	Target Country	Deal Value (bn $)
1. United States	6,041	United States	7,951
2. United Kingdom	3,927	United Kingdom	3,992
3. France	1,932	Germany	1,846
4. Germany	1,819	Canada	1,356
5. Canada	1,783	**Netherlands**	1,130
6. Japan	1,165	France	1,100
7. **Netherlands**	1,097	Australia	979
8. **Switzerland**	970	Italy	694
9. China	827	Spain	640
10. Spain	679	**Switzerland**	621
11. Australia	647	Sweden	541
12. **Singapore**	617	Brazil	432
13. Sweden	559	**Ireland**	431
14. **Ireland**	531	China	347
15. **Hong Kong**	522	**Hong Kong**	341
16. Italy	461	Japan	338
17. Belgium	429	Norway	300
18. **Luxembourg**	412	**Cayman Islands**	279
19. **Bermuda**	386	**Bermuda**	274
20. Norway	221	Belgium	261
21. India	190	**Singapore**	246
22. Israel	182	Denmark	222
23. **Cayman Islands**	181	India	211
24. Finland	169	Finland	187
25. Utd Arab Em	165	Mexico	183
26. Denmark	164	Russia	169
27. South Korea	153	South Korea	161
28. South Africa	147	Poland	161
29. Brazil	140	**Luxembourg**	159
30. Mexico	139	Israel	158

Table 2: M&A Summary Statistics

This table reports the total M&A deal value in billions of 2023 USD based on the tax residence of the acquirer/target and whether the deal is cross-border or intra-country.

	Acquirer	Target	
Cross-Border	\$22,942	\$24,349	
Intra-Country	\$45,505	\$45,505	Non-Haven
Ratio	0.50	0.54	
Cross-Border	\$3,737	\$2,768	
Intra-Country	\$1,279	\$1,279	Large Haven
Ratio	2.92	2.16	
Cross-Border	\$1,440	\$1,002	
Intra-Country	\$128	\$128	Small Haven
Ratio	11.22	7.81	

Table 3: Variable Definitions

This table defines the variables. See Section 2.2 for a complete list of sources. Country-level variables defined for the acquirer have an analogous definition for the target. M&A data is from SDC Platinum. Variables defined for small havens have analogous definitions for large havens. M&A dollar figures are inflation-adjusted to 2023.

Country-Pair-Level

Variable	Definition
$\mathbb{1}$(Colonial Relation)	Dummy that equals 1 if the acquirer and target countries have a past colonial relationship.
$\mathbb{1}$(Common Language)	Dummy that equals 1 if the acquirer and target countries have the same official language.
Distance	Geographic distance between each country's most populous city.
M&A Value	Aggregate M&A value at the country-pair level.
$\mathbb{1}$(Same Country)	Dummy that equals 1 if the acquirer and target countries were formerly part of the same country.

Country-Level

Variable	Definition
GNI	Gross National Income.
GNIPC	Gross National Income per capita.
$\mathbb{1}$(Haven Acquirer)	Dummy that equals 1 if the acquirer is in a tax haven.
$\mathbb{1}$(Lg Haven Acquirer)	Dummy that equals 1 if the acquirer is in a large tax haven (Hong Kong, Ireland, the Netherlands, Singapore, and Switzerland)
$\mathbb{1}$(Sm Haven Acquirer)	Dummy that equals 1 if the acquirer is in a small tax haven. Small havens include all havens per Dharmapala and Hines (2009) that we do not classify as large havens.
Tax Rate Differential	Difference between the statutory corporate income tax rates of the acquirer and target countries.
$\mathbb{1}$(US Acquirer)	Dummy that equals 1 if the acquirer is in the United States.
$\mathbb{1}$(Yr$\geq$ 2004)	Dummy that equals 1 if the year is 2004 or later.

Table 4: Gravity Model

This table documents the effect of tax havens on cross-border M&A deal value. Poisson pseudo-maximum-likelihood estimation is used on this country-pair-year-level panel. All variables are measured contemporaneously and are defined in Table 3. *Year FE* refers to year fixed effects. Standard errors are double clustered at the acquirer and target country level, and reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	Dep Var: M&A Value			
	(1)	(2)	(3)	(4)
𝟙(Haven Acquirer)	1.52***	1.49***	0.76***	0.75***
	(0.29)	(0.24)	(0.19)	(0.21)
𝟙(Haven Target)	1.16***	1.13***	0.53***	0.53**
	(0.22)	(0.21)	(0.20)	(0.21)
ln(Acquirer GNI)	1.05***	1.01***	0.83***	0.83***
	(0.05)	(0.03)	(0.04)	(0.04)
ln(Target GNI)	1.05***	1.01***	0.85***	0.85***
	(0.10)	(0.08)	(0.07)	(0.08)
ln(Distance)	-0.53***	-0.48***	-0.33***	-0.33***
	(0.04)	(0.06)	(0.06)	(0.06)
𝟙(Same Country)		-0.28	0.41	0.41
		(0.22)	(0.34)	(0.34)
𝟙(Common Language)		1.08***	0.99***	0.98***
		(0.18)	(0.17)	(0.17)
𝟙(Colonial Relation)		0.82***	0.62***	0.62***
		(0.12)	(0.11)	(0.11)
ln(Acquirer GNIPC)			0.72***	0.72***
			(0.14)	(0.14)
ln(Target GNIPC)			0.55***	0.55***
			(0.10)	(0.10)
Tax Rate Differential				-0.05
				(0.93)
Year FE	Yes	Yes	Yes	Yes
N	1,135,102	1,135,102	1,135,102	863,512
Pseudo R^2	0.684	0.719	0.746	0.738
Dep Var Mean	24.77	24.77	24.77	32.44

Table 5: Gravity Model - Small vs. Large Tax Havens

This table documents the effect of small and large tax havens on cross-border M&A deal value. Poisson pseudo-maximum-likelihood estimation is used on this country-pair-year-level panel. All variables are measured contemporaneously and are defined in Table 3. *Year FE* refers to year fixed effects. Standard errors are double clustered at the acquirer and target country level, and reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	Dep Var: M&A Value			
	(1)	(2)	(3)	(4)
𝟙(Sm Haven Acquirer)	3.03***	2.82***	1.83***	1.83***
	(0.31)	(0.33)	(0.23)	(0.23)
𝟙(Lg Haven Acquirer)	1.35***	1.35***	0.69***	0.68***
	(0.28)	(0.26)	(0.20)	(0.22)
𝟙(Sm Haven Target)	2.52***	2.29***	1.47***	1.48***
	(0.51)	(0.46)	(0.42)	(0.43)
𝟙(Lg Haven Target)	0.98***	0.97***	0.42**	0.42*
	(0.17)	(0.20)	(0.21)	(0.23)
ln(Acquirer GNI)	1.12***	1.08***	0.89***	0.89***
	(0.03)	(0.03)	(0.03)	(0.04)
ln(Target GNI)	1.10***	1.06***	0.90***	0.90***
	(0.10)	(0.07)	(0.07)	(0.07)
ln(Distance)	-0.57***	-0.50***	-0.34***	-0.35***
	(0.04)	(0.07)	(0.06)	(0.06)
𝟙(Same Country)		-0.31	0.33	0.33
		(0.21)	(0.32)	(0.32)
𝟙(Common Language)		1.07***	0.97***	0.96***
		(0.18)	(0.17)	(0.17)
𝟙(Colonial Relation)		0.78***	0.59***	0.59***
		(0.12)	(0.11)	(0.11)
ln(Acquirer GNIPC)			0.67***	0.68***
			(0.11)	(0.12)
ln(Target GNIPC)			0.52***	0.52***
			(0.10)	(0.10)
Tax Rate Differential				-0.11
				(0.90)
Year FE	Yes	Yes	Yes	Yes
N	1,135,102	1,135,102	1,135,102	863,512
Pseudo R^2	0.693	0.726	0.750	0.742
Dep Var Mean	24.77	24.77	24.77	32.44

Table 6: Abnormal M&A Deal Value Aggregated by Haven

This table compares abnormal to total deal value in tax havens. *Abnormal Deal Value* equals *Total Deal Value* minus the predicted M&A deal value had the country not been a tax haven using estimates from column 3 of Table 5. *Total Deal Value* is the total cross-border M&A deal value associated with the tax haven. For details on how *Abnormal Deal Value* and *Total Deal Value* are disaggregated by country, see Section 3.3. The Netherlands Antilles includes Curaçao and Sint Maarten after it was dissolved in 2010. Dollar figures are in billions of 2023 USD.

	Abnormal Deal Value	Total Deal Value	Abnormal/Total in %
Netherlands	1,173	2,126	55.2
Bermuda	590	620	95.2
Ireland	491	949	51.8
Singapore	479	777	61.7
Luxembourg	396	524	75.5
Hong Kong	383	761	50.4
Cayman Islands	373	389	96.1
Switzerland	258	1,538	16.8
British Virgin Islands	158	161	97.7
Cyprus	75	95	79.4
Netherlands Antilles	58	61	94.3
Jersey	44	75	59.0
Panama	25	40	62.0
Bahamas	17	38	44.5
Guernsey	16	27	60.0
All Other Tax Havens	33	160	20.4
Total	4,569	8,341	54.8

Table 7: Abnormal M&A Deal Value Aggregated by Deal Type

This table compares abnormal total deal value of asset building transactions and haven acquisitions for all tax havens as well as for small and large tax havens. *Abnormal Deal Value* equals *Total Deal Value* minus the predicted M&A deal value had the country not been a tax haven using estimates from column 3 of Table 5.

	Abnormal Deal Value	
Asset building - large haven	1,815	
Asset building - small haven	1,108	
Asset building (total)		2,923
Haven acquisitions - large haven	969	
Haven acquisitions - small haven	677	
Haven acquisitions (total)		1,646
Total		4,569

Table 8: Abnormal M&A Deal Value Aggregated by Non-Haven

This table reports the top non-haven countries when M&A deal value with a haven acquiror and non-haven target is aggregated at the target country-level (Panel A) and M&A deal value with a haven target and non-haven acquiror is aggregated at the acquiror-country level (Panel B). *Abnormal Deal Value* equals *Total Deal Value* minus the predicted M&A deal value using estimates from column 3 of Table 5. Dollar figures are in billions of 2023 USD.

Panel A: Non-Havens Targets

Target Country	Abnormal Deal Value	Total Deal Value
United States	1,620	2,088
United Kingdom	431	627
China	177	253
Australia	144	173
Russia	45	59
Canada	40	100
India	39	48
Brazil	37	48
France	31	213
Sweden	31	51

Panel B: Non-Havens Acquirors

Target Country	Abnormal Deal Value	Total Deal Value
United States	610	1,070
United Kingdom	312	501
China	279	335
Japan	84	190
Canada	56	113
Sweden	54	74
France	52	221
Malaysia	27	31
Australia	22	50
South Africa	18	21

Table 9: Abnormal M&A Deal Value Aggregated by Country-Pair

This table reports the top ten tax havens according to aggregate abnormal deal value on the acquirer (Panel A) and target (Panel B) sides. For each tax haven, the top three non-havens by bilateral abnormal deal value are displayed. *Abnormal Deal Value* equals *Total Deal Value* minus the predicted M&A deal value using estimates from column 3 of Table 5. The Netherlands Antilles includes Curaçao and Sint Maarten after it was dissolved in 2010. Dollar figures are in billions of 2023 USD.

Panel A: Asset Building: Haven Acquirer and Non-Haven Target

Haven Acquirer	Target Country	Abnormal Deal Value
Netherlands	United States	332
	United Kingdom	170
	Italy	22
Singapore	United States	203
	Australia	59
	China	22
Bermuda	United States	254
	United Kingdom	34
	France	8
Ireland	United States	282
	United Kingdom	15
	France	10
Luxembourg	United States	96
	France	31
	South Africa	23
Switzerland	United States	323
	United Kingdom	110
	Australia	21
Hong Kong	China	110
	Australia	36
	United Kingdom	30
Cayman Islands	China	50
	United States	19
	United Kingdom	15
British Virgin Islands	China	21
	United States	14
	Russia	7
Cyprus	Russia	38
	Poland	12
	Greece	4

Table 9: Abnormal M&A Deal Value Aggregated by Country-Pair (Continued)

Panel B: Haven Acquisitions: Non-Haven Acquirer and Haven Target

Haven Target	Acquirer Country	Abnormal Deal Value
Netherlands	United Kingdom	246
	United States	160
	France	78
Bermuda	United States	61
	United Kingdom	38
	France	31
Ireland	United States	157
	Japan	71
	Australia	5
Cayman Islands	United States	90
	China	72
	United Kingdom	11
Luxembourg	United States	42
	Germany	15
	United Kingdom	13
Hong Kong	China	95
	Sweden	9
	South Korea	5
British Virgin Islands	United States	19
	China	14
	Canada	2
Singapore	Malaysia	16
	China	11
	Thailand	11
Panama	Colombia	8
	Mexico	6
	United Kingdom	2
Bahamas	United Kingdom	3
	United States	3
	Canada	1

Table 10: Identification Using 2004 US Tax Law Change

This table tests whether US firms acquired more large-haven firms in response to a US tax-law change implemented on 10/22/2004 that made inversions more difficult. Poisson pseudo-maximum likelihood estimation is used on this country-pair-year-level panel. The first column is the main specification. The second column tests the robustness of the first by excluding the years 2004-2005, since the US implemented a repatriation tax holiday in 2004 that was effective during this time. All variables are measured contemporaneously and are defined in Table 3. *Dummies and Interactions* refers to all other combinations of main effects and interactions of the dummies shown in the table, consistent with a triple differences-in-differences research design. *Time-Varying Controls* includes GNI and GNI per capita of the acquirer country (the target country variables are absorbed by the fixed effects). *Year×Target Ctry FE* refers to fixed effects at the target-country-year level. For the purposes of this regression, calendar years have been replaced with "fiscal" years that begin on October 22 of each year. Standard errors are double clustered at the acquirer and target country level, and reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	Dep Var: M&A Value	
	(1)	(2)
$\mathbb{1}$(US Acquiror)×$\mathbb{1}$(Lg Haven Target)×$\mathbb{1}$(Yr≥ 2004)	0.67***	0.60***
	(0.17)	(0.18)
$\mathbb{1}$(US Acquiror)×$\mathbb{1}$(Sm Haven Target)×$\mathbb{1}$(Yr≥ 2004)	0.13	0.07
	(0.25)	(0.25)
Sample	All	Excl. 2004/05
Dummies and Interactions	Yes	Yes
Time-Varying Controls	Yes	Yes
Year×Target Ctry FE	Yes	Yes
N	623,120	580,733
Pseudo R^2	0.744	0.747
Dep Var Mean	4.81	4.79

Table 11: Gravity Model Robustness Tests

Panel A

This provides robustness checks for the results in Table 5. In Panel A column 1 our benchmark model (column 3 in Table 5) is displayed again for easier comparison. In column 2 clustered standard errors at the country-pair level are used. Column 3 includes the dummy variable *Bilateral Investment Treaty* that equals 1 if the country pair has a bilateral investment treaty at time t (Bian et al., 2021) as additional control. Column 4 includes the *Double Tax Treaty* and *EOI* dummies from the Exchange of Information Database (2019). In Panel B four sets of additional controls are included: column 1 *Control of Corruption* for acquirer and target country from the World Governance Indicators; column 2 dummies for whether an acquirer or target country has a *UK Legal Origin* from La Porta et al. (2008); column 3 *KAOPEN* to measure a country's capital account openness from (Chinn and Ito, 2006); column 4 the acquirer country's value of imports and exports of real goods and services from the UN. All models include the same controls as our benchmark model in column 3 of Table 5 as well as year fixed effects. Standard errors are clustered at the country-pair level (Ctry-Pair) or double-clustered at the acquirer- and target-country level (Two-way), and are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	Dep Var: M&A Value			
	(1)	(2)	(3)	(4)
𝟙(Sm Haven Acquirer)	1.83***	1.83***	1.81***	1.79***
	(0.23)	(0.21)	(0.23)	(0.23)
𝟙(Lg Haven Acquirer)	0.69***	0.69***	0.71***	0.74***
	(0.20)	(0.18)	(0.19)	(0.19)
𝟙(Sm Haven Target)	1.47***	1.47***	1.46***	1.45***
	(0.42)	(0.21)	(0.41)	(0.41)
𝟙(Lg Haven Target)	0.42**	0.42***	0.45**	0.45***
	(0.21)	(0.16)	(0.20)	(0.17)
𝟙(Bilateral Investment Treaty)			-0.47***	
			(0.13)	
𝟙(Double Tax Treaty)				-0.02
				(0.22)
𝟙(On Request EOI)				0.34
				(0.21)
𝟙(Automatic EOI)				0.56**
				(0.26)
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Clustering	Two-way	Ctry-Pair	Two-way	Two-way
N	1,135,102	1,135,102	1,135,102	1,135,102
Pseudo R^2	0.750	0.750	0.752	0.753
Dep Var Mean	24.77	24.77	24.77	24.77

Table 11: Gravity Model Robustness Tests (continued)

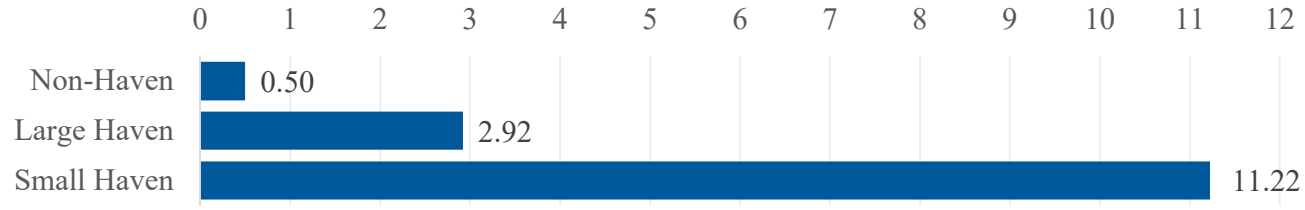
Panel B

	Dep Var: M&A Value			
	(1)	(2)	(3)	(4)
𝟙(Sm Haven Acquirer)	2.16***	1.75***	1.60***	2.01***
	(0.24)	(0.28)	(0.22)	(0.24)
𝟙(Lg Haven Acquirer)	0.60***	0.72***	0.72***	0.59***
	(0.18)	(0.20)	(0.21)	(0.17)
𝟙(Sm Haven Target)	1.62***	1.29***	0.81***	1.55***
	(0.42)	(0.37)	(0.30)	(0.42)
𝟙(Lg Haven Target)	0.35**	0.45**	0.53***	0.33
	(0.17)	(0.19)	(0.19)	(0.21)
Acquirer Control of Corruption	0.57***			
	(0.14)			
Target Control of Corruption	0.41***			
	(0.13)			
𝟙(Acquirer UK Legal Origin)		0.58***		
		(0.19)		
𝟙(Target UK Legal Origin)		0.80***		
		(0.17)		
ln(Acquirer KAOPEN)			0.72	
			(0.51)	
ln(Target KAOPEN)			1.23*	
			(0.70)	
ln(Acquirer Exports)				0.12*
				(0.06)
ln(Acquirer Imports)				0.04
				(0.08)
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Clustering	Two-way	Two-way	Two-way	Two-way
N	1,051,804	940,908	769,692	652,662
Pseudo R^2	0.760	0.764	0.767	0.738
Dep Var Mean	26.50	29.51	32.80	42.27

Figure 1: Ratio of Cross-Border to Intra-Country M&A Deal Value

These figures plots the ratio of cross-border to intra-country M&A deal value.

Panel A: Based on Acquirer Location



Panel B: Based on Target Location

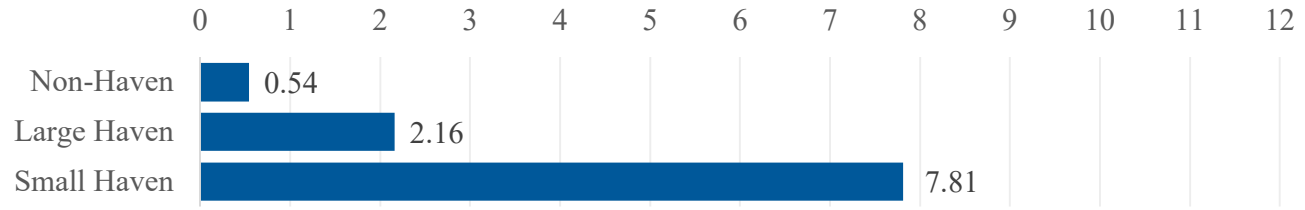
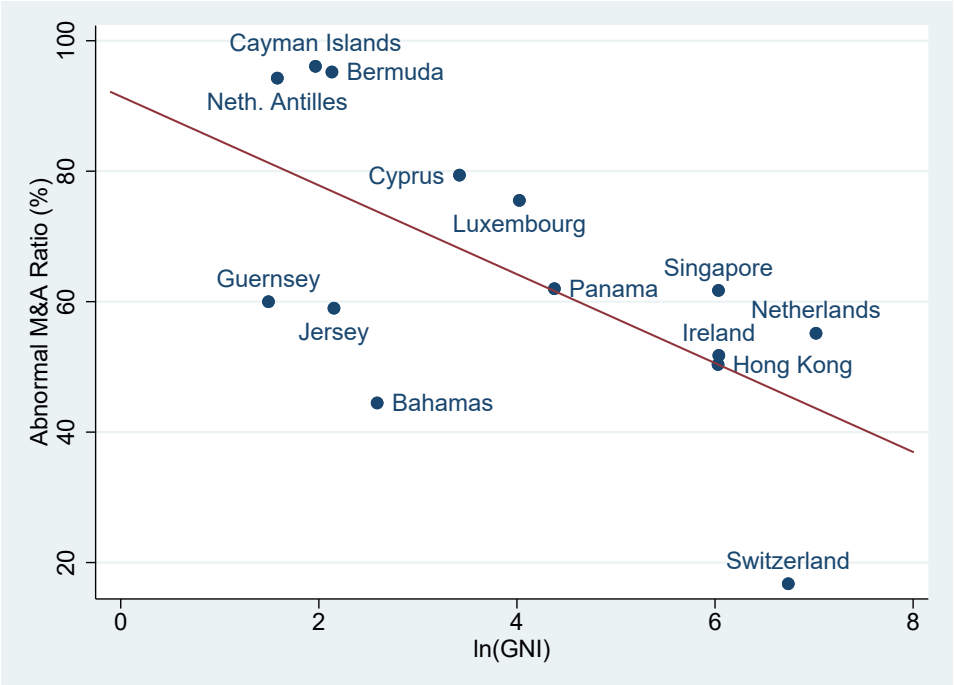


Figure 2: Abnormal to Total M&A Deal Value vs GNI

This figure compares the ratio of abnormal to total M&A deal value with ln(GNI) (in billions) for the havens listed in Table 6. *BVI* refers to the British Virgin Islands.



For Online Publication: Appendix

"The Outsized Role of Tax Havens in Mergers and Acquisitions"

A Country-Level Data Notes

A.1 Accounting for Missing Data

Gibraltar. We obtain GDP and GDP per capita from the government's website.[29] Since Gibraltar's fiscal year ends on June 30, we denote GDP for the year ending June 30 as actually ending 6 months later, on December 31. The data is available from 2005-2023. Since the Gibraltar Pound is pegged 1-1 with the British Pound, we convert it to US dollars using the GBR-to-USD exchange rate as of June 30 each year.

Guernsey and Jersey. We obtain GDP data from three sources. First, the WDI provides GDP and GDP per capita for the Channel Islands, without separately listing Guernsey and Jersey, from 1998-2023. Second, we obtain gross value added (GVA) from 1998-2023[30] and GVA per capita from 2001-2023[31] for Jersey from the government of Jersey's website. We use GVA as a proxy for GDP for Jersey since it covers more years and is very similar to GDP for the years when both are available. For Guernsey, we obtain 2009-2015 GDP data in 2018 GBR[32] and 2013-2023 GDP data in 2023 GBR[33] from the government of Guernsey's website. We convert the 2009-2012 data from 2018 GBR to 2023 GBR by using the average difference between GDP in 2018 GBR and GDP in 2023 GBR during the period of overlap

[29] "National Income 2009/10 - 2023/24," *HM Government of Gibraltar*, July 1, 2024, https://www.gibraltar.gov.gi/uploads/statistics/2024/National%20Income/2024.01.02%20Revised%202024.07.01%20National%20Income%20for%20Website%20BB24.png (accessed October 10, 2025); "Abstract of Statistics 2016," *HM Government of Gibraltar*, July 1, 2024, "Table 9.01 National Income 2004/05 - 2016/17," https://www.gibraltar.gov.gi/uploads/statistics/2019/Reports/Abstract%20of%20Statistics%202016%20whole%20report.pdf p. 76, (accessed October 10, 2025).

[30] "GVA (Basic) in Real Terms, Shown in Constant 2023 Values," *Government of Jersey*, https://opendata.gov.je/dataset/national-accounts/resource/e3d804da-117c-49dc-8482-3462cbd243d9 (accessed February 13, 2025).

[31] "GVA (Basic) Per Head of Population (Per Capita) in Real Terms, Shown in Constant 2023 Values," *Government of Jersey*, https://opendata.gov.je/dataset/national-accounts/resource/06c3bf43-7400-417e-8538-36a1d9605ba4 (accessed February 13, 2025).

[32] "Guernsey Annual GVA and GDP Bulletin, 2018," *States of Guernsey*, August 15, 2019, "Table 2.1.1 GDP Market"; "Table 2.2.1 GDP Per Capita," https://gov.gg/CHttpHandler.ashx?id=120674&p=0 (accessed February 13, 2025).

[33] "Guernsey Annual GVA and GDP Bulletin, 2023," *States of Guernsey*, September 24, 2024, "Table 2.1.1 GDP"; "Table 2.2.1 GDP Per Capita," https://www.gov.gg/CHttpHandler.ashx?id=182351&p=0 (accessed February 13, 2025).

from 2013-2015. We then convert this to US Dollars using the GBR-to-USD exchange rate on December 31, 2023. We are left with Guernsey GDP and GDP per capita data from 2009-2023, Jersey GVA data from 1998-2023, and Jersey GVA per capita data from 2001-2023. Next, we fill in missing Jersey population data from 1998-1999, and Guernsey GDP and population data from 1998-2007 using the WDI Channel Islands data. Using data from 2009-2023, we take the average share of Channel Islands GDP and population for Jersey and Guernsey. We then use these shares to disaggregate the Channel Islands data into data for Jersey and Guernsey.

Since Jersey and Guernsey are not in the CEPII GeoDist Database, we gather the necessary data from additional sources. First, we need the bilateral geographic distance between the most populous cities in Jersey and Guernsey, and those for the remaining countries. We use the distances between the UK and all other countries as an approximation since London is close to the most populous cities of Jersey and Guernsey. We manually fill in the distance between Jersey and Guernsey, which is 43.3 km. Next, we need the official language(s) of each of these countries. Based on information from Encyclopædia Britannica, the official language of Guernsey is English,[34] and the official languages of Jersey are English and French.[35] Based on the definition of the same country dummy, Jersey and Guernsey were never part of another country. Lastly, the colonial relation dummy should equal 1 only when Jersey or Guernsey are paired with the UK.

Luxembourg. The capital account openness measure (KAOPEN) used in Table 11 from Chinn and Ito (2006) is missing for Luxembourg. We replace the missing Luxembourg values with those of Belgium given their longstanding economic union.[36] Since KAOPEN is similarly high across all founding EU countries, we would have obtained similar results if we had instead used the values from France, Germany, or the Netherlands for Luxembourg.

References Appendix

Chinn, M. D. and H. Ito (2006). What Matters for Financial Development? Capital Controls, Institutions, and Interactions. *Journal of Development Economics 81*(1), 163–192.

[34] "Guernsey," *Encyclopædia Britannica*, August 12, 2020, https://www.britannica.com/place/Guernsey-island-and-bailiwick-Channel-Islands-English-Channel (accessed August 12, 2020).

[35] "Jersey," *Encyclopædia Britannica*, August 12, 2020, https://www.britannica.com/place/Jersey-island-Channel-Islands-English-Channel (accessed August 12, 2020).

[36] "The Benelux Economic Union," *Encyclopædia Britannica*, October 9, 2020, https://www.britannica.com/topic/international-trade/The-Benelux-Economic-Union (accessed October 9, 2020).

B Additional Results

Table C1: Additional M&A Summary Statistics

This table reports additional M&A summary statistics based on the location of the acquirer/target and whether the deal is cross-border or intra-country.

Panel A: Number of Deals

	Acquirer	Target	
Cross-Border	61,776	67,141	
Intra-Country	164,763	164,763	Non-Haven
Ratio	0.37	0.41	
Cross-Border	9,740	6,281	
Intra-Country	6,103	6,103	Large Haven
Ratio	1.60	1.03	
Cross-Border	4,051	2,145	
Intra-Country	426	426	Small Haven
Ratio	9.51	5.04	

Panel B: Mean Deal Value (Millions of 2023 USD)

	Acquirer	Target	
Cross-Border	$371	$363	Non-Haven
Intra-Country	$276	$276	
Cross-Border	$384	$441	Large Haven
Intra-Country	$210	$210	
Cross-Border	$356	$467	Small Haven
Intra-Country	$301	$301	

Panel C: Median Deal Value (Millions of 2023 USD)

	Acquirer	Target	
Cross-Border	$44	$44	Non-Haven
Intra-Country	$26	$26	
Cross-Border	$45	$44	Large Haven
Intra-Country	$20	$20	
Cross-Border	$51	$65	Small Haven
Intra-Country	$39	$39	

C Examples of Cross-Border, Haven M&A

C.1 Haven Purchases

The table below reports a selection of large haven purchases. For asset deals, the target location reported in SDC is the location of economic activity, which we equate with the headquarters. The incorporation is listed as *Unknown* in cases where it is missing for a standalone firm, which most commonly occurs when the firm is private. *Value* refers to the raw (not inflation adjusted) deal value in millions of USD.

Table C2: Haven Purchases Examples

Company Name	Headquarters	Incorporation	Residence	Year	Value
Acquirer: Bayer AG	Germany	Germany	Germany	2005	$2,961
A pharmaceutical and chemical company.					
Target: Roche Consumer Health	Switzerland	Asset Deal	Switzerland		
The non-prescription drug division of Roche, a multinational pharmaceutical and healthcare company based in Switzerland. It owns over-the-counter medicine brands and five manufacturing sites.					
Acquirer: Deutsche Bank	Germany	Germany	Germany	2010	$1,914
A financial services company.					
Target: Sal. Oppenheim	Luxembourg	Unknown	Luxembourg		
A bank that provided wealth management services for the wealthy. It was founded in Germany, but moved its headquarters to Luxembourg in 2007.					
Acquirer: Eaton Corp	United States	United States	United States	2012	$11,461
A diversified industrial manufacturer.					
Target: Cooper Industries Plc	Ireland	Ireland	Ireland		
An electrical equipment supplier.					
Notes: *Combined firm renamed Eaton Corp Plc, with headquarters and incorporation in Ireland.*					

Table C2: Haven Purchases Examples (Continued)

Company Name	Headquarters	Incorporation	Residence	Year	Value
Acquirer: Exor SpA	Italy	Italy	Italy	2016	$6,715
An Agnelli Family holding company, with stakes in Fiat Chrysler, CNH Industrial, and Cushman & Wakefield.					
Target: PartnerRe	Bermuda	Bermuda	Bermuda		
A global reinsurer.					
Acquirer: Exxon Mobil	United States	United States	United States	2017	$3,952
An international oil and gas company, and one of the largest refiners in the world.					
Target: InterOil Corporation	Singapore	Canada	Singapore		
An oil exploration and production company with operations in Papua New Guinea.					
Acquirer: Giovanni Agnelli & C.	Italy	Unknown	Italy	1999	$1,649
A trust of the Agnelli family.					
Target: Exor Group	Luxembourg	Unknown	Luxembourg		
A holding company. Its assets included 19% of Club Mediterranee, 20.5% of Rockefeller Center Properties Inc., and 75% of Chateaux Margaux at the time of the deal. Subsequently known as Exor SpA.					
Acquirer: Global Marine Inc	United States	United States	United States	2001	$4,044
An offshore drilling contractor with a fleet of 33 offshore drilling rigs worldwide.					
Target: Santa Fe International Corp	United States	Cayman Islands	Cayman Islands		
An offshore and land contract driller of oil and natural gas, with a fleet of 26 marine and 31 land drilling rigs.					
Notes: *The surviving entity was named GlobalSantaFe Corp, and was headquartered in the US, incorporated in the Cayman Islands, and tax resident in the Cayman Islands.*					
Acquirer: Pinault-Printemps-Redoute	France	France	France	2004	$5,964
A luxury goods company.					
Target: Gucci Group NV	Netherlands	Netherlands	Netherlands		
A luxury fashion company.					

C.2 Asset Building

The table below reports a selection of large asset building deals. For asset deals, the target location reported in SDC is the location of economic activity, which we equate with the headquarters. The incorporation is listed as *Unknown* in cases where it is missing for a standalone firm, which most commonly occurs when the firm is private. *Year* refers to the year the deal was completed. *Value* refers to the raw (not inflation adjusted) deal value in millions of USD.

Table C3: Asset Building Examples

Actavis Plc (now Allergan Plc): A pharmaceutical company that relocated their headquarters and incorporation from the US to Ireland in 2013. After merging with Allergan Inc, the combined entity was called Allergan Plc.

Target Name	Headquarters	Incorporation	Residence	Year	Value
Forest Laboratories Inc	United States	United States	United States	2014	$25,440
A pharmaceutical company that marketed branded drugs including treatments for gastrointestinal and respiratory ailments.					
Allergan Inc	United States	United States	United States	2015	$68,445
A pharmaceutical company and the maker of Botox.					

Arcelor SA (now ArcelorMittal): A Luxembourg tax resident and one of the largest producers of steel in the world. After merging with Mittal Steel Company NV in 2006, the combined entity was called ArcelorMittal.

Target Name	Headquarters	Incorporation	Residence	Year	Value
Dofasco Inc	Canada	Canada	Canada	2006	$4,807
A steel producer based in Canada.					
Coal Mines	Russia	Asset Deal	Russia	2008	$720
Mines and associated coal deposit mining rights were acquired from Severstal, a Russian steel and mining company.					
Unicon	Venezuela	Unknown	Venezuela	2008	$350
A manufacturer of welded steel pipes in Venezuela.					

Table C3: Asset Building Examples (Continued)

Bacardi Limited: One of the largest spirits companies in the world. It is headquartered and incorporated in Bermuda.

Target Name	Headquarters	Incorporation	Residence	Year	Value
General Beverage Corp	Italy	Unknown	Italy	1992	$1,500
A holding company and owner of Martini & Rossi, a vermouth and wine company based in Italy.					
Dewar's Scotch and Bombay Gin	United Kingdom	Asset Deal	United Kingdom	1998	$1,935
Acquired from Diago, a UK-based spirits company.					

Glencore Plc: A commodity trader and miner headquartered in Switzerland, incorporated in Jersey, and tax resident in Switzerland.

Target Name	Headquarters	Incorporation	Residence	Year	Value
Manganese Ferroalloys Operations	France	Asset Deal	France	2012	$160
The Manganese Ferroalloys Operations of Vale SA, a Brazilian mining company, were acquired. These operations were located in France and Norway.					
Viterra Inc	Canada	Canada	Canada	2012	$6,089
An agribusiness and one of the largest grain handlers in Canada.					
Caracal Energy Inc	Canada	Canada	Canada	2014	$1,349
An oil company that operated in Chad and had a production capacity of 25,100 barrels of oil per day.					
TRT-ETGO Du Québec Inc	Canada	Unknown	Canada	2015	$143
Operated an oilseed processing plant in Québec, the largest of its kind in eastern Canada.					