

The Outsized Role of Tax Havens in Mergers and Acquisitions^{*}

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Abstract

Using two novel datasets and a more comprehensive sample, we document a new stylized fact: tax havens play a major role in mergers and acquisitions (M&A). Cross-border M&A involving either an acquiror or a target from a haven accounts for 29.7% of cross-border M&A volume, or 11.1% of all M&A activity. We investigate 20,360 such transactions from 1990 to 2023, valued at \$8.3 trillion. \$4.6 of the \$8.3 trillion is classified as “abnormal” based on a gravity model with economic fundamentals. Small havens (e.g., Bermuda, the Cayman Islands) alone account for \$2.4 trillion, or 8.5% of cross-border M&A volume.

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

JEL classification: F21, G34, H73.

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1 Introduction

Nearly every week, M&A deals are making the headlines in the *Wall Street Journal* and the *Financial Times*. From 1990 to 2023, M&A deals worth \$74.9 trillion occurred, of which \$28.1 trillion were cross-border transactions. These dollar figures were the result of 246,000 M&A transactions, of which 75,600 were cross-border. The conventional wisdom on M&A and tax havens is that havens matter very little for M&A, with at best a couple of hundred so-called M&A inversions at the intersection of M&A and tax havens (for surveys of the literature on international M&A, see Erel et al. (2024) and Ahern (2025)). Existing research establishes that international taxation affects the direction and volume of cross-border M&A (Huizinga and Voget, 2009), while research on corporate inversions highlights both tax incentives and governance considerations in firms' corporate domicile choices (Col et al., 2020). These findings motivate a broader quantitative question: How important are tax havens as acquirer and target jurisdictions in the global M&A market, beyond transactions associated with corporate inversions?

We document a new stylized fact that overturns this conventional wisdom: tax havens play a first-order role in cross-border M&A. Using two novel datasets and a more comprehensive sample, we analyze 20,360 cross-border M&A transactions from 1990 to 2023, totaling \$8.3 trillion in deal value, in which the acquirer or target resides in a tax haven. When weighted by deal value (equally weighted), a haven is involved in 29.7% (26.9%) of cross-border M&A deals, or 11.1% (8.3%) of all M&A deals. Small havens such as Bermuda or the Cayman Islands alone constitute \$2.4 trillion or 8.5% of cross-border M&A volume, or 3.2% of all M&A deals. For comparison, the average share of (small) tax havens of worldwide GNI and population over the 1990-2023 sample period are 3.6% and 1.0%, respectively (for small havens: 0.5% and 0.4%). Thus, havens clearly punch above their weight with regards to (cross-border) M&A.

In contrast to prior work, we apply almost no data filters. In particular, the vast majority of the M&A literature removes M&A deals involving (very) small countries, likely under

the (implicit) assumption that these countries do not matter for M&A. Crucially, this also eliminates small tax havens such as Bermuda or the Cayman Islands.

We use two new datasets. First, we use novel tax-residence data that allow for a more precise measurement of a firm’s tax residence. Second, we use historical data on firms’ incorporation and headquarters location for firms filing with the U.S. Securities and Exchange Commission (SEC). Compustat North America overwrites firms’ historical incorporation and headquarters information.¹ We use the historical headquarters location from Duchin et al. (2026) and Duchin and Sosyura (2026), which covers about half of our North America firm sample. We collect all historical incorporation data for all firms that file with the SEC. We do the same for the headquarters data not in the sample of Duchin et al. (2026) and Duchin and Sosyura (2026). We will make our data publicly available (our data also captures within US relocations since we collect address information to the street level).

Summary statistics alone suggest that the magnitude of cross-border M&A involving tax havens is strikingly large. 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). As acquirers, 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 follow an approach similar to Hines and Rice (1994) and 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). The ratio of cross-border to domestic M&A deal value is 1:2 when no haven is involved. For deals with large-haven acquirers, this ratio is 3:1, and for deals with small-haven acquirers, it is 12:1. Thus, tax havens attract significantly more cross-border M&A activity than non-haven countries.

To formally quantify the extent to which cross-border M&A activity in havens is “abnor-

¹Compustat Snapshot in theory provides historical location data. In practice however, compared to our data, Compustat Snapshot only provides half the actual location changes.

mal,” we estimate a gravity model following Portes and Rey (2005) and Silva and Tenreyro (2006). 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 that features heteroskedasticity, some large and many small countries, and many observations for which the dependent variable equals zero. The dependent variable is the M&A deal value at the acquirer country $\times$ target country $\times$ 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 apply the aforementioned distinction between large and small havens. We prefer this specification, 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. 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.

We also aggregate the abnormal, haven M&A by the non-havens involved. The United States (US) is the top non-haven by abnormal deal value with havens, followed by the United Kingdom (UK) and China. 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 cross-border M&A, but has rather few M&As with havens.

Next, we examine abnormal deal value at the country-pair level, distinguishing between pairs where a haven is on the acquirer (“asset building”) or target (“haven purchase”) side. This level of aggregation sheds light on whether some havens are more frequently on the acquirer or target side and whether some havens “specialize” in particular non-haven jurisdictions. There are 12 country-pairs with more than \$100 billion in abnormal deal value, with

all but one involving either the US or the UK. Except for the Cayman Islands, all important havens have much more abnormal deal value as acquirers than as targets. Switzerland is the exact opposite—a large amount of abnormal M&A activity as an acquirer but not as a target. The fact that Switzerland has negative abnormal deal value with its neighboring countries Germany, Italy, and France highlights that positive abnormal deal values are not mechanically driven by some observables such as economic size or distance.

How does tax-haven M&A lead to tax savings? A firm in a tax haven has an incentive to acquire firms in non-havens to scale up the asset base exposed to the lower tax rate (asset building). 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. In contrast, 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 for a haven purchase is the \$74 billion acquisition of Allergan by AbbVie in 2019. This US-Irish healthcare transaction is one of the many haven purchases (some of which are inversions, a subset of haven purchases) and asset building transactions between Irish and US healthcare firms that contributed to many “US” healthcare firms booking most of their profits in Ireland, despite the United States being by a large margin the most important healthcare market for these firms. The resulting tax avoidance and profit shifting has substantially distorted US-Ireland and even US-EU trade balances, which caught President Trump’s attention, who in the summer of 2025 has singled out Ireland (and the EU) as a potential target of punitive pharma tariffs.²

²“How Ireland became the Saudi Arabia of siphoned-off global profits,” *The Economist*, June 12, 2025, (retrieved from Factiva database); Jude Webber, “Trump tariffs bring furrowed brows to Ireland’s Botox

Next, we investigate which observable tax characteristics are associated with cross-border M&A deal value. Corporate capital gains tax differentials are negatively associated with deal value, while the presence of an estate tax in the target country is positively associated with it. Deal value also varies across worldwide and territorial tax-system combinations. The haven coefficients remain positive after adding these controls, although their magnitudes and statistical significance vary across specifications. These results suggest that the observed tax characteristics do not fully account for the association between haven status and cross-border M&A. The reason likely is that tax rates and observable features of tax systems are not perfect proxies 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.

In addition, 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. A defining feature of tax havens is that they enable the bypassing of laws in other countries—whether tax or non-tax laws. Moreover, the laws and regulations in tax havens are often written with the intent of enabling the avoidance of laws in other countries. Thus, we are agnostic whether haven M&A is driven by the circumvention of tax laws or other laws, as long as this circumventing behavior is inherent to the nature of havens.

In order to reduce the set of alternative explanations, 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

town,” *Financial Times*, April 18, 2025, <https://www.ft.com/content/c31b4eab-673e-4106-b29d-8efa7238b3e4> (accessed August 28, 2025).

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 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 battery of robustness tests, where we show that the gravity model results hold for different controls (e.g., control of corruption) 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 might no longer be NPV positive). Our abnormal deal value estimates are thus capturing the dollar amount of deals that is attributable to a country being a tax haven, independently of a deal being “strategic” or not. Relatedly, since we break out the abnormal M&A activity by haven, we also provide transparency how much each haven contributes to the results. We show that not a single tax haven is dominating our results. Instead, a sizable number of small and large havens have economically significant abnormal deal volumes.

We contribute to three different literatures. First, 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). An important strand of this literature examines how tax incentives shape international corporate ownership and acquisition decisions. Huizinga and Voget (2009) show that international double taxation affects the parent-subsidiary structure and the direction and volume of cross-border M&A. Huizinga et al. (2018) show that shareholder-level capital gains taxation is reflected in takeover premiums in cash-financed cross-border acquisitions

and influences the choice between cash and equity payment. Col et al. (2020) document that corporate inversions reflect both tax incentives and governance considerations. Babkin et al. (2017) develop and calibrate a model showing that shareholder-level capital gains tax costs can outweigh the corporate tax benefits of US inversions for some investors, creating conflicts among shareholders with different tax characteristics.

We complement these studies by quantifying the global scale and geographical distribution of cross-border M&A involving tax-haven acquirers and targets. We document that the tax savings provided by havens are a first order determinant of cross-border M&A. Combining novel tax-residence data with historical incorporation and headquarters information and broad jurisdictional coverage, we examine haven M&A beyond corporate inversions. This includes asset building by firms already resident in havens and purchases of haven-resident targets that do not require the acquirer to relocate its tax residence. With the exception of Di Giovanni (2005), the cross-border M&A literature excludes 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. Our findings establish the quantitative importance of tax havens in the international market for corporate control.

Second, 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. First, M&A is different from other capital flows because corporate control of existing firms changes. Second, the geographical patterns of the involvement of tax havens in cross-border M&A is different from the role tax havens play for other capital flows. For M&A, tax havens provide firms with a haven tax residence on one side of the deal. On the other side of the deal are predominantly firms from developed economies, especially the US and the UK. In the case of portfolio investment (Bertaut et al., 2018; Coppola et al., 2021), tax havens are more of an intermediary that allows firms from emerging economies to raise money from investors in

developed economies.

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, Col and Errunza (2022) and 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. 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 (2025) question this figure.

2 Institutional Details

A defining feature of tax havens is that they enable firms to circumvent laws in other countries—whether those laws are tax-related or not. We are agnostic as to whether the haven M&A we document is driven by the avoidance of tax or non-tax laws. We distinguish between asset building, when the acquirer resides in a haven, and haven purchases, when the target resides in a haven.³ This distinction captures the direction of the ownership change, which is positively (but not perfectly) correlated with the tax and non-tax benefits available to firms engaging in haven M&A.

³See Online Appendix Table C.1 for examples of haven purchases and Online Appendix Table C.2 for examples of asset building deals.

2.1 Tax Benefits of Haven M&A

2.1.1 Haven Purchases

For US firms (non-US firms), Meier et al. (2025) find that a haven purchase results in a 3.80 (1.65) percentage point drop in the cash effective tax rate. These estimates are calculated by identifying incremental tax savings that accrue to the acquirer’s global legal parent (GLP) following haven purchases and include savings resulting from profit shifting.

Firms resident in countries with territorial tax systems and worldwide tax systems⁴ have incentives to engage in haven purchases. For firms in territorial countries, haven purchases facilitate profit shifting, allowing firms to book profits in lower-tax countries and thereby reduce their tax bill (Langenmayr and Liu, 2023). For firms in countries with worldwide systems, haven purchases similarly facilitate the booking of profits in havens while allowing home-country taxation of foreign subsidiary earnings to be deferred until repatriation. This deferral is often subject to controlled foreign corporation (CFC) and other anti-deferral rules that require certain categories of foreign income to be included currently in the home-country tax base (OECD, 2015). Nevertheless, the value of deferral can be substantial when foreign earnings are retained and reinvested abroad for extended periods.

2.1.2 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 three 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

⁴Throughout the paper, we use “worldwide systems” to include tax systems that permit deferral of home-country taxation on certain foreign subsidiary earnings until repatriation, such as the pre-2018 U.S. system.

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. Third, the tax residence of the parent firm matters for the future capital gains taxation if the acquired assets might be sold at a future date. Low or no capital gains taxes for the acquirer firm and high(er) capital gains taxes in the country of the target firm thus provide an incentive for asset building transactions, especially since, at least from a tax perspective, some of the asset base—in particular intangible assets, can be moved out of the target country to the acquirer country, lowering the bite of future capital gains taxes in the target country.

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.

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 Online Appendix Table 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 1997⁵ and Aptiv moved from the UK to Ireland in 2018.⁶ If a firm moves its

⁵Frontline 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/00000913290/0000091957411002596/d1184224_20-f.htm (accessed August 28, 2025).

⁶Aptiv PLC, *Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2018* (filed May

tax residence to a haven as direct part of a haven acquisition (instead of in a distinct later move), this falls into the extreme end of haven purchases, the so-called (M&A) inversions. These inversions constitute a few hundred transactions in our sample and thus only a small minority of our sample. In particular, in these haven purchase the acquirer relocates its tax residence into the target firm’s nation as a consequence of the transaction.

2.1.3 Intermediate Holding Companies and Private Equity Vehicles

Following Meier and Smith (2025), we define the locations of the acquirer and target in M&A based on the tax residence of the relevant global legal parent (GLP) ⁷ rather than the jurisdiction in which an intermediate acquisition vehicle is legally incorporated. As a result, transactions routed through shell companies or special-purpose vehicles in tax havens are not mechanically classified as haven deals. This distinction is particularly important for private equity transactions. For example, suppose a U.S. private equity firm acquires a German mechanical engineering company through a shell company incorporated in the British Channel Islands, potentially to obtain tax benefits at the level of the investment fund. The presence of the Channel Islands vehicle would not, by itself, cause us to classify the transaction as haven M&A. Instead, on the acquirer side, our classification reflects the tax residence of the private equity firm’s GLP, and on the target side, the tax residence of the German firm’s GLP.

2.2 Other Benefits of Haven M&A

The tax advantages of haven M&A discussed above are at the level of a firm doing the asset building or haven purchases (saving corporate income tax, corporate capital gains tax) or the shareholders of these firms (saving dividend tax, shareholder capital gains tax). A tax haven firm can also benefit from the regulatory environment in a tax haven. An asset builder can scale up the asset base exposed to the favorable regulatory environment since the newly

2, 2018), “Item 1.1. General,” <https://www.sec.gov/Archives/edgar/data/0001521332/000152133218000025/ptv331201810-q.htm> (accessed August 28, 2025).

⁷This is discussed in more detail in 3.

acquired target firm becomes a subsidiary of a tax haven firm. A firm engaging in a haven acquisition is building a link to a tax haven that on the one hand provides access to the regulatory advantages in a tax haven, but on the other hand this access or nexus will be weaker than if the entire firm would be resident in a haven compared to the newly acquired subsidiary. The evidence in Meier et al. (2025) shows that a haven acquisition provides tax savings over and above an organic entry into a tax haven, whether through a shell company or the opening and growing of a permanent establishing in a haven, since a haven acquisition provides more economic substance, whether true or argued (but difficult for tax authorities to dispute). For similar reasons, a haven acquisition likely provides a stronger lever to exploit the regulatory advantages of a tax haven than a shell company or the organic growing of a workforce and asset base there. What are some of these benefits? A financial services firm (banking, asset management, wealth management) can help customers of the firm engage in tax avoidance (breaking the spirit but not the letter of the tax law) or have a customer base that engages in tax evasion (violating the letter of the tax law). For instance, up to the 2008/9 US crackdown on Swiss bank secrecy, Swiss banks and wealth managers aggressively helped foreign clients evade taxes in their home countries. Tax havens also can enable highly tax efficient structures for asset managers, custodians, (re-)insurance. The Cayman Islands and Bermuda, for instance, specialize in offshore investment funds, (captive) (re)insurance, and as booking centers for banking transactions. Switzerland, Singapore, and Hong Kong are important financial centers for banking and wealth management. Ireland and Luxembourg are important hubs for the distribution of financial services within European Union membership countries.

Tax havens also can help on non-tax regulations. With regards to (re)insurance and potentially some other financial transactions, an attractive element of the regulation of some tax havens such as Bermuda or the Cayman Islands can be the flexibility with regards to the regulation of leverage, liquidity, risk, capital buffers, etc. Tax havens also might have beneficial rules on shipping regulation, gambling regulations (partly tax, partly enabling

gambling that might be illegal in some other jurisdictions), or not care about potentially harmful environmental practices a haven resident might be engaging elsewhere (e.g., a mining firm that has operations in a developing country).

3 Data

Throughout the entire paper the focus is not on countries but on jurisdictions that set their own tax policy, so that we separately study jurisdictions such as Hong Kong, the British Overseas Territories (e.g., Bermuda, the Cayman Islands, Gibraltar), or the three British Crown Dependencies (e.g., Jersey). We use the terms countries and jurisdictions interchangeably.

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 (2025), 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 (2025) is a “measurement” paper in which this new tax residence algorithm is developed and validated. This paper applies this novel tax residence data for the first time.

M&A Data. We obtain M&A data from SDC Platinum as it offers the most reliable

coverage of corporate control transactions.⁸ M&A transactions, whether domestic or cross-border, generate a dense, largely mandatory paper trail, and SDC’s business model gives the parties who hold the private deal details an incentive to hand them over. Statutory disclosure and incentive-compatible self-reporting make near-comprehensive data collection feasible. The most important reasons for the good data availability are: For any transaction touching a public firm, securities laws require most of the material information to be publicly released; anti-trust laws requiring data sharing with regulators; self-reporting for M&A league tables by investment banks and law firms, which these white collar firms use for sales pitches and compensation purposes; and if external financing is needed, information has to be shared with lenders and capital market investors. In contrast to prior work, we apply almost no data filters.⁹ In particular, the vast majority of the M&A literature removes M&A deals involving (very) small countries, likely under the (implicit) assumption that these countries do not matter for M&A. Crucially, this also eliminates small tax havens such as Bermuda or the Cayman Islands. The sample includes deals announced between 1990 and 2023 and subsequently completed. Next, we remove many non-M&A transactions that are in the SDC Platinum M&A data. 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 Analysis¹⁰ to convert deal value to 2023 USD, and remove observations with missing deal value or deal value below \$1 million. The sample

⁸SDC has generally a good coverage of M&As and their transaction values (Barnes et al. (2014)). SDC is less reliable in covering smaller transactions. However, as we rely on aggregate transaction values that is less of a concern as small transactions do not significantly contribute to aggregate transaction values. Bollaert and Delanghe (2015) compare SDC and its biggest competitor Zephyr and find that SDC in most cases is the more reliable source. For a discussion of why SDC Platinum has better data availability than Zephyr for international M&A, see Meier and Smith (2025).

⁹Already Netter et al. (2011) show that using common data restrictions can affect the inference in M&A studies.

¹⁰“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).

includes deals where an entire firm is acquired, as well as deals where assets, a subsidiary, or a division of another firm are acquired. 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.¹¹ 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, 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.¹²

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.¹³ GNI, GDP, and GNI/GDP per capita are from the World Development Indicators (WDI) when available.¹⁴ Otherwise we use estimates from the United Nations (UN).¹⁵ We fill in these variables for additional countries using methods described in Online Appendix A. Since GDP is highly volatile for many tax

¹¹Unless 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).

¹²If 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.

¹³“GeoDist, Dyadic File,” *CEPII*, December 2011, https://www.cepii.fr/cepii/en/bdd.modele/bdd_mod_ele.item.asp?id=6 (accessed August 31, 2019).

¹⁴“World Development Indicators,” *World Bank Group*, March 11, 2025, <https://databank.worldbank.org/source/world-development-indicators> (accessed March 11, 2025).

¹⁵“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).

havens 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 $GNI = GDP + \text{Net Income from Abroad}$, 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 GNI¹⁶ is the best measure of economic activity for Ireland.¹⁷ 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 Foundation¹⁸ as well as (corporate) dividend and capital gains tax rates from Ernst & Young (EY) annual Worldwide Corporate Tax Guides (from 1990 to 2023).

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

¹⁶Modified GNI is defined as: $\text{mod. GNI} = \text{GNI} - \text{Depreciation of domestic capital owned by foreign investors}$.

¹⁷Ireland’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.

¹⁸“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).

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 (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, Liberia, 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. We also highlight that later on, we break out the abnormal M&A activity by haven, thereby providing transparency how much each haven contributes to the results.

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 (2025). We supplement the Compustat North America data with headquarters data for US firms collected from SEC filings by Duchin et al. (2026) and Duchin and Sosyura (2026). We collect all the historical incorporation data for all firms filing with the SEC. We do the same for the headquarters data not collected by Duchin and Sosyura Duchin et al. (2026) and Duchin and Sosyura (2026) (based on the

April 2024 vintage of their data). In particular, we download the cleaned 10-X files from <https://sraf.nd.edu/sec-edgar-data/cleaned-10x-files> (last accessed June 16, 2026).¹⁹ We use ChatGPT Pro to extract the state of incorporation and the headquarter address from the front page of the 10K. We manually verify the information for 2,200 10-Ks corresponding to the largest firms ($\geq$ \$1 billion in revenue). We also examine all cases where ChatGPT is not able to extract an incorporation or headquarter location or provides nonexistent state names. In addition, we use hand-collected data on firms’ incorporation and headquarters from Meier et al. (2025). We thus extend the headquarter relocation sample by Duchin et al. (2026) and Duchin and Sosyura (2026) along two dimensions: (1) We add years before and after their sample period; (2) we also include international moves, and therefore collect data for any firm filing with the SEC, while they restrict their sample to the United States. We plan to make our data publicly available, which should be highly useful to many researchers (we collect the entire address of incorporation and headquarters to the street level, making this data also highly relevant for US-only research samples).

Compustat is merged with SDC using the matching methods from Meier et al. (2025), which involves merging by CUSIP, then SEDOL, then firm name. We manually review acquirers and targets corresponding to 223 deals. 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.²⁰

4 Gravity Model

4.1 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

¹⁹The documentation of the cleaning process by Bill McDonald is provided here: <https://sraf.nd.edu/sec-edgar-data/cleaned-10x-files/10x-stage-one-parsing-documentation/>.

²⁰Michael Ewens, Ryan H. Peters, and Sean Wang, *Measuring Intangible Capital with Market Prices*, Dataset, <https://github.com/michaelebens/SDC-to-Compustat-Mapping> (accessed November 15, 2019)

M&A volume than China. Focusing on the acquirer side, Singapore, Ireland, Hong Kong, Luxembourg, and Bermuda have cross-border M&A volumes that are higher or comparable to those of Italy. On the target side, the Netherlands, Switzerland, Ireland, and Hong Kong have more cross-border M&A volume than Japan (the third largest economy by nominal GNI for most of our sample period). On both the acquirer and target sides, 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 2.²¹ 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 (2025). 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, 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 (Online Appendix Table B.1, Panel A).

In Panels B and C of Online Appendix Table B.1, 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

²¹Summing 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. 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.

acquirer side is \$371 million for non-havens, \$384 million for large havens, and \$356 million for small havens.

4.2 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:

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

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
- κ_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
- 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). Appendix A 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. Why do we use GNI and not the number of firms in a country or their aggregate stock market capitalization as the measure of economic size? Firms incorporate, redomicile, and list in tax havens precisely because of havens' tax environment, so the stock of firms and their market capitalization are themselves outcomes of haven status — endogenous to a far greater degree than GNI. Including these variables would thus mean controlling away the very effect we want to measure. To the extent that GNI, too, is somewhat elevated by haven status, the bias runs against us, which is why our estimates are conservative.

4.3 Results

Baseline. We present the results in Table 3. Both haven dummies are positive, statistically significant, and economically large in all three specifications. Tax havens have 115%-355% more deal volume on the acquirer side than would be predicted based on economic, cultural, and geographic factors.²² The corresponding figures on the target side are 70%-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

²²Going from a non-haven to a haven jurisdiction is expected to increase the M&A deal volume by $(e^\beta - 1) \times 100\%$.

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.

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 4. All four haven dummies are positive, statistically significant, and economically large in all three 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:

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

where all variables are as defined in Eq. (1) and SM (LG) refers to a small (large) tax haven. We use the point estimates from column 3 of Table 4. 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 4, we chose column 3 since it contains important control variables relative to columns 1 and 2. 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:

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

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:

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

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?²³ We 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 Eq. (3). Thus, we adopt the simple

²³\$0.6 trillion of the \$8.3 trillion in total cross-border, haven M&A deal value has a haven on both sides. See footnote 21 for more detail.

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 5. 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 5 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 $\ln(\text{GNI})$ has a p-value of less than 0.02).

Finally, we aggregate the country-level abnormal deal values for all asset building and

haven acquisitions and present the results in Table 6. As discussed above, asset building transactions make up a larger portion (approximately 64.0%) of abnormal deal value. This is consistent with the notion that the tax savings for a firm from asset building increase linearly with target size, whereas the tax savings for a firm from a haven acquisition are a concave function of the target size relative to the acquirer size. 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 aims is to redress this imbalance in coverage.

Are the Results Driven by a Single Tax Haven? One might be worried that the results are driven by a single tax haven. Table 5 can also 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 shows that no single tax haven accounts for more than 26% of total abnormal deal value.

4.4 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 capture the component of deal value associated with tax-haven status after accounting for economic, cultural, and geographic factors, independently of whether a deal is classified as “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.

5 Channels: Which Tax Dimensions Matter?

Tax haven status is determined by a number of aspects, and in this section we investigate different features of tax havens to better understand their association with cross-border M&A. First, we consider three statutory corporate tax rates: (1) corporate income tax rates, (2) dividend tax rates, and (3) capital gains tax rates.²⁴ For each tax rate, we calculate the differential as the acquirer-country rate minus the target-country rate. We also include indicators for whether the acquirer and target countries levy estate or inheritance taxes.

The results are presented in Panel A of Table 7. Column (1) includes the corporate income tax rate differential; column (2) includes the dividend and capital gains tax rate differentials; column (3) includes the estate and inheritance tax indicators; and column (4) includes all of these variables jointly. All specifications retain the controls and year fixed effects from our benchmark regression in column (3) of Table 4. We examine whether these additional tax variables are associated with cross-border M&A deal value and whether their inclusion attenuates the coefficients on the haven dummies.

Across all four specifications, the haven dummies remain positive and statistically significant at least at the 10% level. However, their magnitudes and precision are not uniformly unchanged. In column (4), the small-haven acquirer and target coefficients are 1.59 and 1.01, compared with 1.83 and 1.47 in the benchmark, whereas the large-haven acquirer and target coefficients increase from 0.69 and 0.42 to 0.89 and 0.77. The sample size ranges from 863,512 observations in column (1) to 290,332 in column (4), compared with 1,135,102 in the benchmark, a maximum reduction of 74.4%. Because the estimation samples differ, these coefficient changes cannot be attributed solely to the inclusion of the additional tax

²⁴The corporate income tax rates are from the Tax Foundation (Corporate Tax Rates Around the World, 2024) and dividend and capital gains tax rates are from the Worldwide Corporate Tax Guides by EY (from 1990 to 2023).

variables.

The corporate income and dividend tax rate differentials are not statistically significant in the specifications in which they are included. The capital gains tax rate differential is negative, with a coefficient of -0.80 in column (2), significant at the 1% level, and -0.60 in column (4), significant at the 10% level. Thus, lower corporate capital gains tax rates in the acquirer country relative to the target country are associated with greater cross-border M&A deal value. In economic terms, a one-percentage-point decrease in the acquirer-minus-target capital gains tax differential is associated with approximately 0.8% and 0.6% higher expected bilateral M&A deal value in columns (2) and (4), respectively, holding other covariates constant. This pattern is consistent with the asset-building incentives discussed in Section 2.1.2, but the estimates apply across country pairs in the respective estimation samples and do not separately identify a haven-specific capital gains tax effect.

Estate taxation also has a significant association with M&A deal value. The target-country estate tax indicator has coefficients of 0.73 and 0.70 in columns (3) and (4), respectively, both significant at the 1% level. In the PPML model, these estimates correspond to approximately 108% and 101% higher conditional deal value. The acquirer-country estate tax indicator is positive but insignificant in column (3), and positive and borderline significant in column (4). Neither the acquirer-country nor the target-country inheritance tax indicator is statistically significant. These results show that estate taxes in the target country are strongly positively associated with cross-border M&A volume, consistent with the idea that firms in countries with estate taxes are particularly attractive for haven acquirers.

Overall, the observable tax variables in Panel A do not fully account for the positive association between haven status and cross-border M&A deal value in these specifications.²⁵ A possible reason is that statutory tax rates are an imperfect proxy for the overall 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 ag-

²⁵In unreported results, we re-estimate the specifications in Panel A of Table 7 using absolute rather than signed tax rate differentials. None of the tax rate differentials is statistically significant in these regressions.

gressive 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, the effective tax rate paid by US multinationals in Ireland in 2015 was 4%, compared with an Irish statutory corporate income tax rate of 12.5% (Tørsløv et al., 2022).

In Panel B of Table 7, we introduce several other characteristics of tax environments: (1) the worldwide or territorial tax systems of the acquirer and target countries; (2) the presence of controlled foreign company (CFC) rules; and (3) double tax treaties and exchange of information agreements from the Exchange of Information Database.²⁶

Column (1) indicates that deal value varies across tax-system combinations. For acquirers from worldwide-tax countries, the coefficient on the indicator for a territorial-tax target is -0.13 , significant at the 5% level. This corresponds to approximately 12% lower conditional deal value relative to worldwide-tax acquirers purchasing worldwide-tax targets. For acquirers from territorial-tax countries, the coefficient on the indicator for a worldwide-tax target is 0.34 , significant at the 1% level, corresponding to approximately 40% higher conditional deal value relative to territorial-tax acquirers purchasing territorial-tax targets. The separate acquirer worldwide-tax indicator has an insignificant coefficient of 0.25 . These results confirm our conjecture that firms in worldwide-tax systems are particularly attractive targets for acquirers from territorial-tax countries (which include effectively all tax-havens).

None of the three CFC indicators in column (2) is statistically significant. In column (3), the automatic exchange of information indicator is positive and significant at the 5% level, with a coefficient of 0.56 , corresponding to approximately 75% higher conditional deal value. The double tax treaty and on-request exchange of information indicators are not statistically significant. The positive association of information exchange and M&A activity implies that secrecy is not all important for cross-border transactions.

²⁶Exchange of Information Database, January 1, 2019, <https://eoi-tax.com/> (accessed January 1, 2019).

All four haven coefficients remain positive in Panel B, but their statistical significance varies. In particular, the large-haven target coefficient is significant only at the 10% level in column (1) and is not significant in column (2); the large-haven acquirer coefficient is significant only at the 10% level in column (2). By contrast, all four haven coefficients are significant at the 1% level in column (3), which uses the full benchmark sample. Thus, the additional tax-system characteristics do not eliminate the positive haven coefficients, although the evidence is less precise in some specifications.

Secrecy and Anonymity Offered by Havens. Tax havens are often associated with the pursuit of anonymity and secrecy. However, these are not applicable in the case of haven M&As. While many might consider tax avoidance unethical, and companies might not be following the spirit of tax laws, firms are following the letter of the law, making tax avoidance legal. Hiding assets with the help of the anonymity provided by havens only applies to the illegal practices of tax evasion, which is less applicable to large, often publicly listed firms, which contribute the majority of the deal volumes in our sample. Moreover, if multinationals engaging in cross-border, haven M&A were using the secrecy of havens for illegal purposes, we would not have been able to obtain the transaction-level data documented in this paper.

Fraud and Theft from Shareholders. Another argument could be that executives defraud or steal from (minority) shareholders using the secrecy provided by havens (Benned-Sen 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 seems 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.

6 Abnormal Deal Value by Non-Havens

In Table 5 we aggregate the abnormal, cross-border, haven M&A deal value by tax haven. Table 8 provides a complementary perspective by aggregating it by the non-havens involved, combining asset building transactions with non-haven targets and haven acquisitions by non-haven acquirers. The table reports the 20 largest non-haven countries by total cross-border M&A deal value, rather than ranking countries by abnormal haven deal value. Columns (1)–(3) report total cross-border deal value, total deal value with havens, and abnormal deal value with havens, respectively. Columns (4) and (5) scale abnormal haven deal value by total cross-border deal value and by total haven deal value, respectively.

Among the countries reported in Table 8, the US has the largest abnormal haven deal value, at \$2,230 billion, followed by the UK at \$743 billion and China at \$456 billion. These values represent 16%, 9%, and 39% of their respective total cross-border M&A deal values. Relative to their deal value with havens, the corresponding abnormal shares are 71%, 66%,

and 78%. Thus, although China ranks 9th among the reported non-havens by total cross-border deal value, its abnormal haven M&A accounts for the largest share of total cross-border deal value in Table 8. 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. Its total deal value with havens is \$588 billion out of \$1,173 billion, or approximately half of its cross-border M&A.

Beyond these three countries, Australia and India also have large abnormal haven deal value, corresponding to 3% and 12% of its total cross-border M&A and 3% and 12% of its deal value with havens.

In contrast, Germany, Italy, and Belgium have negative abnormal haven deal values. Germany ranks 3rd and Italy 10th by total cross-border M&A deal value. Their negative abnormal values mean that this activity is below the gravity-model counterfactual benchmark; they do not imply negative transaction values or an absence of haven M&A. Thus, countries with substantial overall acquisition activity can differ markedly in the relative importance of abnormal haven M&A.

In summary, the largest abnormal haven deal values among the countries reported are associated with the US, the UK, and China. The scaling measures also reveal substantial heterogeneity: haven-related abnormal activity accounts for a large share of cross-border M&A in China, India, and Australia, a smaller share in most other major economies, and a negative residual for Germany, Italy, and Belgium. Thus, countries with substantial overall acquisition activity can differ markedly in the relative importance of abnormal haven M&A. These descriptive patterns show that the geographical distribution of abnormal haven M&A is not simply a ranking of countries by total cross-border deal value.

7 Abnormal Deal Value at the Country-Pair Level

In Table 9, we report abnormal deal value for the ten havens with the largest aggregate abnormal deal values in Table 5. For each haven, the target-country columns identify its three largest non-haven counterparties in asset building transactions, while the acquirer-country columns identify its three largest non-haven counterparties in haven acquisitions. The table therefore contains 60 directional country-pair entries: ten havens, three non-haven counterparties, and two transaction directions. The pairwise abnormal deal value columns report only the three leading non-haven counterparties in each direction. Consequently, the selected bilateral values do not sum to the aggregate abnormal deal value.

The US appears among the top three counterparties in 15 of the 20 haven-by-direction lists, the UK in 10, China in 9, France in 5, and Australia in 4. Across all lists, 18 distinct non-haven countries appear, ten of them only once. Among the reported directional relationships, 12 have more than \$100 billion in abnormal deal value, and all but one involve either the US or the UK. Eight are asset building relationships: the Netherlands–US (\$332 billion), Switzerland–US (\$323 billion), Ireland–US (\$282 billion), Bermuda–US (\$254 billion), Singapore–US (\$246 billion), Netherlands–UK (\$170 billion), Switzerland–UK (\$110 billion), and Hong Kong–China (\$110 billion). In these pairs, the haven is the acquirer country. Four are haven acquisitions, with the non-haven as the acquirer country: UK–Netherlands (\$246 billion), US–Netherlands (\$160 billion), US–Ireland (\$157 billion), and US–Switzerland (\$119 billion).

Switzerland illustrates the distinction between large positive bilateral abnormal deal values and a smaller net aggregate value. It ranks eighth by total abnormal deal value, at \$258 billion. Swiss acquisitions of US targets have \$323 billion in abnormal deal value, the second-largest reported directional relationship after Dutch acquisitions of US targets. Switzerland also has substantial abnormal activity as a target of US acquirers (\$119 billion). Its six reported bilateral values sum to \$647 billion, exceeding its aggregate abnormal value. The remaining components of the aggregation therefore contribute approximately $-\$389$ billion

in net terms. This is possible because abnormal deal values are signed deviations from the gravity-model benchmark.

The breakdown of abnormal haven M&A by non-havens and country pairs shows that its geographical pattern differs from the role of tax havens in cross-border portfolio investment (Bertaut et al., 2018; Coppola et al., 2021). In our M&A classification, a haven is the tax residence of a firm on one side of the transaction, rather than merely the location of an intermediate acquisition vehicle. The largest reported bilateral abnormal deal values predominantly involve firms from developed economies, especially the US and the UK. In the portfolio investment literature, tax havens often serve as intermediaries that allow firms from emerging economies to raise money from investors in developed economies. Thus, the distinction concerns the tax residence of the parties to changes in corporate control, rather than simply the routing of financing through a haven.

8 Alternative Explanations and Robustness

In the following we use a US tax law change to alleviate potential identification concerns. Finally, we provide evidence that the results in this paper survive a battery of robustness tests.

8.1 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:

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

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
- $\kappa_{j,t}$: 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 $t \geq 2004$
- $D_{ij,t}$: 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)

- $X_{ij,t}$: 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 §4.2, we estimate the model using Poisson pseudo-maximum-likelihood.²⁷ 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 columns 1 to 3 with increasing sets of fixed effects of Table 10. The most stringent specifications includes target-country-year, acquirer-country-year, and acquirer-target-pair fixed effects. The large-haven triple interaction is positive, significant and of similar size across all three specifications, 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.”²⁸ Thus, firms could potentially

²⁷The principal concern addressed by recent heterogeneity-robust difference-in-differences estimators arises when treatment adoption is staggered and already-treated units serve as controls for later-treated units (see Callaway and Sant’Anna (2021), Sun and Abraham (2021), and Borusyak et al. (2024)). Because all treated observations in our setting have a common treatment date, those concerns do not arise. We therefore estimate the triple difference directly by using Poisson pseudo-maximum-likelihood.

²⁸“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).

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 columns 4 to 6 of Table 10, the results are robust to the exclusion of these years.

8.2 Additional Alternative Explanations and Robustness Tests

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.

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, which means the center of operations of a firm, including the headquarters. 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. In practice, a key limiting factor for a firm establishing its headquarters in a tax haven is that the executives need to spend a significant amount of time in the haven, since the tax authorities otherwise wouldn't recognize the tax haven as the headquarters location.) 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.²⁹

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 (if one wants to move the tax residence of an entire firm to a haven, a firm must make major changes that usually involve moving—depending on the initial countries involved—a firm's incorporation or headquarters (or both) to a haven). There are 4,067 cross-border

²⁹Also, as discussed in 2.1.3, intermediate holding companies used by private equity firms to acquire and later sell portfolio companies are not classified as haven entities when they lack economic substance in the haven. Thus, the use of a haven-incorporated shell or investment vehicle does not by itself cause a transaction to enter our haven M&A sample.

asset deals³⁰ 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.

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 4 (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) a measure of corruption from the World Governance Indicators³¹ in column 1 of Table 11 (Panel B); (3) whether the country has a UK legal origin (La Porta et al., 2008)³² in column 2 of Table 11 (Panel B); (4) capital account openness (Chinn and Ito, 2006)³³ in column 3 of Table 11 (Panel B); (5) the

³⁰A 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.

³¹“Worldwide Governance Indicators, 2024 Update,” *World Bank*, www.govindicators.org (accessed February 13, 2025).

³²Rafael 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).

³³Menzie 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).

acquirer country’s imports and exports from the UN³⁴ 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.

9 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

³⁴“UN Comtrade Database,” *United Nations*, March 9, 2025, <https://comtradeplus.un.org/> (accessed March 9, 2025).

pact that aims to increase the effective tax rates paid by large multinationals shows.³⁵

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, 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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³⁵Financial 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).

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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: 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 Appendix A. *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)
$\mathbb{1}(\text{Haven Acquirer})$	1.52*** (0.29)	1.49*** (0.24)	0.76*** (0.19)
$\mathbb{1}(\text{Haven Target})$	1.16*** (0.22)	1.13*** (0.21)	0.53*** (0.20)
$\ln(\text{Acquirer GNI})$	1.05*** (0.05)	1.01*** (0.03)	0.83*** (0.04)
$\ln(\text{Target GNI})$	1.05*** (0.10)	1.01*** (0.08)	0.85*** (0.07)
$\ln(\text{Distance})$	-0.53*** (0.04)	-0.48*** (0.06)	-0.33*** (0.06)
$\mathbb{1}(\text{Same Country})$		-0.28 (0.22)	0.41 (0.34)
$\mathbb{1}(\text{Common Language})$		1.08*** (0.18)	0.99*** (0.17)
$\mathbb{1}(\text{Colonial Relation})$		0.82*** (0.12)	0.62*** (0.11)
$\ln(\text{Acquirer GNIPC})$			0.72*** (0.14)
$\ln(\text{Target GNIPC})$			0.55*** (0.10)
Year FE	Yes	Yes	Yes
N	1,135,102	1,135,102	1,135,102
Pseudo R ²	0.684	0.719	0.746
Dep Var Mean	24.77	24.77	24.77

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

Table 5: 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 4. *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 4.3. 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 6: 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 4.

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 7: Channels: Which Tax Dimensions Matter

This provides channel tests for the results in Table 4. Panel A includes in each column different sets of tax variables: (1) the *Corporate Income Tax Rate Differential*; (2) *Dividend Tax Rate Differential* and *Capital Gains Tax Rate Differential*; (3) separate estate and inheritance tax indicators for the acquirer and target countries; (4) all three prior sets jointly as additional explanatory variables. In Panel B three sets of additional explanatory variables are added: column 1 includes three dummy variables that equal 1 if (1) the acquirer is from a country with a worldwide tax system; (2) the acquirer is from a country with a worldwide tax system but the target is from a country with a territorial tax system; and (3) the acquirer is from a country with a territorial tax system but the target is from a country with a worldwide tax system; column 2 includes three dummy variables that equal 1 if (1) the acquirer is from a country with controlled foreign company (CFC) rules, (2) the acquirer is from a country with CFC rules but the target is from a country with no CFC rules, and (3) the acquirer is from a country with no CFC rules but the target is from a country with CFC rules; column 3 includes the *Double Tax Treaty* and *EOI* dummies from the Exchange of Information Database (2019). All models include the same controls as our benchmark model in column 3 of Table 4 as well as year fixed effects. Standard errors are double-clustered at the acquirer- and target-country level, and are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

Table 7: Channels: Which Tax Dimensions Matter (Continued)

Panel A

	Dep Var: M&A Value			
	(1)	(2)	(3)	(4)
1(Sm Haven Acquirer)	1.83*** (0.23)	1.90*** (0.20)	1.61*** (0.35)	1.59*** (0.27)
1(Lg Haven Acquirer)	0.68*** (0.22)	0.92*** (0.10)	0.68*** (0.20)	0.89*** (0.14)
1(Sm Haven Target)	1.48*** (0.43)	1.47*** (0.39)	0.99** (0.44)	1.01** (0.43)
1(Lg Haven Target)	0.42* (0.23)	0.66*** (0.10)	0.52*** (0.20)	0.77*** (0.11)
Corporate Income Tax Rate Diff.	-0.11 (0.90)			-0.46 (0.48)
Dividend Tax Rate Diff.		0.16 (0.43)		0.01 (0.34)
Capital Gains Tax Rate Diff.		-0.80*** (0.29)		-0.60* (0.34)
1(Acquirer Estate Tax)			0.29 (0.22)	0.21* (0.12)
1(Target Estate Tax)			0.73*** (0.18)	0.70*** (0.19)
1(Acquirer Inheritance Tax)			0.02 (0.11)	-0.05 (0.16)
1(Target Inheritance Tax)			0.01 (0.16)	-0.04 (0.20)
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
N	863,512	476,840	422,372	290,332
Pseudo R ²	0.742	0.729	0.779	0.769
Dep Var Mean	32.44	44.28	56.34	63.33

Table 7: Channels: Which Tax Dimensions Matter (Continued)

Panel B

	Dep Var: M&A Value		
	(1)	(2)	(3)
1(Sm Haven Acquirer)	1.78*** (0.25)	1.76*** (0.25)	1.79*** (0.23)
1(Lg Haven Acquirer)	0.68*** (0.21)	0.56* (0.29)	0.74*** (0.19)
1(Sm Haven Target)	1.33*** (0.41)	1.52*** (0.47)	1.45*** (0.41)
1(Lg Haven Target)	0.42* (0.22)	0.41 (0.28)	0.45*** (0.17)
1(Acquirer Worldwide Tax)	0.25 (0.24)		
1(Acquirer Worldwide Tax & Target Territorial Tax)	-0.13** (0.06)		
1(Acquirer Territorial Tax & Target Worldwide Tax)	0.34*** (0.11)		
1(Acquirer CFC Rules)		-0.24 (0.29)	
1(Acquirer CFC Rules & Target No CFC Rules)		-0.00 (0.23)	
1(Acquirer No CFC Rules & Target CFC Rules)		-0.03 (0.22)	
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
Year FE	Yes	Yes	Yes
N	471,394	596,330	1,135,102
Pseudo R ²	0.717	0.737	0.753
Dep Var Mean	59.21	46.22	24.77

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

This table reports the 20 top non-haven countries according to *Total Deal Value* (column 1). *Total Haven Deal Value* (column 2) is the total M&A deal value of the respective non-haven with all havens. *Abnormal Haven Deal Value* (column 3) equals *Total Deal Value* minus the predicted M&A deal value using estimates from column 3 of Table 4 between the respective non-haven and all havens. *Abn./Total* in % (column 4) is the ratio of *Abnormal Haven Deal Value* (column 3) and *Total Deal Value* (column 1). *Abn./Total (Haven)* in % (column 5) is the ratio of *Abnormal Haven Deal Value* (column 3) and *Total Haven Deal Value* (column 2). Dollar figures are in billions of 2023 USD.

Non-Haven	Total Deal Value	Total Haven Deal Value	Abn. Haven Deal Value	Abn./Total in %	Abn./Total (Haven) in %
United States	13,992	3,157	2,230	15.9	70.6
United Kingdom	7,918	1,127	743	9.4	65.9
Germany	3,665	325	-185	-5.1	-57.0
Canada	3,139	213	96	3.1	45.0
France	3,033	434	83	2.7	19.1
Australia	1,626	223	167	10.3	74.8
Japan	1,502	245	31	2.0	12.5
Spain	1,319	71	8	0.6	11.0
China	1,173	588	456	38.8	77.6
Italy	1,155	152	-46	-4.0	-30.6
Sweden	1,100	124	85	7.7	67.9
Belgium	691	84	-66	-9.6	-78.9
Brazil	573	62	42	7.3	67.7
Norway	522	65	25	4.8	38.2
India	401	63	49	12.3	78.2
Denmark	387	41	9	2.3	21.8
Finland	356	37	19	5.3	51.4
Israel	340	24	4	1.2	17.0
Mexico	322	33	16	5.0	48.5
South Korea	314	59	23	7.3	38.7

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 (*Abn. Deal Value*). For each tax haven, the top three non-havens by bilateral abnormal deal value (*Pairw. Abn. D.V.*) on the target and acquirer side are displayed. *Abnormal Deal Value* equals *Total Deal Value* minus the predicted M&A deal value using estimates from column 3 of Table 4. Dollar figures are in billions of 2023 USD.

Haven	Abn. Deal Value	Target Country	Pairw. Abn. D.V.	Acquirer Country	Pairw. Abn. D.V.
Netherlands	1,173	United States	332	United Kingdom	246
		United Kingdom	170	United States	160
		Italy	22	France	78
Bermuda	590	United States	254	United States	61
		United Kingdom	34	United Kingdom	38
		France	8	France	31
Ireland	491	United States	282	United States	157
		United Kingdom	15	Japan	71
		France	10	Australia	5
Singapore	479	United States	203	Malaysia	16
		Australia	59	China	11
		China	22	Thailand	11
Luxembourg	396	United States	96	United States	42
		France	31	Germany	15
		South Africa	23	United Kingdom	13
Hong Kong	383	China	110	China	95
		Australia	36	Sweden	9
		United Kingdom	30	South Korea	5
Cayman Islands	373	China	50	United States	90
		United States	19	China	72
		United Kingdom	15	United Kingdom	11
Switzerland	258	United States	323	United States	119
		United Kingdom	110	China	58
		Australia	21	Sweden	16
British Virgin Islands	158	China	21	United States	19
		United States	14	China	14
		Russia	7	Canada	2
Cyprus	75	Russia	38	Russia	5
		Poland	12	Norway	1
		Greece	4	South Africa	1

Table 10: Changes in the Incentives for Tax Haven M&A: The 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 October 22, 2004, that made inversions more difficult. Poisson pseudo-maximum likelihood estimation is used on this country-pair-year-level panel. Columns 1–3 are the main specifications with varying levels of fixed effects. Columns 4–6 exclude 2004–2005, when a US repatriation tax holiday was in effect. All variables are measured contemporaneously and defined in Appendix A. *Dummies and Interactions* includes all other main effects and interactions of the dummies shown, consistent with a triple difference-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* $\times$ *Target Ctry FE*, *Year* $\times$ *Acquirer Ctry FE*, and *Acquirer Ctry* $\times$ *Target Ctry FE* refer to target-country-year, acquirer-country-year, and acquirer-target-pair fixed effects, respectively. Calendar years are replaced with years beginning October 22. 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)	(5)	(6)
$\mathbb{1}(\text{US Acq.}) \times \mathbb{1}(\text{Lg Haven Tar.}) \times \mathbb{1}(\text{Yr} \geq 2004)$	0.67*** (0.17)	0.71*** (0.24)	0.69*** (0.15)	0.60*** (0.18)	0.64*** (0.24)	0.55*** (0.11)
$\mathbb{1}(\text{US Acq.}) \times \mathbb{1}(\text{Sm Haven Tar.}) \times \mathbb{1}(\text{Yr} \geq 2004)$	0.13 (0.25)	0.07 (0.33)	0.11 (0.28)	0.07 (0.25)	0.04 (0.33)	0.05 (0.27)
Sample	All	All	All	w/o 2004/05	w/o 2004/05	w/o 2004/05
Dummies and Interactions	Yes	Yes	Yes	Yes	Yes	Yes
Time-Varying Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year $\times$ Target Ctry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year $\times$ Acquirer Ctry FE	No	Yes	Yes	No	Yes	Yes
Acquirer Ctry $\times$ Target Ctry FE	No	No	Yes	No	No	Yes
N	623,120	253,738	92,450	580,733	235,434	84,426
Pseudo R ²	0.744	0.799	0.848	0.747	0.803	0.852
Dep Var Mean	4.81	4.81	4.81	4.79	4.79	4.80

Table 11: Gravity Model Robustness Tests

This provides robustness checks for the results in Table 4. In Panel A column 1 our benchmark model (column 3 in Table 4) 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. 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). We use $\ln(\text{normalized KAOPEN index}+1)$; 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 4 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.

Panel A

	Dep Var: M&A Value		
	(1)	(2)	(3)
$\mathbb{1}(\text{Sm Haven Acquirer})$	1.83*** (0.23)	1.83*** (0.21)	1.81*** (0.23)
$\mathbb{1}(\text{Lg Haven Acquirer})$	0.69*** (0.20)	0.69*** (0.18)	0.71*** (0.19)
$\mathbb{1}(\text{Sm Haven Target})$	1.47*** (0.42)	1.47*** (0.21)	1.46*** (0.41)
$\mathbb{1}(\text{Lg Haven Target})$	0.42** (0.21)	0.42*** (0.16)	0.45** (0.20)
$\mathbb{1}(\text{Bilateral Investment Treaty})$			-0.47*** (0.13)
Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Clustering	Two-way	Ctry-Pair	Two-way
N	1,135,102	1,135,102	1,135,102
Pseudo R ²	0.750	0.750	0.752
Dep Var Mean	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*** (0.24)	1.75*** (0.28)	1.60*** (0.22)	2.01*** (0.24)
1(Lg Haven Acquirer)	0.60*** (0.18)	0.72*** (0.20)	0.72*** (0.21)	0.59*** (0.17)
1(Sm Haven Target)	1.62*** (0.42)	1.29*** (0.37)	0.81*** (0.30)	1.55*** (0.42)
1(Lg Haven Target)	0.35** (0.17)	0.45** (0.19)	0.53*** (0.19)	0.33 (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

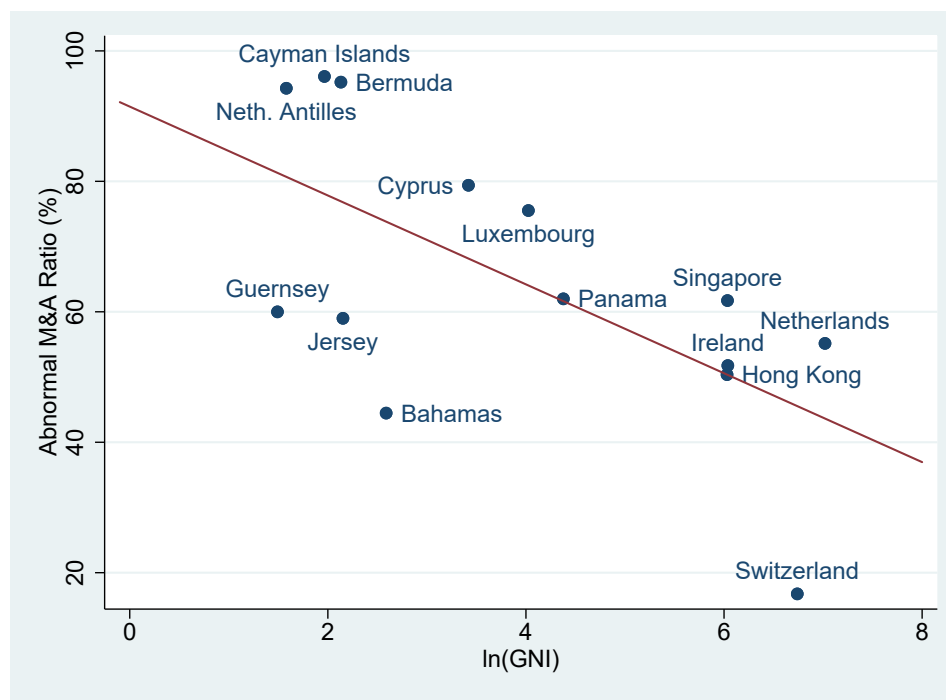


Panel B: Based on Target Location



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 $\ln(\text{GNI})$ (in billions) for the havens listed in Table 5. *BVI* refers to the British Virgin Islands.



Appendix: Variable Definitions

See Section 3 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. M&A dollar figures are inflation-adjusted to 2023.

Panel A: Country-Pair-Level Variables

Variable	Definition
$\mathbb{1}(\text{Colonial Relation})$	Dummy that equals 1 if the acquirer and target countries have a past colonial relationship.
$\mathbb{1}(\text{Common Language})$	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.
$\mathbb{1}(\text{Double Tax Treaty})$	Dummy that equals 1 if there is a double tax treaty between the acquirer and target country in place.
$\mathbb{1}(\text{On Request EOI})$	Dummy that equals 1 if there is an exchange of information on request agreement between the acquirer and target country in place.
$\mathbb{1}(\text{Automatic EOI})$	Dummy that equals 1 if there is an automatic exchange of information agreement between the acquirer and target country in place.
M&A Value	Aggregate M&A value at the country-pair level.
$\mathbb{1}(\text{Same Country})$	Dummy that equals 1 if the acquirer and target countries were formerly part of the same country.

Panel B: Country-Level Variables

Variable	Definition
$\mathbb{1}(\text{Acquirer [No] CFC Rules})$	Dummy that equals 1 if the acquirer country has [no] CFC rules in place.
$\mathbb{1}(\text{Acquirer Territorial [Worldwide] Tax})$	Dummy that equals 1 if the acquirer country has a territorial [worldwide] tax system.
$\mathbb{1}(\text{Acquirer Estate Tax})$	Dummy that equals 1 if the acquirer country has an estate tax.
$\mathbb{1}(\text{Acquirer Inheritance Tax})$	Dummy that equals 1 if the acquirer country has an inheritance tax.
Capital Gains Tax Rate Differential	Difference between the highest statutory corporate capital gains tax rates of the acquirer and target countries.
Corporate Income Tax Rate Differential	Difference between the highest statutory corporate income tax rates of the acquirer and target countries.
Dividend Tax Rate Differential	Difference between the highest statutory corporate dividend tax rates of the acquirer and target countries.
GNI	Gross National Income.
GNIPC	Gross National Income per capita.
$\mathbb{1}(\text{Haven Acquirer})$	Dummy that equals 1 if the acquirer is in a tax haven.
$\mathbb{1}(\text{Lg Haven Acquirer})$	Dummy that equals 1 if the acquirer is in a large tax haven (Hong Kong, Ireland, the Netherlands, Singapore, and Switzerland)
$\mathbb{1}(\text{Sm Haven Acquirer})$	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: Andorra, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Cyprus, Dominica, Gibraltar, Grenada, Isle of Man, Jersey, Jordan, Lebanon, Liberia, Liechtenstein, Luxembourg, Macao, Maldives, Malta, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Netherlands Antilles, Niue, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Seychelles, Tonga, Turks and Caicos Islands, Vanuatu, Virgin Islands (U.S.).
$\mathbb{1}(\text{US Acquirer})$	Dummy that equals 1 if the acquirer is in the United States.
$\mathbb{1}(\text{Yr} \geq 2004)$	Dummy that equals 1 if the year is 2004 or later.

Online Appendix

“The Outsized Role of Tax Havens in Mergers and Acquisitions”

Online Appendix A: Country-Level Data Notes

Gibraltar. We obtain GDP and GDP per capita from the government’s website.³⁶ 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 1998-2023³⁷ and GVA per capita from 2001-2023³⁸ 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 GBR³⁹ and 2013-2023 GDP data in 2023 GBR⁴⁰ 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 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

³⁶“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).

³⁷“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).

³⁸“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).

³⁹“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).

⁴⁰“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).

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,⁴¹ and the official languages of Jersey are English and French.⁴² 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.⁴³ 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.

Online Appendix: References

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- Meier, J.-M. and J. A. Smith (2025). Improving the Measurement of Tax Residence: Implications for Research on Corporate Taxation. DERA Working Paper.

⁴¹ “Guernsey,” *Encyclopædia Britannica*, August 12, 2020, <https://www.britannica.com/place/Guernsey-island-and-bailiwick-Channel-Islands-English-Channel> (accessed August 12, 2020).

⁴² “Jersey,” *Encyclopædia Britannica*, August 12, 2020, <https://www.britannica.com/place/Jersey-island-Channel-Islands-English-Channel> (accessed August 12, 2020).

⁴³ “The Benelux Economic Union,” *Encyclopædia Britannica*, October 9, 2020, <https://www.britannica.com/topic/international-trade/The-Benelux-Economic-Union> (accessed October 9, 2020).

Online Appendix B: Additional Results

Table B.1: 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	Non-Haven
Intra-Country	164,763	164,763	
Ratio	0.37	0.41	
Cross-Border	9,740	6,281	Large Haven
Intra-Country	6,103	6,103	
Ratio	1.60	1.03	
Cross-Border	4,051	2,145	Small Haven
Intra-Country	426	426	
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	

Online Appendix C: Haven M&A Examples

Table C.1: Haven Purchases

This table reports a selection of large haven purchases. *SDC Nation* is the nation provided by SDC Platinum; *Tax Residence* is per Meier and Smith (2025); *Year* refers to the year of completion; and *Value* is the raw (not inflation-adjusted) deal value in millions of USD.

Name	SDC Nation	Tax Residence	Year	Value
Acquirer: Giovanni Agnelli e C. S.a.p.az. <i>A holding company of the Agnelli family.</i>	Italy	Italy	1999	\$1,652
Target: Exor Group <i>A holding company whose assets included 19% of Club Mediterranee, 20.5% of Rockefeller Center Properties Inc., and 75% of Château Margaux.</i>	Luxembourg	Luxembourg		
Acquirer: Global Marine Inc. <i>An offshore drilling contractor with a fleet of 33 offshore drilling rigs.</i>	United States	United States	2001	\$4,044
Target: Santa Fe International Corp. <i>An offshore and land drilling contractor with a fleet of 26 marine and 31 land drilling rigs.</i>	United States	Cayman Islands		
Transaction note: The combined entity, GlobalSantaFe Corp., became tax resident in the Cayman Islands.				
Acquirer: Pinault-Printemps-Redoute <i>A luxury goods company.</i>	France	France	2004	\$6,819
Target: Gucci Group N.V. <i>A luxury fashion company.</i>	Netherlands	Netherlands		
Transaction note: Pinault-Printemps-Redoute obtained full ownership through four acquisitions from 1999 to 2004.				
Acquirer: Bayer AG <i>A multinational pharmaceutical and chemical company.</i>	Germany	Germany	2005	\$2,961
Target: Roche Consumer Health <i>Roche's non-prescription drug division, which owned over-the-counter medicine brands and five manufacturing sites.</i>	Switzerland	Switzerland		

Table C.1: Haven Purchases (Continued)

Name	SDC Nation	Tax Residence	Year	Value
Acquirer: Deutsche Bank AG <i>A global financial services company.</i>	Germany	Germany	2010	\$1,912
Target: Sal. Oppenheim <i>A German-founded bank specializing in wealth management that moved its tax residence to Luxembourg in 2007.</i>	Luxembourg	Luxembourg		
Acquirer: Eaton Corp. <i>A diversified industrial manufacturer.</i>	United States	United States	2012	\$11,459
Target: Cooper Industries plc <i>An electrical equipment supplier.</i>	Ireland	Ireland		
Transaction note: The combined firm, Eaton Corp. plc, became tax resident in Ireland.				
Acquirer: Exor S.p.A <i>An Agnelli family holding company with stakes in Fiat Chrysler, CNH Industrial, and Cushman & Wakefield.</i>	Italy	Italy	2016	\$6,715
Target: PartnerRe Ltd <i>A global reinsurance company.</i>	Bermuda	Bermuda		
Acquirer: Exxon Mobil Corp. <i>An international oil and gas company and one of the largest refiners in the world.</i>	United States	United States	2017	\$3,953
Target: InterOil Corp. <i>An oil exploration and production company with operations in Papua New Guinea.</i>	Singapore	Singapore		

Table C.2: Asset Building

This table reports a selection of large asset-building deals. Deals are grouped by acquirer and sorted alphabetically by acquirer name. When multiple deals involve the same acquirer, the acquirer is only listed once, unless there is a change in SDC Nation or tax residence. *SDC Nation* is the nation provided by SDC Platinum; *Tax Residence* is per Meier and Smith (2025); *Year* refers to the year of completion; and *Value* is the raw (not inflation-adjusted) deal value in millions of USD. For asset deals, *SDC Nation* reflects the location of the acquired economic activity, and *Tax Residence* is assigned to the same jurisdiction.

Name	SDC Nation	Tax Residence	Year	Value
Acquirer: Actavis plc <i>A pharmaceutical company that relocated its tax residence from the US to Ireland in 2013.</i>	United States	Ireland		
Target: Forest Laboratories, Inc. <i>A pharmaceutical company that marketed branded drugs, including treatments for gastrointestinal and respiratory conditions.</i>	United States	United States	2014	\$25,440
Target: Allergan, Inc. <i>A pharmaceutical company and the maker of Botox.</i>	United States	United States	2015	\$68,445
Acquirer: ArcelorMittal <i>One of the world's largest steel producers.</i>	Luxembourg	Luxembourg		
Target: Dofasco Inc. <i>A steel producer.</i>	Canada	Canada	2006	\$4,808
Target: Coal Mines <i>Coal mines and associated mining rights acquired from Severstal, a Russian steel and mining company.</i>	Russia	Russia	2008	\$721
Target: Unicon <i>A manufacturer of welded steel pipes.</i>	Venezuela	Venezuela	2008	\$350

Table C.2: Asset Building (Continued)

Name	SDC Nation	Tax Residence	Year	Value
Acquirer: Bacardi Limited <i>One of the world's largest spirits companies.</i>	Puerto Rico	Bermuda		
Target: Martini & Rossi S.p.A <i>A producer of vermouth and wine.</i>	Italy	Italy	1992	\$1,519
Acquirer: Bacardi Limited	Bermuda	Bermuda		
Target: Dewar's Scotch and Bombay Gin <i>Dewar's Scotch whisky and Bombay Gin brands acquired from Diageo.</i>	United Kingdom	United Kingdom	1998	\$1,935
Acquirer: Glencore International plc <i>A commodity trader and mining company, renamed Glencore plc in 2014.</i>	Switzerland	Switzerland		
Target: Manganese Ferroalloys Operations <i>Manganese ferroalloy operations acquired from Vale S.A., with operations in France and Norway.</i>	France	France	2012	\$160
Target: Viterro Inc. <i>An agribusiness and one of Canada's largest grain handlers.</i>	Canada	Canada	2012	\$6,092
Target: Caracal Energy Inc <i>An oil producer operating in Chad with production capacity of 25,100 barrels per day.</i>	Canada	Canada	2014	\$1,350
Target: TRT-ETGO Du Québec <i>An oilseed processor operating the largest plant of its kind in eastern Canada.</i>	Canada	Canada	2015	\$143