Anti-tax avoidance rules and the real effects on foreign direct investment

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Abstract

As the global economy continues to shift toward globalization, investment from foreign sources is becoming increasingly important for economic stimulation, human capital, employment, and technology advancements. Tax policy is one tool policymakers use to attract foreign investment. However, tax policy is also often used to limit tax avoidance, which can increase the after-tax cost of investing in a country. This study investigates how prominent anti-tax avoidance measures—specifically, the OECD's Base Erosion and Profit Shifting (BEPS) initiative, interest deduction limitations, transfer pricing regulations, and general anti-avoidance rules—affect the international allocation of capital, as reflected in inward foreign direct investment (FDI) to adopting countries. We document that these anti-tax avoidance policies have led to economically meaningful declines in FDI growth, consistent with multinational firms adjusting the location and scale of investment in response to higher tax costs and greater enforcement uncertainty. The decline in FDI is evident for both debt- and equity-based investment, suggesting that anti-avoidance rules affect overall investment incentives rather than solely financing choices. Additional analyses show that these FDI declines are associated with reductions in real investment, indicating that the effects extend beyond profit shifting incentives. Finally, cross-sectional results indicate that FDI reductions in rule-adopting countries are accompanied by increased FDI into lower-income countries, consistent with a reallocation of foreign investment across jurisdictions following the tightening of anti-tax avoidance regimes.

Keywords: foreign direct investment, tax policy, anti-tax avoidance rule, BEPS, transfer pricing, interest limitation, general anti avoidance rule

JEL Codes: F21, F23, H25, H26, H32

1. Introduction

Attracting foreign investment is a hallmark of globalization, yielding benefits such as economic growth, human capital, job creation, and technological advancements (Findlay 1978; Borensztein et al. 1998; Milner 2013; and Echandi et al. 2015). To attract foreign investment, governments use a variety of policy levers, with tax-related incentives and policies being one important set. Prior research on the effect of taxes on foreign direct investment (FDI) largely focuses on the role that tax rates play in attracting or deterring investment (Slemrod 1989, Devereux and Griffith 1998b, Devereux and Maffini 2006, Bellak et al. 2009, Feld and Heckemeyer 2011).[1] In contrast, our analysis centers on anti-tax avoidance rules, an increasingly important and widespread element of modern tax regimes, and their effects on foreign investment into rule-enacting countries.

Anti-tax avoidance rules have become an increasingly important policy tool aimed at preventing corporations from investing, earning, and distributing profits in foreign jurisdictions to home-country shareholders with minimal or no additional entity-level taxation (Tax Foundation 2023). In practice, low-tax countries tend to attract forms of foreign investment that are relatively mobile and tax-sensitive—such as headquarters activities, intra-group financing, and the holding of intangible assets—suggesting that anti-avoidance rules may disproportionately affect inward FDI in these jurisdictions (Mongrain and Wilson 2011 and De Mooij and Ederveen 2003). Thus, some countries, particularly those that are smaller, more affluent, or better governed, face pressure to reduce tax rates and enact tax policies to attract mobile capital and income from foreign investors

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[1] In addition to following the prior literature, we choose to investigate foreign direct investment (FDI) as opposed to foreign portfolio investment (FPI) because of fundamental differences between the two. Specifically, FDI involves a long-term commitment with ownership and management control of foreign business such as through mergers, acquisitions, and joint ventures, whereas FPI consists of passive investment positions seeking short-to-medium term returns in financial assets such as stocks, bonds, and mutual funds. As such, FDI contributes significantly to job growth, technology transfer, and economic growth within a country, whereas FPI is primarily motivated by portfolio diversification and liquidity considerations.

(Dharmapala and Hines 2009; Tax Foundation 2023). This growing tension between tax competition and tax enforcement has caused the political interest in tax harmonization and tax coordination to remain high for more than five decades (Neumark 1963; Feld and Heckemeyer 2011). As an example, the OECD Base Erosion and Profit Shifting (BEPS) initiatives aim to address tax-motivated profit and capital shifting (KPMG 2022). Specifically, the OECD describes the BEPS 1.0 initiative as follows (OECD 2025):

> "Working together in the OECD/G20 Inclusive Framework on BEPS, over 140 countries and jurisdictions are implementing 15 Actions to tackle tax avoidance, improve the coherence of international tax rules, ensure a more transparent tax environment and address the tax challenges arising from the digitalisation of the economy."

Independent of the BEPS initiatives, countries also implement their own methods to curb domestic and multinational tax avoidance. These efforts most commonly take the form of specific anti-avoidance rules (SAARs) that target particular strategies used to avoid taxation. Prominent examples of SAARs include rules involving interest deduction limitations and transfer pricing. In addition, countries have increasingly adopted general anti-avoidance rules (GAARs), which enable the tax authority to broadly deny the tax benefits of any transaction deemed to lack sufficient economic substance or business purpose (Cowx and Kerr 2024).

Although anti-avoidance rules are specifically intended to curtail profit shifting and base erosion of domestic-sourced income (thereby increasing tax revenue), these rules may inadvertently affect *real* foreign investment. A key distinguishing feature of FDI is that multinational firms can allocate capital across jurisdictions in response to changes in relative tax and regulatory conditions. Consequently, anti-tax avoidance rules may influence not only the overall level of investment undertaken by firms, but also the location of that investment across

countries. This cross-border reallocation margin implies that the effects of anti-tax avoidance rules on FDI cannot be inferred directly from standard profit-shifting models, which typically hold investment location fixed, or from prior evidence on domestic investment responses to tax changes (e.g., Li et al. 2021).

Despite the central role of anti-avoidance rules in modern tax policy, empirical evidence of their effects on foreign investment is limited (Jacob 2022). To date, evidence on and estimates of the real effects of anti-tax avoidance rules on FDI rely on static indices that proxy for the overall strength of anti-tax avoidance rules (e.g., Erokhin 2023), the effects on domestic entities in the rule-enacting country (e.g., DeSimone et al. 2025), or on *outward* FDI originating from a single economy in response to a specific and limited set of anti-avoidance measures (e.g., Buettner et al. 2018; Fox et al. 2022; Reineke et al. 2023).[2] In contrast to these prior studies, we investigate how the enactment of a broader set of anti-avoidance rules over time affects *inward* FDI growth into rule-enacting countries from foreign investors globally and thus provide generalizable evidence on the effect that these rules have on the rule-enacting country's attractiveness to foreign investors. Thus, our study furthers the literature by providing a more comprehensive understanding of the real effects of anti-avoidance rules on foreign investors.

A general challenge of tax avoidance research is the difficulty in accurately measuring tax avoidance and in separating the impact of tax avoidance from underlying economics and institutions, complicating the identification of exogenous treatment effects (Balakrishnan et al. 2019). To address this issue, we leverage two complementary research designs that utilize different identification strategies: one focused on the OECD's BEPS initiative (sweeping reform that

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[2] For example, Fox et al. (2022) examine U.S. outbound investment into European Union (EU) countries following increased tax enforcement in the EU. Buettner et al. (2018) examine German outbound investment into foreign countries following the enactment of anti-profit shifting rules in those countries. Reineke et al. (2023) examine transfer pricing rules in a game theoretic model.

impacted many countries) and another focused on the implementation of individual anti-avoidance rules within a particular country. First, in our BEPS analysis, we exploit variation in the scope of anti-tax avoidance rule implementation within European countries following the initiation of the OECD's BEPS project. As noted by Brühne et al. (2024), although the BEPS initiative provided a common framework, the actual scope of these laws varied country-by-country and was partially dependent on the country's preexisting anti-tax avoidance rules. This variation in treatment intensity strengthens our empirical tests and enables us to better isolate changes in FDI attributable to changes in anti-avoidance rules rather than to contemporaneous macroeconomic conditions. In addition, restricting this analysis to European countries enhances comparability across institutional and economic environments, strengthening identification by reducing unobserved heterogeneity that could otherwise confound the estimated effects (Gallemore et al. 2025a).

Second, we employ a stacked difference-in-differences regression design (see Goodman-Bacon 2021 and Baker et al. 2022) to assess the impact of the staggered adoption of three individual anti-avoidance rules enacted in OECD and G-20 countries on inward FDI: interest deduction limitation (IL) rules (which encompass thin capitalization and earnings stripping rules), transfer pricing (TP) rules, and general anti-avoidance rules (GAARs).[3] Focusing on individual rules offers two advantages. First, by examining discrete policy interventions, we avoid the measurement challenges inherent in constructing broad indices of tax enforcement strength. Second, comparing treated countries to not-yet-treated countries in the same period helps ensure that our estimates are not driven by unobserved global shocks or other policy changes occurring simultaneously.

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[3] We exclude controlled-foreign corporation (CFC) rules from our analyses for two reasons. First, CFC rules focus on outward investments originating from domestic companies in the enacting country (not inward FDI from foreign investors as is our focus). Second, the very limited number of countries with CFC rule changes during our sample period reduces the statistical power and limits the generalizability of any such tests.

Both of our research designs use inward foreign direct investment data from the International Monetary Fund (IMF) Coordinated Direct Investment Survey (CDIS). We also rely on data regarding BEPS treatment intensity from Brühne et al. (2024) and the staggered enactments of anti-avoidance rules across all OECD and G-20 countries, which we obtain through several sources, including the Research School of International Taxation's (RSIT) International Tax Institutions (ITI) database (Wamser et al. 2024), Cowx and Kerr (2024), various OECD databases, and hand collection.

Overall, our results indicate that anti-avoidance rules reduce a country's appeal to foreign investors as measured by inward FDI. Specifically, we find that adopting anti-avoidance measures under BEPS is associated with a statistically and economically significant decline in total inward FDI growth. In terms of economic magnitude, we estimate that a one standard deviation increase in the number of BEPS-related anti-avoidance policies enacted is associated with a decline in inward FDI growth of approximately 2.2 to 5.0 percentage points (relative to countries with average increases in anti-avoidance rules post-BEPS). This adverse impact is primarily concentrated in debt-based investment.

We further corroborate these findings by examining the discrete impact of adopting individual anti-avoidance rules within countries over time. We find that the three rules we examine (IL rules, TP rules, and GAARs) all lead to statistically and economically significant reductions in FDI, relative to control countries that have not yet enacted the policy. Effect sizes range from 7.4 to 13.1 percentage point declines in inward FDI growth. This adverse impact is present for both debt- and equity-based investment.

For both of our previous analyses, we obtain similar inferences when using an alternative measure of "real" FDI that excludes pass-through investments lacking substantive economic

impact (Damgaard et al. 2024), indicating that the observed effects reflect reductions in real investment rather than "paper" FDI. Taken together, these results support that anti-avoidance policies dampen foreign investment in rule-enacting countries.

We also provide estimates of the effect of BEPS-related changes in anti-avoidance rules on lower-income countries, as one of the goals of the BEPS initiative was to level the playing field for low income countries, which often lack the resources necessary to implement complex anti-avoidance rules (e.g., OECD 2016). For this analysis, we expand the sample to include all countries with necessary data to better capture the complete flow of FDI across countries. We find that, relative to higher-income countries, lower-income countries experienced a statistically significant increase in FDI growth in the post-BEPS period of approximately 5.8 percentage points.

We conclude our empirical analyses with an extensive set of robustness tests to strengthen our confidence that the effects we observe are indeed related to the events we investigate. Collectively, these tests address four primary threats to our methodology: confounding regulatory shocks and overlapping reforms, home-country policy and macroeconomic confounds, the undue influence of economically small source countries, and sensitivity to sample composition and cohort definitions. Across all tests, our inferences remain unchanged.

Our study makes three primary contributions. First, we document that the enactment of major anti-tax avoidance legislation affects the cross-country allocation of real investment, as reflected in inward FDI. In doing so, we extend prior work that shows that aggregate effective tax rates are negatively associated with future economic growth (Shevlin, Shivakumar, and Urcan 2019). We do so by examining how specific features of the tax system—namely, anti-avoidance rules—shape investment outcomes. Our analysis highlights how anti-avoidance policies influence not only the level of investment but also its international location, thereby shedding light on the

cross-border capital allocation consequences of anti-tax avoidance reforms. Second, we show that anti-avoidance rules exert an independent effect on FDI beyond that of the statutory tax rate, indicating that these regulations represent a distinct and economically meaningful policy margin influencing multinational investment decisions. Third, by focusing on the real consequences of anti-avoidance regulations, we address a gap identified by Jacob (2022), who notes that, although the literature has examined changes in tax base elements (such as depreciation allowances) and tax credits extensively, evidence on the real effects of anti-avoidance rules is scant. In light of the recent proliferation of stricter anti-tax avoidance policies worldwide, our findings offer timely insights for policymakers assessing both the benefits and potential trade-offs of such legislation.

We proceed as follows: Section 2 provides theoretical motivation and institutional background; Section 3 outlines the sample selection and research design; Section 4 details the main empirical analyses; Section 5 discusses additional analyses; and Section 6 concludes.

2. Related Theory, Institutional Background, and Literature

We begin this section by discussing the theory on investment and taxes that serves as the foundation for our research setting. Later in this section, as our study investigates the effect of various anti-avoidance policies, we provide an overview of each policy. Relatedly, Appendix A details the dates of in-sample enactments of IL rules, TP rules, and GAARs for all OECD and G-20 countries. We conclude this section by discussing the related literature.

2.1 Investment and taxation theory

Our theoretical framework distinguishes between two investment decisions relevant for understanding how anti-tax avoidance rules may affect FDI: (1) the decision of how much to invest once present in a country (the intensive margin) and (2) the discrete decision of whether to invest in a country (the extensive margin).

Similar to Lester and Olbert (2025), we draw on Hall and Jorgenson (1967) as a basis for understanding investment incentives, and, in particular, how foreign investors' incentives might be affected by a country's enactment of anti-tax avoidance policies. Hall and Jorgenson (1967) model a firm's marginal investment in depreciable physical capital as a function of the tax deductibility of those investment costs:

$$f'(I) = MPK = r\frac{1 - \tau_c z}{1 - \tau_c} = COC \tag{1}$$

where I is investment, MPK is the marginal revenue product of capital, r is the discount rate, COC is the cost of capital, τ_c is the corporate income tax rate, and z is the tax deductibility of investment in fixed tangible assets. As seen above, and as discussed in Devereux and Griffith (1998a), Hall and Jorgenson (1967) utilize the effective marginal tax rate (EMTR) to model how taxes impact the return to an additional dollar of investment. In this scenario, the modeled firm faces a declining marginal productivity of capital and will continue to invest until the marginal revenue equals the cost of capital.

Although Hall and Jorgenson (1967) is a helpful starting point, discrete investment decisions (such as those regarding market entry and, by direct extension, FDI) likely respond to a different set of tax incentives. Specifically, Devereux and Griffith (1998a) emphasize that marginal tax factors influence the size of investment but play a limited role in the binary decision of whether to invest. Rather, Devereux and Griffith (1998a) and Devereux and Griffith (2003) show that such discrete location choices depend on the effective average tax rate (EATR)—the present value of taxes as a share of corporate profits. The EATR blends the EMTR and the corporate statutory tax rate (CSTR), with the weight on the statutory rate increasing as project profitability increases. As profitability increases, a greater share of returns becomes subject to the CSTR, but marginal incentives still govern how far firms scale up their capital stock. Thus, the intensive margin

responds primarily to marginal tax burdens (which are highly sensitive to incentives such as depreciation allowances and interest deductibility), while the extensive margin responds primarily to average tax burdens.

In addition to changes in the tax rate, tax enforcement changes, such as the introduction of new anti-avoidance laws, can influence foreign investors' location decisions by increasing the cost of tax avoidance, thus reducing after-tax profits. The model in Dyreng et al. (2022) provides a useful synthesis. Firms choose capital (K), labor (L), and tax-avoidance activities (A) to maximize after-tax profits:

$$\Pi(K,L,A) = [1 - (\tau - A)](F(K,L) - wL - \eta rK) - (1 - \eta)rK - C(A) \qquad (2)$$

Here, the cost of avoidance $C(A)$—which increases with stricter anti-avoidance rules—lowers after-tax profitability. Consistent with this, Allingham and Sandmo (1972) demonstrate that tax evasion decreases as the probability of audit and associated penalties increase. Therefore, if investors anticipate that changes in tax enforcement—such as the introduction of new anti-avoidance laws—will raise their effective tax burden (and thus lower their after-tax profitability), they may respond by reducing their investment. Applying this logic, Jacob (2022) predicts that transfer pricing, controlled foreign corporation, and debt-limitation rules raise the cost of tax avoidance for domestic firms in the rule-enacting country (see Jacob (2022) Table 2), although foreign investors may not be subject to the same scope of enforcement.[4]

On the other hand, stronger enforcement can encourage investment by generating additional tax revenue (e.g., Clifford 2019), which in turn can lead to improvements in governance and public goods. As a local economy improves due to these enhancements, foreign investors' desire to invest may increase (e.g., Globerman and Shapiro 2002). Moreover, stronger enforcement

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[4] Jacob (2022) also includes predictions for exit taxes and country-by-country reporting.

can reduce tax uncertainty (Gallemore et al. 2025b), which the standard theory on investment under uncertainty (see Pindyck 1988, Bloom 2009, and Bloom 2014) suggests can stimulate investment.

Together, these frameworks suggest that anti-avoidance reforms can influence FDI through multiple channels, such as by altering both marginal and average tax burdens as well as the cost and uncertainty of tax planning. As the theory supports both a positive and negative relationship, we do not formulate formal hypotheses.

2.2 Overview of anti-avoidance policies

2.2.1 Base Erosion and Profit Shifting (BEPS) initiative

The BEPS initiative was created by the OECD in collaboration with the G20 in response to growing global concern about aggressive tax avoidance by multinational corporations (MNCs). Specifically, due to both globalization and the rise of the digital economy, MNCs increasingly exploited outdated rules to shift profits to jurisdictions with little or no tax—often without any corresponding economic activity. This resulted in tax base erosion in countries where the real business activity occurred.

In 2013, the OECD and G20 formally launched the BEPS Project, which culminated in the release of the Action Plan on Base Erosion and Profit Shifting (see OECD 2013 and OECD 2025). These plans introduced new standards to combat tax treaty abuse, improve transparency, and align taxation more closely with value creation. The initiative marked a major shift toward international cooperation in tax matters and set the foundation for subsequent efforts, including the more recent global agreement on a minimum corporate tax rate.

2.2.2 Interest limitation (IL) rules

Most tax systems permit taxpayers to deduct against taxable income the amount of interest paid on debt, such as loans (private debt) and bonds (public debt). In addition, it is common

practice for an MNC with multiple levels of ownership and subsidiaries to loan money from a subsidiary located in one jurisdiction to a subsidiary located in another jurisdiction. These loans facilitate the movement of capital across countries within the corporation's organizational structure, which can be especially useful when making new investments in foreign markets (Tax Foundation 2023). However, these inter-company loans also create opportunities for arbitrage by allowing corporations to exploit differences across country-level tax rates to reduce tax liabilities. In particular, MNCs have incentives to originate inter-company loans from subsidiaries located in low tax rate jurisdictions (where interest income will be taxed at lower rates) with the borrowers located in high tax rate jurisdictions (where the interest deductions will generate greater tax savings). Arrangements such as these, absent rules to the contrary, would result in a lower worldwide tax liability for the MNC (OECD 2020).

To address such abuse, countries place limits on the amount of interest paid that can be deducted against taxable income. These interest limitation rules take one of two primary forms. First, thin-capitalization rules restrict interest deductions when a firm's debt-to-equity ratio exceeds a predetermined threshold. Second, earnings-stripping rules cap interest deductibility when interest expense surpasses a specified percentage of taxable income (Tax Foundation 2023).

A common assumption is that IL rules should primarily affect debt-based FDI rather than equity-based FDI, since these rules are designed to limit the deductibility of interest (i.e., debt-related) expenses.[5] However, there is reason to expect that these rules should affect both debt- and equity-based FDI. Specifically, although interest limitation rules would not apply to *acquisition debt* held by foreign investors—because interest deductions on that debt are attributable to the

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[5] Debt FDI in the IMF CDIS database does not isolate the marginal internal debt used for tax-motivated interest deductions; instead, it encompasses all intercompany financial positions, including loans, debt securities, trade credit, and payables and receivables.

investor's home jurisdiction—they nonetheless raise the after-tax cost of operating in the host country by restricting deductibility of debt incurred locally. This is because IL rules, by restricting the deductibility of interest incurred locally, reduce expected after-tax returns and tighten operating constraints, which can lead multinational firms to scale down or forgo all types of investment in the host country, rather than simply adjusting the debt to equity mix.

2.2.3 Transfer pricing (TP) rules

Transfer pricing refers to the prices at which an MNC transfers goods or services to related enterprises. Such intercompany transactions enable MNCs to shift profits and losses across jurisdictions, exploiting differences in tax rates between countries. Two entities qualify as related if one participates, directly or indirectly, in the management, control, or capital of the other (see OECD 2022). To prevent these profit-shifting strategies, jurisdictions enact TP rules that require related-party transactions to be conducted at "arm's-length" prices. The arm's-length principle ensures parity of tax treatment for funds exchanged within MNC groups and independent enterprises, thereby avoiding tax-induced distortions (Bloomberg Tax 2024).

Although transfer pricing rules have existed for decades, a more recent development is the introduction of mandatory detailed documentation requirements (Brühne et al. 2024; Lohse and Riedel 2013). Beginning in 1996 (Wamser et al. 2024), jurisdictions with TP regulations began enhancing their rules by requiring taxpayers to substantiate the calculations underpinning intercompany transfer prices. The primary aim of this documentation is to demonstrate that related-party transactions comply with the arm's-length principle. Effective TP documentation typically addresses: (1) the allocation of functions, assets, and risks among affiliated entities; (2) the selection and analysis of comparable companies; and (3) a justification for why the resulting pricing is consistent with arm's-length standards. OECD guidelines (see Thomson Reuters 2021)

recommend a three-tiered documentation approach: a master file that outlines the MNC's global TP policies, a local file that details all intragroup transactions within each jurisdiction, and a country-by-country report that summarizes the financial activities of the enterprise's entities by country. Regardless of the specific format, these documentation requirements are designed to increase transparency and facilitate audits (see Wamser et al. 2024).

2.2.4 General anti-avoidance rules (GAARs)

Unlike IL and TP rules—which are specific anti-avoidance rules (SAARs) targeting particular strategies—GAARs serve as broad enforcement mechanisms applicable to a wide range of tax avoidance transactions. These transactions include schemes not anticipated by the original tax statutes, arrangements that comply with the letter but not the spirit of the law, and transactions for which no specific SAAR applies. Conceptually, a GAAR grants tax authorities broad discretion to deny tax benefits for any transaction lacking commercial substance beyond tax avoidance (Ernst&Young 2013). Accordingly, we adopt the definition of GAARs used in prior work (e.g., Johansson et al. 2016, Lang et al. 2016, and Cowx and Kerr 2024), which encompasses economic substance provisions and principal-purpose tests. Although SAARs have been the focus of recent literature (e.g., Egger and Wamser 2015, Clifford 2019, etc.), GAARs remain largely understudied (e.g., Johansson et al. 2016, Johansson et al. 2017, and Cowx and Kerr 2024).

2.3 Related literature

Our study is related to the body of research examining how tax policy influences firm location decisions. Research in this area examines the impact of home country taxation of foreign income (e.g., An 2011; Desai and Dharmapala 2009; Voget 2011), double taxation across countries (Barrios et al. 2012), differences in tax rates across jurisdictions (Arulampalam et al. 2019; Moretti

and Wilson 2017), and the implementation of CFC rules (Clifford 2019).[6] Within this literature, our study is most closely related to Erokhin (2023) and Buettner et al. (2018). Erokhin (2023) does not find a significant effect of the level of anti-tax avoidance rules (as measured using a composite index to estimate the overall strength of anti-avoidance rules) on FDI. Buettner et al. (2018) examine how host-country anti-profit shifting rules (specifically transfer pricing and thin-capitalization rules) moderate the link between tax rates and outbound FDI among German MNCs. Their findings indicate that tighter thin-capitalization thresholds (i.e., lower debt-to-equity limits) amplify the negative effect of host-country tax rates on both employment and investment, whereas transfer pricing rules exhibit no significant moderating effect. Our approach differs from Buettner et al. (2018) in two key respects. First, we analyze a broader set of anti-avoidance policies, including the BEPS initiative and GAARs, which are widespread across OECD and G-20 countries. Second, instead of focusing on investors from a single source country, we employ a large panel of inbound FDI, enabling us to draw inferences about overall capital attraction rather than from a single origin.

Our study is also related to a body of research that examines the real effects of tax enforcement. For example, DeSimone et al. (2025) investigate the impact of earnings stripping rules on domestic entities and find that the rules are associated with reductions in capital expenditures, innovation, and risk-taking. Our study differs from DeSimone et al. (2025) in that we examine a broader set of anti-avoidance rules and focus on *foreign* investment into the rule-enacting country. Another related study is Ferguson et al. (2025), who examine FDI flows into

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[6] A separate stream of research examines the effects of local tax policy changes on the investment behavior of domestic taxpayers in foreign jurisdictions (see Lester and Olbert 2025 for a recent review). Research in this area documents that decreases in local tax burdens result in greater outbound investment by local firms into foreign subsidiaries (e.g., Lester 2019, Glaeser et al. 2023, Hoopes et al. 2023, De Vito et al. 2025, etc.). Our study differs from this line of work as we focus on the effect of local tax policy changes on foreign investors' desire to invest into the rule-enacting economy (through inbound foreign direct investment).

host countries that are deemed to have improvements in tax administration via participation in Tax Inspectors Without Borders (TIWB), a program that helps developing countries effectively tax and audit local affiliates of foreign multinational corporations. They find that participation in TIWB increases FDI flows into these developing countries. While related, our study differs from Ferguson et al. (2025) in that we examine the enactment of anti-avoidance rules and focus on *developed* countries.

3. Sample Selection and Research Design

3.1 Research design – BEPS analysis

We examine the impact of the BEPS initiative on inward foreign direct investment flows using the following difference-in-differences (DiD) model with continuous treatment:

$$\Delta Log(\textit{Inward FDI})_{ijt} = \beta_0 + \beta_1 \textit{BEPS Intensity}_{it} \times \textit{Post BEPS}_t + \gamma X_{ijt} + \mu_{ij} + \sigma_t + \varepsilon_{ijt} \tag{3}$$

where Δ represents the first difference operator, i denotes the host country (i.e., the country receiving the investment), j denotes the home country (i.e., the country from which the investment originates), and t denotes the year. The unit of observation is at the country-pair-year level. The dependent variable is *Δlog(Inward FDI)*, the log-difference of inward FDI for host country i from home country j over the years *t-1* to *t*. We examine the FDI growth, rather than the level of FDI, to reduce concerns relating to FDI double-counting (e.g., Blouin and Robinson 2021 and Damgaard et al. 2024). In addition, using growth rates standardizes responses across different country sizes, allowing percentage changes to be compared meaningfully between small and large countries.

Our identification strategy leverages cross-country differences in the magnitude of BEPS-related changes in anti-avoidance rules. We measure *BEPS Intensity* as the change in the AntiTAScore (*AntiTAScore*) from Brühne et al. (2024) since BEPS initiation in 2013 through 2017

(the end of our sample period) (Gallemore et al. 2025a).[7] The AntiTAScore is a composite measure of the strength of anti-tax avoidance rules within a country based on the presence and strictness of nine anti-avoidance policies.[8] *AntiTAScore* ranges from zero to one. *Post BEPS* is an indicator variable set equal to one starting in 2013, and zero otherwise.

X represents a vector of home country, host country, and bilateral control variables. We follow the large body of research that models bilateral FDI using a gravity framework (e.g., Azémar and Dharmapala 2019; Bénassy-Quéré et al. 2005), which assumes that FDI between two countries is proportional to their economic masses. Following prior work, we include controls for economic mass, including GDP of the host and home countries and host country population. We include additional controls common to the FDI literature (e.g., Azémar and Dharmapala 2019; Fox et al. 2022), including GDP growth, bilateral trade costs, home and host country corporate statutory tax rates (CSTR), and an indicator representing banking crises in the home country (Nguyen et al. 2022).

We include country-pair fixed effects (μ) to account for time-invariant bilateral characteristics and year fixed effects (σ) to account for global shocks affecting all country-pairs in a particular year. This fixed effect structure subsumes the main effects of *BEPS Intensity* and *Post BEPS*. We cluster standard errors by country-pair to account for possible correlation of residuals. To reduce the influence of outliers, we winsorize all continuous variables at the top and bottom percentiles. Variable descriptions are available in Appendix B. Prior to estimating the regression, we standardize all continuous independent variables to have a mean of zero and standard deviation

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[7] We use the total cumulative change in AntiTAScore, rather than the year-to-date cumulative change, to avoid defining treatment in a way that may evolve endogenously with contemporaneous FDI patterns.
[8] The nine polices included in the AntiTAScore are: (1) presence of a hybrid mismatch rule, (2) presence of a GAAR, (3) complexity of the TP rule regime, (4) restrictiveness of the thin-capitalization rule, (5) restrictiveness of the earnings-stripping rule, (6) restrictiveness of the controlled foreign corporation regime, (7) presence of an exit tax system, (8) presence of tax-specific voluntary/mandatory disclosure regimes, and
(9) installation of country-by-country reporting rules.

of one. Thus, the β_1 coefficient represents the percentage point change in the FDI growth rate for a one standard deviation increase in *BEPS Intensity*, relative to FDI growth in countries with average-levels of BEPS-related changes in anti-avoidance rules.

As modeled in Devereux and Griffith (1998a) and Devereux and Griffith (2003), discrete investment decisions, such as location decisions for FDI, may be highly reliant on the corporate statutory tax rate. Thus, in addition to estimating the baseline model shown in Equation (3), we also estimate a modified version of this model that allows for the interaction of the variables of interest and the host country CSTR.

3.2 Research design – analysis of individual anti-tax avoidance rules

We examine the impact of specific types of anti-avoidance rules (i.e., interest limitation, transfer-pricing documentation rules, and general anti-avoidance rules) on FDI using a stacked DiD design (see Goodman-Bacon 2021 and Baker et al. 2022). Specifically, we estimate the following model:

$$\Delta Log(Inward\ FDI)_{cijt} = \beta_0 + \beta_1 Treat_{cit} \times Post_{ct} + \gamma X_{cijt} + \delta_{cij} + \lambda_{ct} + \varepsilon_{cijt} \qquad (4)$$

where Δ represents the first difference operator, c denotes the cohort (defined below), i denotes the host country, j denotes the home country, and t denotes the year. The unit of observation is at the level of country-pair-cohort-year. *Treat* is an indicator variable set equal to one for the host country enacting the anti-tax avoidance rule during the cohort-specific event window, and zero otherwise. For this analysis, treated countries are those that enact a significant policy change for a particular rule during our sample period, while control countries include (1) countries that adopt a similar change after the cohort event window and (2) countries without the particular anti-avoidance rule (i.e., never-treated countries). By including countries that eventually implement similar policy changes in our control sample, we aim to improve the comparability of treatment

and control countries. We do not limit our control group to "never-treated" countries because the pool of countries without anti-avoidance rules is very small (and in some cases nonexistent due to the long tradition of anti-avoidance rules across countries), which raises concerns about comparability and generalizability. For example, our sample does not include any countries that never enact IL rules or GAARs (see Appendix A). We gather information on anti-tax avoidance rules from several sources, including Cowx and Kerr (2024), Johansson et al. (2017), Wamser et al. (2024), Bloomberg Tax, and various OECD databases. As shown in Appendix A, our analysis includes 11 IL rule events, 5 TP rule events, and 12 GAAR events.

Post is an indicator variable set equal to one for years ending after the event date, and zero otherwise (Azémar and Dharmapala 2019) (see Appendix A). We include country-pair-cohort fixed effects (δ) and year-cohort fixed effects (λ). All other variables are as previously described. We cluster standard errors by country-pair and winsorize all continuous variables at the top and bottom percentiles.[9] Variable descriptions are available in Appendix B. Prior to estimating the regression, we standardize all continuous independent variables to have a mean of zero and standard deviation of one. The β_1 coefficient represents the percentage point change in inward FDI growth for treated countries, relative to untreated countries, following the anti-avoidance rule change.

Finally, in addition to estimating the baseline model shown in Equation (4), we also estimate a modified version of this model that allows for the interaction of the variables of interest and the host country CSTR.

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[9] Our inferences are robust to clustering at the level of country-pair-cohort (untabulated).

3.3 Sample selection

Both research designs use FDI data from the IMF Coordinated Direct Investment Survey (CDIS). Participation in the CDIS is voluntary, and participating countries are required to report inward direct investment by counterpart (i.e., home) country.[10] The CDIS defines direct investment as arising when "an investor resident in one economy makes an investment that gives control or a significant degree of influence over the management of an enterprise that is resident in another economy." This data is available beginning in 2009 and spans over 120 reporting countries and over 240 investing countries. Due to data limitations on inward FDI, control variables, and information about the enactment of anti-tax avoidance rules by country, we follow similar studies (e.g., Cowx and Kerr 2024 and Johansson et al. 2017) and limit our main analysis to G-20 and OECD host countries (we do not impose a similar restriction on home countries).

Table 1 reports the sample selection procedure. As we examine year-over-year changes in the stock of inward FDI (i.e., FDI growth), our sample period begins in 2010. Our sample period ends in 2019 due to control variable data availability. We exclude observations relating to tax haven countries. We do this as our research question focuses on the real effects of these rule changes, as opposed to mere profit shifting effects, which may lack significant economic substance beyond tax-related costs. We further exclude observations with missing data necessary to construct control variables. This sample selection procedure results in 30,010 country-pair-year observations, which we denote the full sample. This sample includes 33 host countries and 171 home countries (untabulated).

For our BEPS analyses, we follow Gallemore et al. (2025a) and limit the sample to European countries to increase the comparability of countries included in the analysis. We also

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[10] We focus on inward FDI rather than outward FDI because the quality of inward reporting is generally higher than outward reporting (Damgaard and Elkjaer 2017).

require non-missing *AntiTAScore*. AntiTAScore is available through 2017. We require country-pairs to have data in both the pre- and post-BEPS period. Our BEPS sample includes 9,894 country-pairs, corresponding to 19 host countries and 157 home countries.

For our stacked DiD analysis of the effects of individual anti-avoidance rules, we construct a separate stacked sample for each rule type. Specifically, for each of the three rules (IL, TP, and GAAR), we begin by creating distinct subsamples (cohorts) for each event (see Appendix A). Starting from the full sample, we limit the analysis to a [-2, +2] event window centered on the rule change date. We then limit each cohort to a treatment group, consisting of a single host country that implemented a rule change, and a control group comprising never-treated and not-yet-treated countries. We further require that each country-pair has data available for both the pre- and post-event periods. These individual cohorts are then stacked to form three separate, rule-specific samples—one each for IL, TP, and GAAR. Due to the construction method, the sample size varies across the three stacked samples.

4. Empirical Analyses

4.1 Descriptive statistics

We begin our empirical analyses by presenting descriptive statistics.

Table 2, Panel A presents descriptive statistics for the 33 host countries included in the full sample and illustrates the composition of this sample by country. Panel B reports pooled descriptives for the BEPS sample. The mean (median) value of *BEPS Intensity* is 0.720 (0.513), suggesting European countries implement an average of approximately six additional anti-avoidance rules during the post-BEPS period.[11]

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[11] The Brühne et al. (2024) *AntiTAScore* measure assigns a weight of 1/9 to each of the nine anti avoidance measures included in the index. Thus, implementing six additional anti-avoidance rules increases the AntiTAScore by 0.667 (6 * 1/9).

The remaining panels report pooled descriptives for the stacked IL rule sample (Panel C), the stacked TP rule sample (Panel D), and the stacked GAAR sample (Panel E). In these stacked samples, the treatment group accounts for roughly 10 to 20% of all observations. The post period comprises roughly 40% of each sample, corresponding to years t+1 and t+2 within our five-year event window.

Table 3 reports a correlation matrix of the main variables, as estimated using the full sample, with Pearson (Spearman) correlations below (above) the diagonal.

Figure 1 reports the *AntiTAScore* following BEPS initiation in 2013 for the countries included in our BEPS analyses. As shown in this figure, there is substantial variation in BEPS-related changes in anti-avoidance rules. For example, the *AntiTAScore* increased by 155% in Poland, 131% in Greece, and 106% in the United Kingdom, but 48% in France, 33% in Austria and Slovenia, and no change in anti-avoidance rules in Estonia.

4.2 BEPS analysis

Table 4 reports the results of the BEPS analysis. Column 1 reports the baseline model, while Column 2 allows for the impact of BEPS-related changes in anti-avoidance rules to vary with the host country CSTR. Across both columns, the coefficients on *BEPS Intensity × Post BEPS* are negative and statistically significant, suggesting a reduction in inward FDI growth among countries with the greatest increases in anti-tax avoidance rules following BEPS. In addition, Column 2 shows that *BEPS Intensity* has an effect that is largely separate and distinct from the CSTR, as evidenced by the insignificant coefficient on the triple interaction term. In terms of economic magnitude, the coefficients on *BEPS Intensity × Post BEPS* indicate a one standard deviation change in *BEPS Intensity* (equivalent to enacting approximately four additional BEPS-related anti-tax avoidance policies) is associated with a decline in inward FDI growth of

approximately 2.2 to 5.0 percentage points, relative to countries with average increases in anti-avoidance rules following BEPS. Because our dependent variable captures changes in FDI, which may be positive or negative, the variable's mean value naturally trends toward zero. Accordingly, we follow the recommendation of Mitton (2024) and interpret economic magnitudes relative to the standard deviation of the dependent variable. Given the standard deviation of the dependent variable of 0.485, the estimated effect corresponds to a decline in FDI growth of approximately 5% to 10% of a standard deviation.

An important identifying assumption underlying this difference-in-differences research design is that treatment and control observations follow similar trends in FDI growth during the pre-treatment period. To assess the validity of the parallel trends assumption, we re-estimate our analyses using an event-time specification. Specifically, we modify Equation (3) by replacing the *Post BEPS* indicator with a vector of year-specific event-time dummies, allowing us to estimate dynamic treatment effects. Figure 2 presents the results from these estimations (specifically the coefficients on the interactions of *BEPS Intensity* and the yearly indicator variables) for the baseline model (Panel A) and the specification that allows for the interactive effect of CSTR (Panel B). The pre-event coefficients support parallel trends in FDI growth for treated and control countries prior to the initiation of BEPS. In addition, the figures suggest that the effect of BEPS-related changes on FDI growth materializes gradually as countries implement additional rules over time, particularly in 2015 and 2016. The effect attenuates somewhat by 2017, implying that high-intensity BEPS adopters do not experience further declines in FDI growth, relative to average-intensity adopters, in that year. This should be interpreted as a stabilization in growth rates rather than a complete return of FDI levels to their pre-BEPS trajectory.

4.3 Changes in individual anti-avoidance rules

Next, we examine the impact of specific types of anti-tax avoidance rules on inward FDI growth.

Table 5 reports the results of our tests of IL rules (Columns 1 and 2), TP rules (Columns 3 and 4), and GAARs (Columns 5 and 6). For each rule, we report results of the baseline model and a model that allows for the effect of the anti-tax avoidance rule to vary with the host country CSTR. Across all columns, we observe a negative and statistically significant relationship between each type of anti-tax avoidance rule and inward FDI growth.

In terms of economic significance, the coefficients on *Treat × Post* suggest reductions in inward FDI growth of approximately 7.4 to 8.0 percentage points for IL rules, 11.0 to 13.1 percentage points for TP rules, and 9.7 to 11.6 percentage points for GAARs. These effects correspond to declines in FDI growth of 17% to 18% of a standard deviation for IL rules, 29% to 35% of a standard deviation for TP rules, and 19% to 23% of a standard deviation for GAARs.[12] Notably, these effect sizes exceed those documented by Fox et al. (2022), who find investigations by the European Commission into allegations of preferential tax treatment for some large multinational entities (i.e., state aid investigations) resulted in a reduction in outward FDI growth into affected countries of 7.8 percentage points. This suggests the enactment of anti-avoidance rules has a more adverse impact on FDI growth than the state aid investigations.[13]

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[12] These effect sizes exceed those in the BEPS analysis, largely due to differences in the relevant control groups. Specifically, the BEPS specifications estimate the decline in FDI associated with a one-standard deviation increase in anti-avoidance rules, relative to *countries exhibiting an average increase in such rules*. In contrast, the stacked DiD tests compare the effect of implementing an anti-avoidance provision, relative to *countries that do not adopt that provision.*

[13] Fox et al. (2022) do not report the standard deviation of their FDI growth measure, preventing us from comparing effect sizes relative to the standard deviation across our study and theirs.

Allowing treatment effects to vary by CSTR reveals important heterogeneity. As reported at the bottom of Columns 2, 4, and 6, the decline in FDI growth is primarily concentrated in countries with low CSTRs, with the total effect for low CSTR countries being negative and significant for all rules, whereas the total effect is insignificant in higher CSTR countries for IL and TP rules and weakly significant for GAARs. These results are consistent with the notion that tax avoidance considerations play a greater role in foreign investors' location decisions when host-country tax rates are low.

We note that the direction of tax-rate heterogeneity differs across Tables 4 and 5, reflecting the distinct investment margins each test identifies. Specifically, the BEPS analysis (Table 4) exploits cross-country variation in the *intensity* of a coordinated, multi-dimensional tightening of anti-avoidance rules within Europe. As such, it captures how broad-based increases in anti-avoidance rules affect investment incentives across otherwise similar countries, and the results indicate relatively larger effects in higher-CSTR jurisdictions. By contrast, the stacked DiD analysis (Table 5) isolates the marginal effect of adopting individual anti-avoidance rules relative to not-yet-treated OECD and G-20 countries. This design captures how *discrete* policy adoptions alter investment incentives, with larger responses observed in lower-CSTR countries where mobile, tax-sensitive investment is more prevalent. Importantly, this contrast reflects differences in identification rather than differences in the underlying effectiveness or desirability of coordinated versus incremental policy reforms. Taken together, the findings indicate that anti-avoidance policies affect FDI through multiple channels and that the direction of tax-rate heterogeneity depends on the nature of the policy variation being exploited.

To evaluate the plausibility of the parallel trends assumption underlying our difference-in-differences design, we re-estimate our baseline specification in event-time. Specifically, we

modify Equation (4) by replacing the *Post* indicator with a vector of year-specific event time dummies, allowing us to estimate dynamic treatment effects. Figure 3 reports the estimated coefficients from these models for both the baseline specifications (Panel A) and the specifications that include the interaction with CSTR (Panel B).

The pre-event coefficients provide evidence that treatment and control countries largely exhibit similar trends in FDI growth prior to the policy change and, when taken together, the evidence supports the plausibility of the parallel trends assumption for our tests.

4.4 Debt FDI and equity FDI

Next, we re-examine the impact of anti-avoidance rules on FDI growth rates by analyzing debt and equity investments separately. This distinction is particularly relevant for policymakers, as debt and equity FDI have been shown to affect the host economy in different ways. For example, equity FDI is generally associated with long-term growth and productivity gains (Fons-Rosen et al., 2021), while debt FDI can have adverse implications for financial stability (e.g., Davis 2015; Schuberth 2012).

Table 6 presents the results of this analysis. In general, we find that the strengthening of anti-tax avoidance measures is associated with significant declines in both debt and equity FDI growth, although the magnitude and statistical significance vary across rules. Following BEPS-related changes in anti-avoidance rules, the decline in debt FDI growth (Column 1) is statistically greater than the decline for equity FDI growth (Column 2) (p = 0.017) while the effect on equity investments is not statistically significant. In contrast, for IL rules, TP rules, and GAARs, we observe statistically significant declines in both debt and equity FDI growth, with effect sizes that are not statistically different across financing types. These findings suggest that anti-avoidance rules affect overall investment incentives rather than solely financing choices.

As discussed in Section 2.2.2, IL rules may affect both debt- and equity-based FDI due to their increasing the after-tax cost of operating within a host country. Consistent with this, we find that debt and equity FDI decline by similar magnitudes following IL rule adoption. This pattern suggests that interest limitation rules operate primarily through a scale effect (rather than a simple debt-equity substitution response) by increasing the effective cost of capital and thus reducing the size or likelihood of investment projects. This further indicates a real contraction in multinational activity rather than a mere reclassification of financing. This distinction between financing adjustments conditional on investment and investment location and scale decisions reconciles our findings with prior firm-level evidence documenting reductions in internal leverage following the adoption of interest limitation rules (e.g., Buettner et al. 2012), while the observed decline in equity FDI is consistent with a deterrent effect on longer-term, productive investment.

4.5 Real FDI

Next, we examine the impact of the BEPS initiative on real FDI. FDI routed through special purpose entities (SPEs) is often characterized as "phantom" investment because these flows pass through a jurisdiction without generating substantive local economic activity (see Damgaard and Elkjaer 2017 and Damgaard et al. 2024). In contrast, FDI via non-SPE entities—termed "real" FDI—reflects tangible cross-border transfers of assets, technology, labor, and business practices, thereby indicating genuine economic integration between home and host countries. Although there is no single definition of an SPE, it is generally understood to be a legally incorporated unit that is a resident in a host jurisdiction yet has minimal or no local employment, physical presence, or production (see IMF Committee on Balance of Payments Statistics 2008). By design, an SPE is controlled—directly or indirectly—by nonresidents, conducts almost all transactions with nonresidents, and holds a balance sheet dominated by cross-border claims and liabilities. SPEs are

typically established to secure jurisdiction-specific advantages (such as access to capital markets, reduced regulatory or tax burdens, financial risk isolation, and transaction confidentiality) and form part of an MNC's global profit-maximization strategy (IMF Committee on Balance of Payments Statistics 2008). In short, the primary objective of an SPE is to optimize after-tax returns at the group level, rather than to contribute to the host country's real economy.

From a data perspective, conflating SPE- and non-SPE-driven FDI can distort measures of real economic integration. Indeed, Damgaard et al. (2024) estimate that nearly 40% of reported global FDI relates to investment into SPEs, underscoring the importance of disentangling these "phantom" flows. We examine the effects of BEPS on real FDI using data from Damgaard et al. (2024).[14] We construct a new dependent variable, *ΔLog(Inward Real FDI)*, which represents inward FDI growth relating to non-SPEs.

Table 7 reports the results of this analysis. In all columns, we observe negative and significant coefficients on the interaction terms. These results further support that our main analyses capture real investment effects. These results have potentially important policy implications: while reductions in phantom FDI are more likely consistent with the intent of these rules (i.e., discouraging investments made predominantly for tax avoidance purposes), the observed reductions in real FDI may represent unintended consequences of anti-tax avoidance rules.

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[14] Damgaard et al. (2024) construct a country-pair-year panel of real and phantom FDI using reported data on the breakdown of inward FDI by SPEs and non-SPEs. In cases where countries report only aggregate (as opposed to bilateral) breakdowns, they estimate bilateral real and phantom FDI using the ratio of aggregate phantom FDI to total FDI. For countries that do not report a breakdown of FDI by SPEs, they estimate these values using a regression model that estimates the ratio of real to total FDI as a function of ratio of total FDI to total GDP.

5. Additional Analyses and Robustness

5.1 Impact of the BEPS initiative on low income countries

One of the goals of the BEPS initiative was to level the playing field for lower-income countries that often lack the resources necessary to implement complex anti-avoidance policies (e.g., OECD 2016). Thus, the reduction in FDI we document in our main tests may correspond to an increase in FDI in low income countries. We examine whether BEPS-related changes in anti-avoidance rules achieved this goal of leveling the playing field using a DiD test that models FDI growth in lower-income countries relative to that in higher-income countries, following the launch of the BEPS initiative in 2013. For purposes of this test, we expand the sample to include all non-haven countries with sufficient data to estimate the model (69 host countries; 158 home countries).[15] We tabulate the selection procedures for this test in Table 8, Panel A.

We estimate the following model:

$$\Delta Log(\textit{Inward FDI})_{ijt} = \beta_0 + \beta_1 \textit{Low Income}_i \times \textit{Post BEPS}_t + \gamma X_{ijt} + \mu_{ij} + \sigma_t + \varepsilon_{ijt} \qquad (5)$$

where *Low Income* represents one of two indicator variables representing low income host countries, and all other items are as previously described. We identify low income countries in 2012 using gross national income (GNI) per capita data from the World Bank and one of two methods: (1) those with bottom-quartile GNI per capita (*Low GNI - Bottom Quartile* = 1) or (2) countries with GNI per capita of less than \$4,085 (*Low GNI - Atlas Method* = 1), as dictated by the World Bank Atlas Method (United Nations 2014).

Table 8, Panel B shows the sample composition and select descriptive statistics by country. Table 8, Panel C reports pooled descriptives. Approximately 25% (12%) of the sample pertains to

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[15] Due to data limitations on the timing of anti-tax-avoidance rule enactments for countries outside our main sample, we are unable to perform the low income country analysis using our stacked DiD design.

low-income host countries, as identified by the bottom quartile (Atlas method) of gross national income per capita.

Table 8, Panel D presents the results. In Columns 1 and 2, the coefficients on the interaction terms suggest FDI growth increases significantly more in low-income countries than in higher-income countries in the post-BEPS period. The coefficient point estimates suggest low income countries exhibit FDI growth that is 5.7 to 5.8 percentage points (approximately 10% of a standard deviation) higher than that in higher-income countries in the post-BEPS period.

To evaluate the parallel trends assumption for these analyses, we re-estimate Columns 1 and 2 in event time. Figure 4 displays the results for the low income quartile countries (Panel A) and the low income Atlas method countries (Panel B). In both panels, we observe parallel trends in FDI growth during the pre-BEPS years. In addition, we observe a persistent increase in FDI growth in low-income countries during the years 2014 to 2016. Overall, these findings suggest that BEPS-related reforms may have partially offset declines in FDI growth in high-income countries by channeling more investment toward lower-income jurisdictions. This redistribution of FDI is broadly consistent with the goals of curbing tax-motivated investment flows and promoting a more equitable global allocation of cross-border investment.

5.2 Robustness

In this section, we evaluate the sensitivity of our results to alternative specifications, samples, and identification concerns. Collectively, these tests address four primary threats to our methodology: confounding regulatory shocks, home-country confounds, the undue influence of economically small home countries, and the sensitivity of the results to sample composition. Taken together, these robustness tests provide evidence consistent with the documented decline in inward FDI reflecting a broad and systematic response to host-country anti-avoidance rules, rather than

the influence of specific countries, overlapping reforms, home-country confounds, or sample composition.

5.2.1 Overlapping reforms and policy confounds

A potential concern with our analyses is that the estimated effects capture contemporaneous policy shocks or overlapping regulatory reforms rather than the enactment of the focal anti-avoidance rules. One such concern arises from the overlap between our sample period and the European Union's 2013 state aid investigations examined by Fox et al. (2022), who document declines in U.S. multinational investment into Belgium, Ireland, Luxembourg, and the Netherlands. To ensure our results are not driven by these investigations, we re-estimate our main specifications excluding these countries.[16] As reported in Table 9, Panel A, the interaction terms remain negative and statistically significant across all specifications, indicating that our findings are not confounded by the state aid cases.

A similar concern is that countries may adopt multiple anti-avoidance rules close together in time, making it difficult to attribute the documented effects to any single policy. We address this issue by restricting the stacked DiD samples to treatment events that do not overlap with other anti-avoidance rule changes within the cohort event window. We note that we do not perform this analysis for the BEPS test, as that test focuses on multiple simultaneous changes, by construction. The results, reported in Table 9, Panel B, continue to show a significant negative effect of each anti-avoidance rule on inward FDI. These findings support the interpretation that each rule independently affects foreign investors' incentives.

Finally, Table 9, Panel C reports results where we explicitly control for the presence of other anti-avoidance rules (interest limitation rules, transfer pricing rules, and GAARs) in the host

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[16] Note that three of the four countries (Ireland, Luxembourg, and the Netherlands) are already excluded from our main analysis through our sample selection criteria, which omit tax haven jurisdictions.

country. As seen there, inferences from our stacked DiD tests remain unchanged, further mitigating concerns about overlapping policy reforms.

5.2.2 Home-country confounding factors

Another potential concern is that changes in investors' home-country regulatory or macroeconomic environments drive the observed investment responses. Despite a substantial reduction in sample size, in untabulated analyses, we find that our BEPS-related results are unchanged when we include home-country BEPS intensity interacted with the Post-BEPS indicator. This suggests that our estimates are not driven by contemporaneous changes in home-country anti-avoidance regimes.

For the stacked DiD analysis, we further restrict the control group to home countries that experience no changes in IL rules, TP rules, or GAARs during the relevant event windows. Due to data availability, this robustness test requires restricting the control sample to OECD and G-20 countries. Re-estimating DiD specifications under this restriction yields qualitatively unchanged results: anti-avoidance rules continue to have a statistically significant negative effect on inward FDI, despite an over 80% reduction in sample size.

As an additional robustness check, we include home country-year (or home country year-cohort) fixed effects, which absorb all time-varying home-country characteristics, including statutory tax rates, macroeconomic conditions, and regulatory changes. The estimated effects remain stable in both sign and magnitude across all specifications, suggesting that the observed investment responses are driven by host-country anti-avoidance policies rather than by changes in home-country environments. The effects are statistically significant under two-tailed tests in all specifications, with the exception of the BEPS specification that excludes the interaction with the CSTR; in this case, the effect is statistically significant using a one-tailed test.

5.2.3 Economic importance of the home country

Another potential concern is that our estimates are driven by home countries that make up an economically small fraction of host country FDI flows, and thus reductions in FDI from those countries are not economically meaningful to the host country. To address this issue, we re-estimate our main specifications, weighting each bilateral observation by the home country's share of the host country's total inward FDI in the year preceding the policy event. This approach places greater weight on adjustments by major investors and reduces the influence of marginal bilateral positions.

The resulting untabulated estimates are qualitatively unchanged and similar in economic magnitude to our baseline results, indicating that the observed decline in inward FDI reflects broad-based investment responses rather than changes driven by minor source countries. We further assess whether our results are disproportionately influenced by any single country by sequentially excluding each host country and each home country from the sample, one at a time. Across all leave-one-out specifications, the estimated effects remain negative and statistically significant, providing additional assurance that no individual country drives the main findings.

5.2.4 Alternative samples

We further examine the sensitivity of our results to alternative samples and cohort definitions. For the BEPS analysis, we both restrict the sample to European Union countries and expand it to include all G-20 countries. Across both alternative samples, we continue to find a negative and statistically significant effect on inward FDI growth. These results suggest that our findings are not driven by a particular regional or institutional context.

For the stacked DiD analysis, we conduct a leave-one-cohort-out exercise, sequentially excluding each treatment cohort from the sample. Inferences remain unchanged across all

specifications, indicating that the estimated effects are not driven by any single cohort or event window.

6. Conclusion

This study analyzes and quantifies the real effects of prominent anti-tax avoidance measures—including the BEPS initiative, interest-limitation rules, transfer-pricing rules, and general anti-avoidance rules—on a country's attractiveness to foreign investors, as measured by inward FDI. Across multiple empirical designs and robustness tests, we find that these anti-avoidance policies exert negative effects on inward FDI growth. Importantly, these effects are present for both debt- and equity-financed FDI, with the reduction in equity-based investment suggesting that anti-avoidance rules may deter longer-term, productive foreign investment rather than merely curbing tax-motivated financial structuring.

We further document substantial heterogeneity in FDI responses across host countries. In particular, the reductions in FDI following the adoption of interest limitation rules, transfer pricing rules, and general anti-avoidance rules are more pronounced in countries with lower statutory corporate tax rates, consistent with these jurisdictions relying more heavily on mobile, tax-sensitive investment. At the same time, we find that lower-income countries experience increases in FDI growth following recent anti-tax avoidance initiatives, relative to higher-income countries—an outcome that is consistent with the stated goals of the BEPS initiative.

Taken together, our findings highlight several real-economy consequences of anti-tax avoidance policies that have received limited attention in prior research. By expanding the prior literature to show that these rules also influence the scale and location of foreign investment, our study contributes to a more nuanced understanding of the trade-offs policymakers face when designing and implementing anti-avoidance regimes.

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Appendix A: Anti-Tax Avoidance Rule Event Dates

Country	Interest Limitation (IL) Rules		Transfer Pricing (TP) Rules		General Anti-Avoidance Rules (GAARs)		Notes
	Event Year	Type	Event Year	Type	Event Year	Type	
Argentina	2018	Earnings stripping rule	.		.		
Australia	.		N/A		**2016**	GAAR strengthening	
Austria	.		**2016**	TP documentation laws	.		
Belgium	2020	Earnings stripping rule	**2016**	TP documentation laws	**2013**	GAAR strengthening	
Brazil	.		.		.		
Canada	.		.		.		
China	.		.		**2015**	GAAR strengthening	
Colombia	2013	Thin capitalization rule	.		2013	Original GAAR	1
Costa Rica	N/A		2013	TP documentation laws	.		5
Czech Republic	2019	Earnings stripping rule	N/A		.		
Denmark	.		.		**2015**	Original GAAR	
Estonia	2019	Earnings stripping rule	.		.		
Finland	**2014**	Earnings stripping rule	.		**2016**	GAAR strengthening	
France	.		.		.		
Germany	2019	Earnings stripping rule	.		.		
Greece	**2014**	Earnings stripping rule	**2014**	TP documentation laws	**2014**	Original GAAR	
Hungary	2019	Earnings stripping rule	.		.		2
Iceland	N/A		.		.		4
India	**2016**	Thin capitalization rule	.		**2017**	Original GAAR	
Indonesia	**2016**	Thin capitalization rule	.		.		
Ireland	N/A		.		2014	GAAR strengthening	4,5
Italy	.		.		**2015**	GAAR strengthening	
Japan	**2013**	Earnings stripping rule	.		.		
Latvia	2019	Earnings stripping rule	2013	TP documentation laws	2012	Original GAAR	5
Lithuania	2019	Earnings stripping rule	.		.		
Luxembourg	2019	Earnings stripping rule	.		2016	GAAR strengthening	4,5
Mexico	2020	Earnings stripping rule	.		.		
Netherlands	2019	Earnings stripping rule	.		2016	GAAR strengthening	2
Norway	**2014**	Earnings stripping rule	.		**2016**	GAAR strengthening	
Poland	2018	Earnings stripping rule	.		**2016**	GAAR strengthening	
Portugal	**2013**	Earnings stripping rule	.		.		
Russia	.		**2012**	TP documentation laws	**2017**	GAAR strengthening	
Saudi Arabia	2017	Earnings stripping rule	2019	TP documentation laws	.		3
Slovakia	2017	Earnings stripping rule	.		2014	GAAR strengthening	2
Slovenia	**2017**	Earnings stripping rule	.		.		
South Africa	.		**2016**	TP documentation laws	.		
South Korea	**2013**	Earnings stripping rule	.		2020	GAAR strengthening	

Country							
Spain	.		.		.		
Sweden	**2017**	Earnings stripping rule	.		.		
Switzerland	.		2018	TP documentation laws	.		5
Turkey	**2017**	Earnings stripping rule	.		.		
United Kingdom	.		N/A		**2013**	Original GAAR	
United States	.		N/A		.		
Total events in stacked DiD (bold)	**11**		**5**		**12**		

This table presents the event dates of the anti-tax avoidance rule changes occurring during our analysis period of 2010 through 2019. Event dates with sufficient pre- and post-period data to include in our empirical tests are shown in bold. Countries with no rule enacted as of the sample period end date (i.e., never-treated countries) are denoted as N/A. Countries with no identified in-sample event date are denoted with a single dot.

Additional notes:

1) Columbia does not participate in the CDIS and is thus not included in our analyses.

2) Hungary, the Netherlands, and Slovakia are missing data for bilateral trade costs and are thus excluded from our analyses.

3) Saudi Arabia is not included in our analyses because it only participates in the CDIS through 2010.

4) The original transfer pricing rule in Iceland (2011), Ireland (2014), and Luxembourg (2011) occurred during the sample period. Due to the limited number of original TP rule enactments during our sample period and the lack of an adequate control sample, we study the implementation of transfer pricing documentation rules and exclude these countries from the transfer pricing analyses.

5) We exclude tax havens from our analyses (Dyreng and Lindsey 2009).

Appendix B: Variable Descriptions

Variable	Source	Unit of Observation	Description
ΔLog(Inward FDI)	CDIS	Country-pair-year	The log difference of the stock of inward foreign direct investment for a given country-year-pair.
ΔLog(Inward Debt FDI)	CDIS	Country-pair-year	The log difference of the stock of inward foreign direct debt investment for a given country-year-pair.
ΔLog(Inward Equity FDI)	CDIS	Country-pair-year	The log difference of the stock of inward foreign direct equity investment for a given country-year-pair.
ΔLog(Inward Real FDI)	Damgaard et al. (2019)	Country-pair-year	The log difference of the stock of inward foreign direct investment through non-special purpose entities for a given country-year-pair.
AntiTAScore	Brühne, Jacob, and Schütt (2024)	Country-year	Measure of the strictness of anti-tax avoidance rules. Values range from zero to one.
Banking Crisis	Nguyen, Castro, Wood (2022)	Country-year	An indicator variable set equal to one for countries experiencing a banking crisis, and zero otherwise.
BEPS Intensity	Brühne, Jacob, and Schütt (2024)	Country	Country-level percentage change in AntiTAScore over the period 2013 to 2017, following Gallemore et al. (2025).
CSTR	Tax Foundation	Country-year	Corporate statutory tax rate.
GDP Growth	World Bank	Country-year	Annual percentage growth rate of GDP at market prices (NY.GDP.MKTP.KD.ZG).
Log(Bilateral Trade Cost)	ESCAP World Bank Trade Cost Database	Country-pair-year	The log of the bilateral total trade cost for a given country-year-pair.
Log(GDP)	World Bank	Country-year	GDP in current US$ (NY.GDP.MKTP.CD).
Log(Population)	World Bank	Country-year	Total population (SP.POP.TOTL).
Low GNI - Atlas Method	World Bank	Country	An indicator variable set equal to one for low-income countries, as measured by 2012 gross national income per capita (NY.GNP.PCAP.PP.CD) of less than $4,085 USD (World Bank Atlas method), and zero otherwise
Low GNI - Bottom Quartile	World Bank	Country	An indicator variable set equal to one for low-income countries, as measured by 2012 gross national income per capita (NY.GNP.PCAP.PP.CD) in the bottom sample quartile, and zero otherwise.
Low Income	N/A	Country	An indicator variable representing either Low GNI - Bottom Quartile or Low GNI - Atlas Method.
Post	Appendix A	Country-year	Indicator variable set equal to one for years ending after the event year of the anti-tax avoidance rule for a particular subsample cohort, and zero otherwise.
Post BEPS	N/A	Country-year	Indicator variable set equal to one starting in 2013, and zero otherwise.
Treat	Appendix A	Country-year	Indicator variable set equal to one for the countries with an IL rule, TP rule, or GAAR event in a particular subsample-cohort.

Figure 1: AntiTAScore
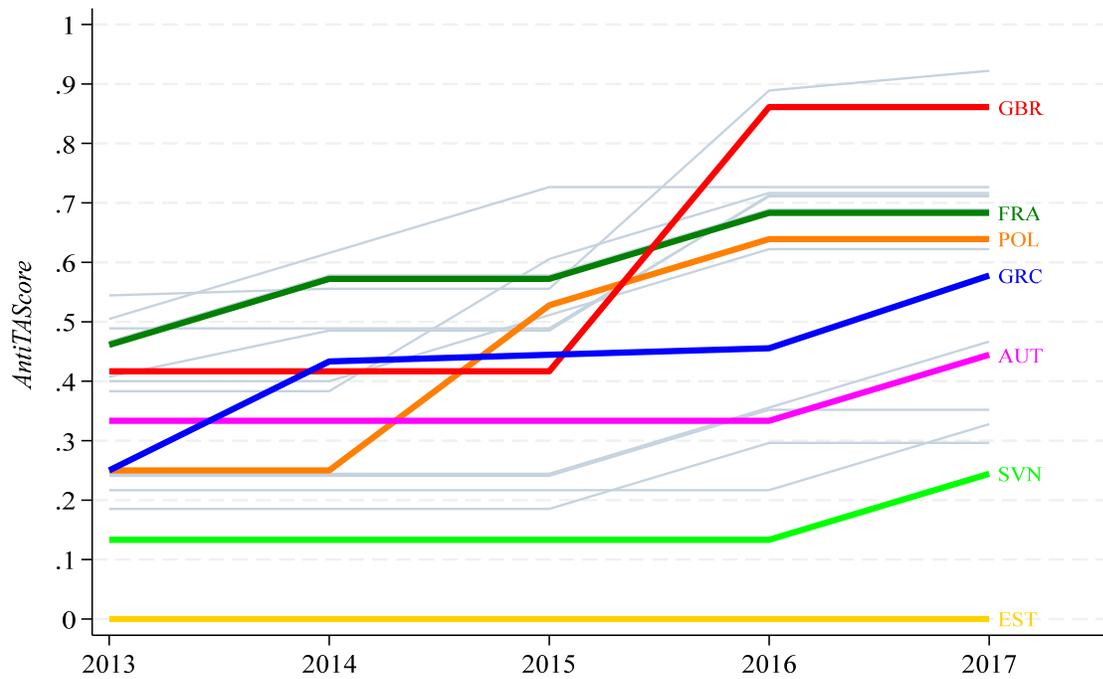
This figure depicts the anti-tax avoidance score (*AntiTAScore*) (Brühne, Jacob, and Schütt 2024) following the initiation of BEPS in 2013. We highlight the trends for various countries to illustrate the variation in treatment intensity across countries.

Figure 2: Parallel Trends - BEPS Analysis

(a) Baseline model	(b) Allowing for interactive effect of CSTR
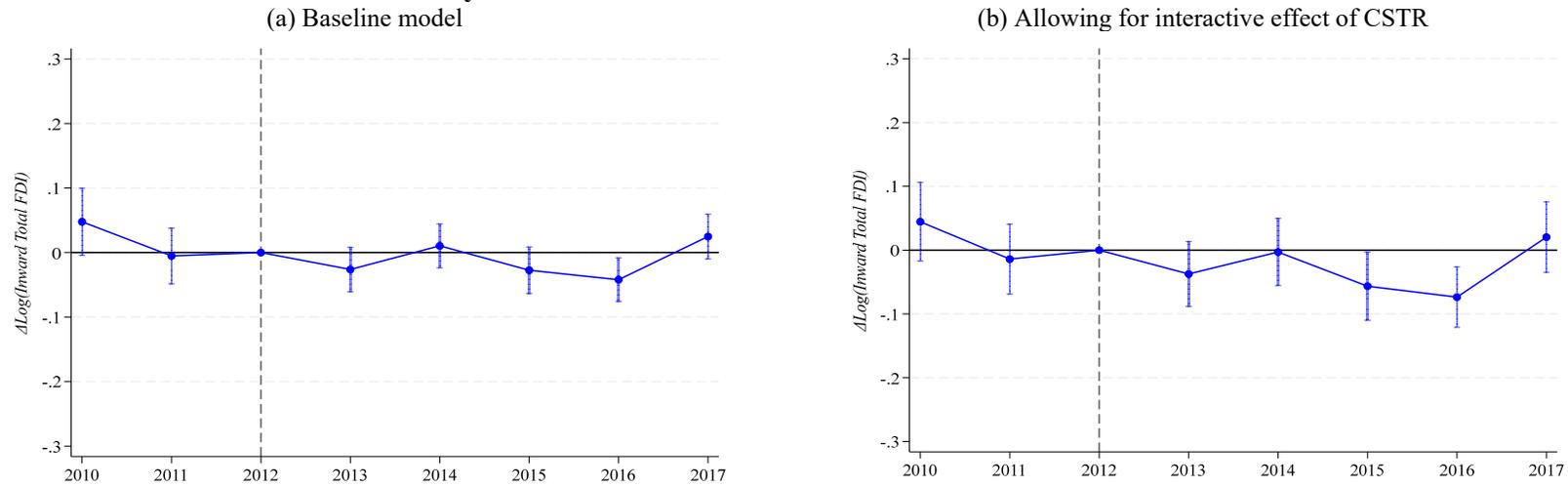
These figures present event-time coefficients estimated using the BEPS sample. In Figure (a), we estimate a modified version of Equation (3), replacing *Post BEPS* with yearly indicator variables. The dots indicate the point estimates for the coefficients on the interaction terms. In Figure (b), we further account for the host country's corporate statutory tax rate by interacting the variables of interest with that rate. We plot the difference-in-differences estimates for host countries with average statutory tax rates. The bars denote 95% confidence intervals, and 2012 serves as the benchmark period.

Figure 3: Parallel Trends - Stacked DiD Analysis

Panel A: IL Rules
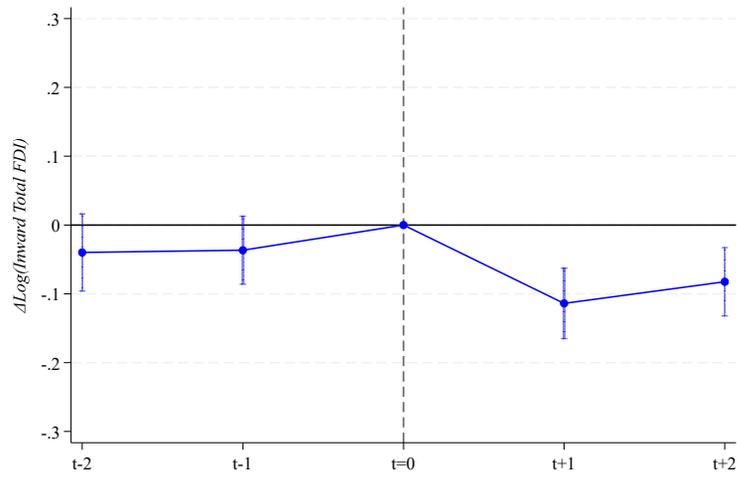
(a) Baseline model · (b) Allowing for interactive effect of CSTR
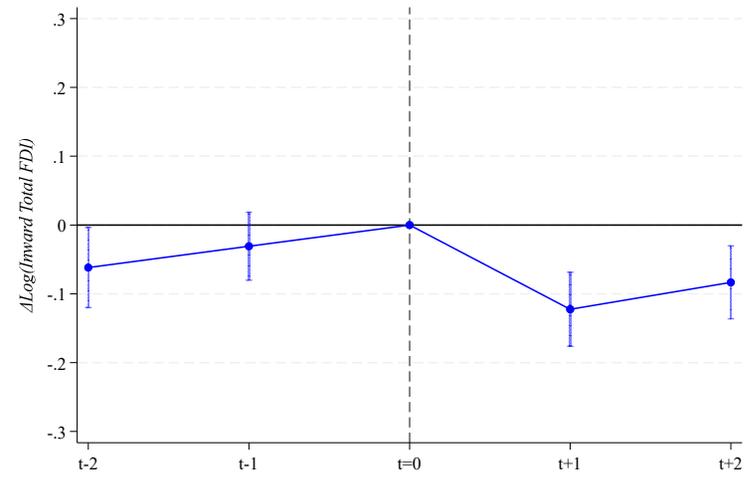
Panel B: TP Rules
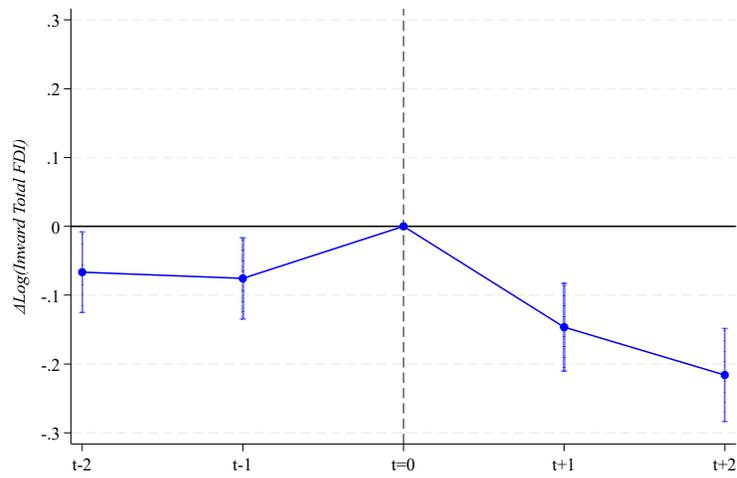
(a) Baseline model · (b) Allowing for interactive effect of CSTR

Panel C: GAARs

(a) Baseline model   (b) Allowing for interactive effect of CSTR
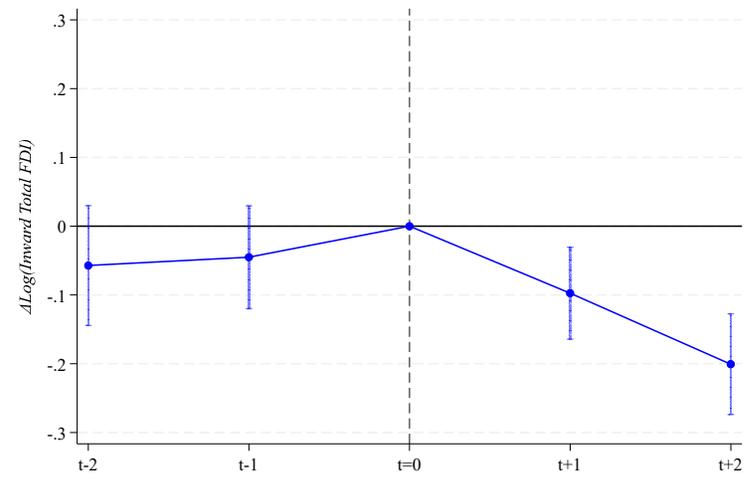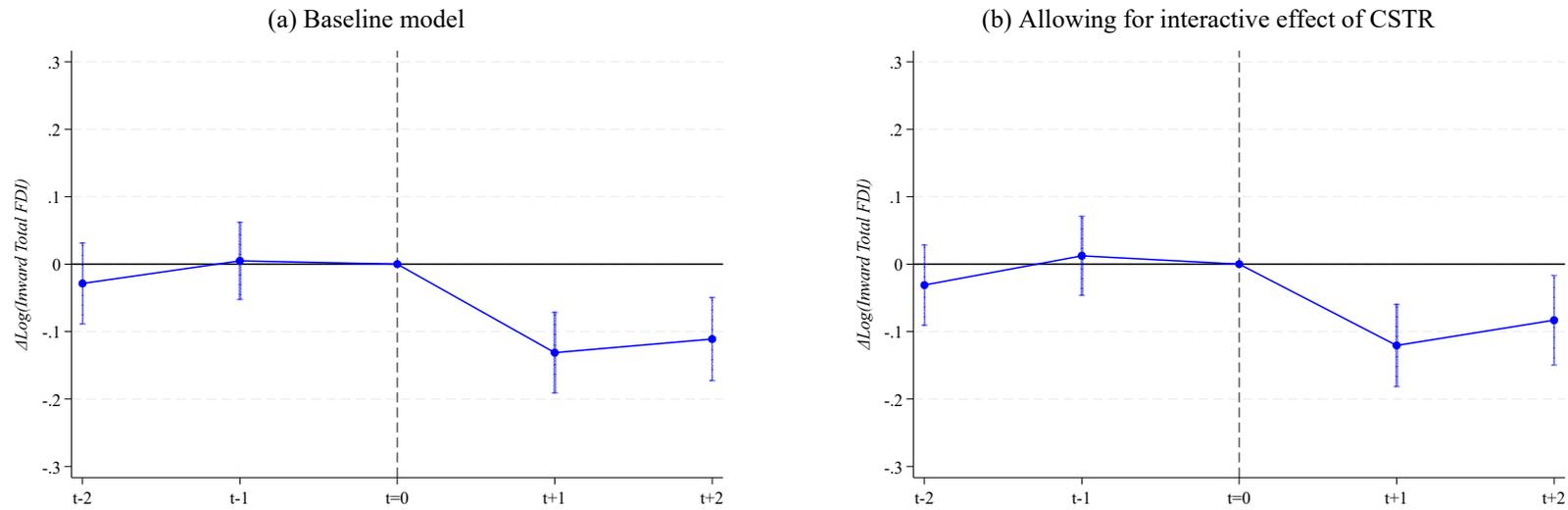
These figures present event-time coefficients estimated using the IL Rule (Panel A), TP Rule (Panel B), and GAAR (Panel C) stacked samples. In Figure (a) in each panel, we estimate a modified version of Equation (4), replacing *Post* with event time indicator variables. In Figure (b) in each panel, we further account for the host country's corporate statutory tax rate by interacting the variables of interest with that rate; we plot the difference-in-differences estimates for host countries with average statutory tax rates. The dots indicate the point estimates for the coefficients on the interaction terms. The bars denote 95% confidence intervals, and event year t=0 serves as the benchmark period.

Figure 4: Parallel Trends - BEPS Analysis of Low Income Countries

(a) Low GNI - Bottom Quartile

(b) Low GNI - Atlas Method
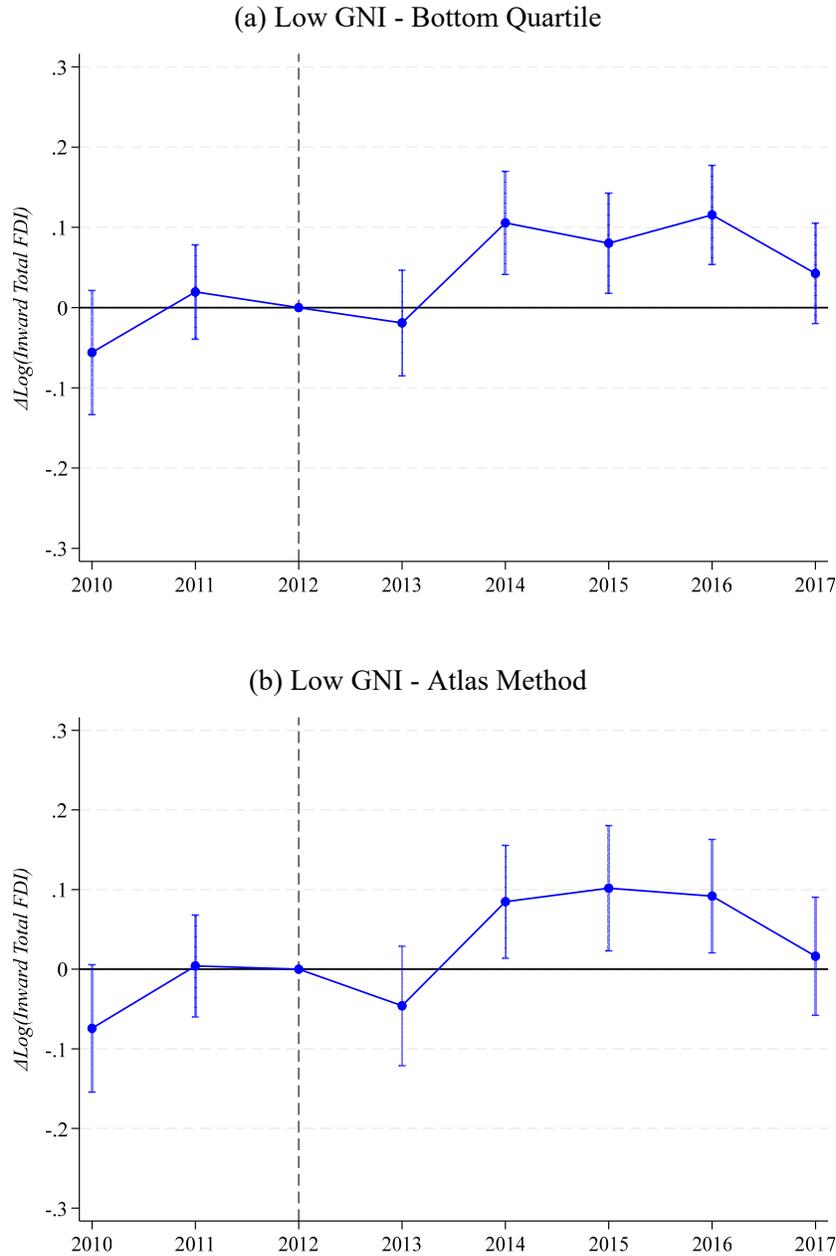
This figure depicts event-time coefficients for the analysis of the impact of BEPS on low income countries, as estimated by Equation (5). In Figure (a), we identify low income countries as countries with gross national income per capita in the bottom sample quartile in 2012. In Figure (b), we identify low income countries using the World Bank Atlas Method as countries with gross national income per capita of less than $4,085 in 2012. The dots represent the point estimates for the coefficients on the triple interaction terms. The bars represent the 95% confidence intervals. Year 2012 is the benchmark period.

Table 1: Sample Selection

	Observations
Coordinated Direct Investment Survey (CDIS) country pairwise observations reported by OECD and G-20 countries over the period 2010 through 2019	57,844
Less observations for tax haven host countries	(3,767)
Less observations missing GDP data for home country	(7,829)
Less observations missing CSTR for home country	(2,814)
Less observations missing bilateral trade costs	(12,945)
Less observations missing banking crisis data	(479)
Full sample	30,010
Subtotal above	30,010
Less observations for post-2017 years (*AntiTAScore* not available for these years)	(6,289)
Less observations missing *AntiTAScore*	(6,527)
Less observations for non-European countries	(5,192)
Less country-pairs lacking pre- and post-BEPS data	(2,108)
Pairwise sample used in BEPS analysis	9,894

This table presents the sample selection procedure.

Table 2: Descriptive Statistics
Panel A: Composition by country

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Host Country	N	$\Delta Log(Inward\ FDI)_{ijt}$	$BEPS\ Intensity_i$	$Log(GDP)_{it}$	$Log(GDP)_{jt}$	$Log(Population)_{it}$	$GDP\ Growth_{it}$	$GDP\ Growth_{jt}$	$Log(Bilateral\ Trade\ Cost)_{ijt}$	$CSTR_{it}$	$CSTR_{jt}$	$Banking\ Crisis_{jt}$
Argentina	296	0.014	.	13.220	12.229	3.788	-0.714	2.866	5.288	0.331	0.237	0.014
Australia	823	0.010	0.741	14.135	10.611	3.163	2.580	3.522	5.468	0.300	0.243	0.032
Austria	900	0.004	0.333	12.945	10.841	2.151	1.547	3.482	5.455	0.250	0.254	0.032
Belgium	368	0.062	0.462	13.154	11.424	2.425	1.647	2.933	4.808	0.322	0.250	0.030
Brazil	1,096	0.020	.	14.596	11.137	5.319	0.713	3.273	5.367	0.340	0.242	0.032
Canada	419	0.059	0.185	14.346	12.870	3.577	2.182	2.627	4.855	0.268	0.246	0.053
China	1,516	-0.011	.	16.141	10.826	7.226	7.648	3.302	5.077	0.250	0.243	0.037
Czech Republic	938	0.042	0.909	12.280	11.214	2.356	2.455	3.446	4.967	0.190	0.247	0.046
Denmark	1,218	0.012	0.455	12.718	10.764	1.735	1.761	3.525	5.320	0.237	0.247	0.034
Estonia	801	0.083	0.000	10.138	11.748	0.278	3.557	3.190	4.971	0.205	0.237	0.061
Finland	510	0.007	0.556	12.472	11.579	1.691	1.412	3.526	5.209	0.237	0.253	0.039
France	469	0.000	0.482	14.804	12.582	4.195	1.475	2.967	4.514	0.357	0.236	0.066
Germany	1,129	0.036	0.439	15.111	10.784	4.402	1.980	3.308	4.990	0.301	0.250	0.031
Greece	1,138	0.053	1.311	12.290	11.128	2.384	-0.987	3.331	5.372	0.260	0.245	0.027
Iceland	413	0.060	0.600	10.114	12.140	-0.628	3.420	2.790	5.445	0.199	0.233	0.058
India	1,363	0.067	.	14.604	10.919	7.186	6.460	3.274	5.213	0.336	0.242	0.031
Indonesia	1,128	0.046	.	13.749	11.336	5.555	5.338	3.310	5.414	0.250	0.244	0.039
Italy	1,381	0.053	0.476	14.538	10.781	4.096	0.259	3.422	5.014	0.303	0.242	0.038
Japan	283	0.086	1.744	15.477	13.742	4.847	1.216	3.279	4.628	0.344	0.260	0.046
Lithuania	1,055	0.059	0.513	10.728	11.424	1.071	3.573	3.473	5.110	0.150	0.238	0.045
Mexico	1,026	0.067	1.000	13.988	11.433	4.778	2.756	3.228	5.437	0.300	0.245	0.047
Norway	518	0.016	0.750	12.961	12.005	1.646	1.513	2.773	5.053	0.254	0.243	0.075
Poland	1,189	-0.001	1.556	13.162	11.028	3.638	3.701	3.374	5.227	0.190	0.242	0.035
Russia	1,316	0.049	.	14.372	11.101	4.968	2.078	3.522	5.268	0.200	0.243	0.040
Slovenia	987	0.023	0.833	10.794	11.636	0.725	2.420	3.117	5.165	0.181	0.241	0.041
South Africa	288	0.111	0.694	12.338	12.719	2.339	1.491	2.698	4.657	0.303	0.261	0.090
South Africa	1,451	-0.001	.	12.876	10.987	4.008	1.732	3.422	5.291	0.299	0.243	0.036
South Korea	1,470	0.051	0.867	14.178	10.836	3.927	3.330	3.392	5.255	0.248	0.243	0.035
Spain	454	0.050	0.870	14.115	12.445	3.844	1.486	2.460	4.658	0.270	0.252	0.042
Sweden	673	0.015	0.784	13.199	10.917	2.295	2.569	3.060	5.266	0.223	0.249	0.043
Turkey	1,424	0.012	0.000	13.655	11.045	4.364	5.871	3.402	5.187	0.204	0.244	0.037
United Kingdom	1,013	0.039	1.067	14.835	10.713	4.174	2.026	3.493	5.019	0.216	0.247	0.034
United States	957	0.058	0.357	16.697	11.066	5.766	2.246	3.252	4.992	0.365	0.246	0.036
Total Observations	30,010											

Panel B: BEPS sample

Variable	Observations	Mean	Std. Dev.	P25	P50	P75
$\Delta Log(Inward\ FDI)_{ijt}$	9,894	0.034	0.485	-0.028	0.000	0.102
$BEPS\ Intensity_{it}$	9,894	0.720	0.411	0.455	0.513	0.909
$Post\ Beps_t$	9,894	0.633	0.482	0.000	1.000	1.000
$Log(GDP)_{it}$	9,894	12.907	1.545	12.205	12.889	14.551
$Log(GDP)_{jt}$	9,894	11.418	2.190	9.647	11.082	12.974
$Log(Population)_{it}$	9,894	2.614	1.361	1.713	2.375	4.098
$GDP\ Growth_{it}$	9,894	1.668	2.257	0.707	1.820	2.923
$GDP\ Growth_{jt}$	9,894	3.337	3.281	1.550	3.134	5.162
$Log(Bilateral\ Trade\ Cost)_{ijt}$	9,894	5.033	0.683	4.585	5.050	5.522
$CSTR_{it}$	9,894	0.241	0.057	0.190	0.250	0.295
$CSTR_{jt}$	9,894	0.247	0.080	0.200	0.250	0.300
$Banking\ Crisis_{jt}$	9,894	0.059	0.236	0.000	0.000	0.000

Panel C: Stacked IL rule sample

Variable	Observations	Mean	Std. Dev.	P25	P50	P75
$\Delta Log(Inward\ FDI)_{ijt}$	48,379	0.050	0.448	-0.024	0.000	0.102
$BEPS\ Intensity_{it}$	48,379	0.099	0.299	0.000	0.000	0.000
$Post\ Beps_t$	48,379	0.398	0.489	0.000	0.000	1.000
$Log(GDP)_{it}$	48,379	12.938	1.637	10.900	13.286	14.061
$Log(GDP)_{jt}$	48,379	11.425	2.126	9.745	11.139	12.904
$Log(Population)_{it}$	48,379	3.432	2.122	1.095	3.639	4.765
$GDP\ Growth_{it}$	48,379	3.518	2.384	2.025	3.293	5.033
$GDP\ Growth_{jt}$	48,379	3.169	3.156	1.414	2.977	4.955
$Log(Bilateral\ Trade\ Cost)_{ijt}$	48,379	5.093	0.684	4.705	5.142	5.544
$CSTR_{it}$	48,379	0.237	0.063	0.190	0.200	0.300
$CSTR_{jt}$	48,379	0.244	0.077	0.200	0.250	0.300
$Banking\ Crisis_{jt}$	48,379	0.037	0.188	0.000	0.000	0.000

Panel D: Stacked TP rule sample

Variable	Observations	Mean	Std. Dev.	P25	P50	P75
$\Delta Log(Inward\ FDI)_{ijt}$	12,386	0.020	0.374	0.000	0.000	0.029
$BEPS\ Intensity_{it}$	12,386	0.200	0.400	0.000	0.000	0.000
$Post\ Beps_t$	12,386	0.399	0.490	0.000	0.000	1.000
$Log(GDP)_{it}$	12,386	13.928	1.501	12.756	13.979	14.811
$Log(GDP)_{jt}$	12,386	11.027	2.264	9.413	10.790	12.747
$Log(Population)_{it}$	12,386	3.692	1.214	2.377	3.973	4.191
$GDP\ Growth_{it}$	12,386	1.969	1.751	1.414	2.262	2.579
$GDP\ Growth_{jt}$	12,386	3.348	3.089	1.619	3.239	5.228
$Log(Bilateral\ Trade\ Cost)_{ijt}$	12,386	5.152	0.710	4.679	5.226	5.686
$CSTR_{it}$	12,386	0.268	0.067	0.200	0.260	0.300
$CSTR_{jt}$	12,386	0.247	0.078	0.200	0.250	0.300
$Banking\ Crisis_{jt}$	12,386	0.034	0.180	0.000	0.000	0.000

Panel E: Stacked GAAR sample

Variable	Observations	Mean	Std. Dev.	P25	P50	P75
$\Delta Log(Inward\ FDI)_{ijt}$	29,123	0.029	0.512	-0.033	0.000	0.085
$BEPS\ Intensity_{it}$	29,123	0.186	0.389	0.000	0.000	0.000
$Post\ Beps_{t}$	29,123	0.398	0.490	0.000	0.000	1.000
$Log(GDP)_{it}$	29,123	14.212	0.822	14.116	14.269	14.551
$Log(GDP)_{jt}$	29,123	10.946	2.116	9.454	10.755	12.527
$Log(Population)_{it}$	29,123	4.630	1.694	3.916	3.943	7.137
$GDP\ Growth_{it}$	29,123	3.319	2.789	1.755	2.947	5.241
$GDP\ Growth_{jt}$	29,123	3.254	3.172	1.567	3.246	5.062
$Log(Bilateral\ Trade\ Cost)_{ijt}$	29,123	5.214	0.566	4.816	5.216	5.618
$CSTR_{it}$	29,123	0.259	0.050	0.230	0.242	0.300
$CSTR_{jt}$	29,123	0.243	0.080	0.200	0.250	0.300
$Banking\ Crisis_{jt}$	29,123	0.030	0.172	0.000	0.000	0.000

This table presents a summary of descriptive statistics by country for the full unstacked sample (Panel A) as well as pooled descriptives for the BEPS sample (Panel A) and each stacked sample (the stacked IL rule sample (Panel C), the stacked TP rule sample (Panel D), and the stacked GAAR sample (Panel E)). Variable definitions are available in Appendix B. Descriptives are based on unstandardized values. In our subsequent analyses, all continuous independent variables are standardized to have a mean of zero and standard deviation of one.

Table 3: Correlation matrix

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1)	$\Delta Log(Inward\ FDI)_i$		**0.0280**	**0.0474**	**0.0584**	**0.0324**	**0.0283**	**-0.0535**	**0.0750**	-0.0046	0.0072
(2)	$Log(GDP)_{it}$	0.0056		**-0.0260**	**0.8581**	**0.4750**	**0.0238**	**-0.0782**	**0.4603**	**-0.0269**	-0.0093
(3)	$Log(GDP)_{jt}$	**0.0182**	**-0.0463**		**-0.0152**	-0.0105	**-0.1173**	**-0.6906**	-0.0112	**0.0458**	**0.0253**
(4)	$Log(Population)_{it}$	**0.0289**	**0.7663**	**-0.0241**		**0.4793**	**0.0173**	**-0.0680**	**0.3731**	**-0.0318**	**-0.0199**
(5)	$GDP\ Growth_{it}$	**0.0258**	**0.5218**	**-0.0169**	**0.7109**		**0.0114**	**-0.0188**	**0.3694**	-0.0039	-0.0020
(5)	$GDP\ Growth_{jt}$	**0.0220**	**0.0115**	**-0.0597**	**0.0126**	0.0034		**0.0977**	**-0.0156**	**0.0274**	**-0.1409**
(6)	$Log(Bilateral\ Trade\ Cost)_{ijt}$	**-0.0329**	**-0.0500**	**-0.6648**	**-0.0335**	**-0.0209**	**0.0460**		**-0.0555**	**0.0970**	**-0.0834**
(8)	$CSTR_{it}$	**0.0341**	**0.2740**	**-0.0200**	**0.4608**	**0.4511**	-0.0122	**-0.0395**		-0.0030	**0.0121**
(9)	$CSTR_{jt}$	-0.0085	**-0.0296**	**0.1038**	**-0.0251**	-0.0057	**0.0196**	**0.0742**	-0.0053		**-0.1001**
(10)	$Banking\ Crisis_{jt}$	0.0001	-0.0100	**0.0223**	-0.0110	-0.0022	**-0.1846**	**-0.0816**	0.0059	**-0.0900**	

This table presents pairwise correlations of variables used in the primary analyses using the full sample. Pearson correlation coefficients are below the diagonal, while Spearman correlation coefficients are above. Correlations that are significant at the 5 percent level are in bold.

Table 4: BEPS Analysis of Total FDI

Variables		(1)	(2)
		$\Delta Log(Inward\ FDI)_{ijt}$	
BEPS Intensity$_i$ × Post BEPS$_t$	β_1	**-0.022***	**-0.050*****
		[-1.847]	**[-2.644]**
BEPS Intensity$_i$ × Post BEPS$_t$ × CSTR$_{it}$	β_2		**-0.027**
			[-1.172]
BEPS Intensity$_i$ × CSTR$_{it}$	β_3		0.104***
			[2.667]
Post BEPS$_t$ × CSTR$_{it}$	β_4		-0.048***
			[-3.030]
Log(GDP)$_{it}$		-0.236	-0.317
		[-1.420]	[-1.544]
Log(GDP)$_{jt}$		0.022	0.020
		[0.243]	[0.218]
Log(Population)$_{it}$		-0.126	-0.066
		[-0.981]	[-0.508]
GDP Growth$_{it}$		0.009	0.007
		[0.889]	[0.672]
GDP Growth$_{jt}$		0.017***	0.017***
		[2.588]	[2.618]
Log(Bilateral Trade Cost)$_{ijt}$		-0.020	-0.018
		[-0.952]	[-0.825]
CSTR$_{it}$		0.072***	0.042
		[3.492]	[1.346]
CSTR$_{jt}$		-0.002	-0.002
		[-0.089]	[-0.124]
Banking Crisis$_{jt}$		0.011	0.008
		[0.400]	[0.285]
Impact in countries with +/- one standard deviation of CSTR:			
Average CSTR countries (β_1)			-0.050***
Low tax rate countries (β_1 - β_2)			-0.023
High tax rate countries (β_1 + β_2)			-0.077**
Observations		9,894	9,894
R-Squared		0.122	0.124
Method		DiD	DiD
Controls		Y	Y
Country-pair fixed effects		Y	Y
Year fixed effects		Y	Y

This table presents the results of estimating Equation (3) using the BEPS sample. The dependent variable is *ΔLog(Inward FDI)*, the log-difference of total inward FDI. *BEPS Intensity* is the change in *AntiTAScore* over the post-BEPS period. *Post BEPS* is an indicator variable set equal to one starting in 2013, and zero otherwise. In Column 2, we allow for the effect of changes in anti-avoidance scores to vary with the host country statutory tax rate (*CSTR*). All variables are defined in Appendix B. All continuous independent variables are standardized to have a mean of zero and standard deviation of one. Standard errors are clustered at the country-pair level, and t-statistics are reported in brackets below the coefficients. Significance levels are based on two-sided t-tests and are indicated as follows: * p<0.1, ** p<0.05, *** p<0.01.

Table 5: Stacked DiD Analysis

Anti-tax avoidance rule:		(1)	(2)	(3)	(4)	(5)	(6)
		IL Rules		TP Rules		GAARs	
Variables		$\Delta Log(Inward\ FDI)_{ijt}$					
$Treat_{ci} \times Post_{ct}$	β_1	-0.074***	-0.080***	-0.131***	-0.110***	-0.116***	-0.097***
		[-4.200]	[-4.250]	[-5.681]	[-4.336]	[-4.688]	[-3.787]
$Treat_{ci} \times Post_{ct} \times CSTR_{it}$	β_2		0.058**		0.119***		0.013
			[2.483]		[2.666]		[0.565]
$Treat_{ci} \times CSTR_{it}$	β_3		-0.237***		0.026		-0.213***
			[-2.724]		[0.429]		[-3.210]
$Post_{ct} \times CSTR_{it}$	β_4		-0.016*		-0.026**		-0.025*
			[-1.726]		[-2.026]		[-1.808]
$Log(GDP)_{it}$		-0.291*	-0.412**	-0.380***	-0.267*	-0.325***	-0.319***
		[-1.935]	[-2.468]	[-3.122]	[-1.885]	[-5.753]	[-5.728]
$Log(GDP)_{jt}$		0.104	0.101	0.004	0.004	0.037	0.028
		[1.171]	[1.144]	[0.035]	[0.041]	[0.304]	[0.232]
$Log(Population)_{it}$		-2.439***	-2.002***	-1.434**	-0.821	0.926	1.743
		[-3.953]	[-2.579]	[-1.987]	[-0.975]	[0.953]	[1.324]
$GDP\ Growth_{it}$		-0.035***	-0.032***	-0.007	-0.014	0.041***	0.044***
		[-3.665]	[-3.297]	[-0.716]	[-1.173]	[3.140]	[3.268]
$GDP\ Growth_{jt}$		0.015*	0.015**	0.011*	0.011*	0.015**	0.016**
		[1.952]	[1.964]	[1.865]	[1.851]	[2.014]	[2.042]
$Log(Bilateral\ Trade\ Cost)_{ijt}$		0.057***	0.060***	-0.015	-0.008	-0.013	-0.013
		[2.822]	[2.935]	[-0.848]	[-0.416]	[-0.435]	[-0.440]
$CSTR_{it}$		0.126***	0.250***	0.047**	0.052**	0.026	0.174***
		[3.007]	[3.266]	[2.326]	[2.379]	[0.934]	[2.960]
$CSTR_{jt}$		-0.015	-0.014	-0.042*	-0.042*	-0.024	-0.024
		[-0.690]	[-0.676]	[-1.927]	[-1.907]	[-0.856]	[-0.873]
$Banking\ Crisis_{jt}$		0.030	0.028	0.008	0.006	0.025	0.020
		[0.949]	[0.877]	[0.188]	[0.131]	[0.593]	[0.476]
Impact in countries with +/- one standard deviation of CSTR:							
Average CSTR countries (β_1)			-0.080***		-0.110***		-0.097***
Low tax rate countries ($\beta_1 - \beta_2$)			-0.138***		-0.229***		-0.11***
High tax rate countries ($\beta_1 + \beta_2$)			-0.022		0.009		-0.084*
Observations		48,379	48,379	12,386	12,386	29,123	29,123
R-Squared		0.167	0.168	0.174	0.175	0.136	0.137
Method		Stacked DiD	Stacked DiD	Stacked DiD	Stacked DiD	Stacked DiD	Stacked DiD
Controls		Y	Y	Y	Y	Y	Y
Country-pair-cohort fixed effects		Y	Y	Y	Y	Y	Y
Year-cohort fixed effects		Y	Y	Y	Y	Y	Y

This table reports estimates of Equation (4) for IL Rules (Column 1), TP Rules (Column 3), and GAARs (Column 5). Columns 2, 4, and 6 include the interaction of host-country CSTR. Treat equals one when the host country enacts the rule during the cohort window; Post equals one after enactment. All variables are defined in Appendix B, and continuous covariates are standardized. Standard errors are clustered at the country-pair level, with t-statistics in brackets. Statistical significance is based on two-sided t-tests: * p<0.1, ** p<0.05, *** p<0.01.

Table 6: Debt and Equity FDI

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Anti-tax avoidance rule:	BEPS		IL Rules		TP Rules		GAARs	
Variables	$\Delta Log(Inward$ $Debt\ FDI)_{ijt}$	$\Delta Log(Inward$ $Equity\ FDI)_{ijt}$	$\Delta Log(Inward$ $Debt\ FDI)_{ijt}$	$\Delta Log(Inward$ $Equity\ FDI)_{ijt}$	$\Delta Log(Inward$ $Debt\ FDI)_{ijt}$	$\Delta Log(Inward$ $Equity\ FDI)_{ijt}$	$\Delta Log(Inward$ $Debt\ FDI)_{ijt}$	$\Delta Log(Inward$ $Equity\ FDI)_{ijt}$
BEPS Intensity$_i$ × Post BEPS$_t$	-0.041*** [-2.734]	-0.002 [-0.315]						
Treat$_{ci}$ × Post$_{ct}$			-0.067*** [-3.045]	-0.058*** [-3.673]	-0.121*** [-3.760]	-0.073*** [-3.570]	-0.052** [-2.124]	-0.102*** [-4.474]
Test of differences in coefficients:								
	Col (1) vs Col (2)		Col (3) vs Col (4)		Col (5) vs Col (6)		Col (7) vs Col (8)	
p-value	0.017**		0.740		0.208		0.135	
Observations	8,046	8,046	41,619	41,619	10,069	10,069	26,646	26,646
R-Squared	0.120	0.181	0.167	0.197	0.167	0.186	0.143	0.153
Method	DID	DID	Stacked DiD	Stacked DiD	Stacked DiD	Stacked DiD	Stacked DiD	Stacked DiD
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Country-pair fixed effects	Y	Y	N	N	N	N	N	N
Country-pair-cohort fixed effects	N	N	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	N	N	N	N	N	N
Year-cohort fixed effects	N	N	Y	Y	Y	Y	Y	Y

This table presents the results of the debt and equity FDI analysis. The dependent variables are the log-difference of total inward debt FDI (*ΔLog(Inward Debt FDI)*) and total inward equity FDI (*ΔLog(Inward Equity FDI)*). All variables are defined in Appendix B. All continuous independent variables are standardized to have a mean of zero and standard deviation of one. Standard errors are clustered at the country-pair level, and t-statistics are reported in brackets below the coefficients. Significance levels are based on two-sided t-tests and are indicated as follows: * p<0.1, ** p<0.05, *** p<0.01.

Table 7: Real FDI

Anti-tax avoidance rule:	(1) BEPS	(2) IL Rules	(3) TP Rules	(4) GAARS
Variables		*ΔLog(Inward Real FDI)ᵢⱼₜ*		
BEPS Intensityᵢ × Post BEPSₜ	-0.024** [-2.038]			
Treatᵨᵢ × Postᵨₜ		-0.059*** [-2.827]	-0.078*** [-3.285]	-0.093*** [-3.738]
Observations	9,655	41,991	11,190	27,125
R-Squared	0.117	0.186	0.175	0.154
Method	DID	Stacked DiD	Stacked DiD	Stacked DiD
Controls	N	Y	Y	Y
Country-pair fixed effects	Y	N	N	N
Country-pair-cohort fixed effects	N	Y	Y	Y
Year fixed effects	Y	N	N	N
Year-cohort fixed effects	N	Y	Y	Y

This table presents the results of the real FDI analysis. The dependent variable is the log-difference of total inward real FDI (*ΔLog(Inward Real FDI)*). All variables are defined in Appendix B. All continuous independent variables are standardized to have a mean of zero and standard deviation of one. Standard errors are clustered at the country-pair level, and t-statistics are reported in brackets below the coefficients. Significance levels are based on two-sided t-tests and are indicated as follows: * $p<0.1$, ** $p<0.05$, *** $p<0.01$.

Table 8: Impact of the BEPS Initiative on FDI Growth of Low Income Countries
Panel A: Sample selection

	Observations
Coordinated Direct Investment Survey (CDIS) country pairwise observations over the period 2010 through 2017	102,924
Less tax haven countries	(14,124)
Less observations missing gross national income data	(4,356)
Less observations missing GDP data for home country	(11,279)
Less observations missing CSTR for home country	(4,693)
Less observations missing bilateral trade costs	(24,303)
Less observations missing banking crisis data	(504)
Less country-pairs lacking data in pre- and post-BEPS periods	(5,415)
Less host countries with less than 100 observations	(402)
Total observations	37,848

Panel B: Composition by country

Host Country	N	(2) ΔLog(Inward FDI)$_{ijt}$	(3) Low GNI Bottom Quartile	(4) Low GNI Atlas Method	Host Country	N	(2) ΔLog(Inward FDI)$_{ijt}$	(3) Low GNI Bottom Quartile	(4) Low GNI Atlas Method
Armenia	275	0.012	0	0	Kyrgyzstan	407	0.049	1	1
Australia	574	0.011	0	0	Lithuania	795	0.062	0	0
Austria	610	0.000	0	0	Macedonia	383	0.082	0	0
Azerbaijan	512	0.150	0	0	Mali	260	0.018	1	1
Bangladesh	253	0.168	1	1	Mexico	798	0.073	0	0
Belarus	815	0.058	0	0	Moldova	604	0.018	1	0
Belgium	143	-0.052	0	0	Mongolia	438	0.277	0	0
Benin	410	0.024	1	1	Morocco	339	0.094	1	0
Bolivia	200	0.144	1	0	Mozambique	601	0.115	1	1
Bosnia	184	0.040	0	0	Nepal	170	0.112	1	1
Brazil	923	0.021	0	0	New Zealand	551	-0.005	0	0
Bulgaria	799	0.051	0	0	Nigeria	373	0.108	1	0
Cambodia	770	0.063	1	1	Norway	240	0.039	0	0
Canada	256	0.025	0	0	Pakistan	503	0.034	1	1
China	1,142	0.021	0	0	Paraguay	664	0.070	0	0
Croatia	944	0.035	0	0	Peru	438	0.068	0	0
Czech Republic	691	0.024	0	0	Philippines	684	0.031	1	0
Denmark	903	0.002	0	0	Poland	896	-0.009	0	0
El Salvador	137	0.085	1	0	Portugal	166	0.091	0	0
Estonia	560	0.065	0	0	Russia	1,031	0.057	0	0
Finland	148	0.062	0	0	Rwanda	166	0.175	1	1
France	335	0.007	0	0	Slovenia	528	0.035	0	0
Georgia	378	0.065	0	0	South Africa	1,108	0.002	0	0
Germany	852	0.037	0	0	South Korea	1,143	0.037	0	0
Ghana	810	0.056	1	0	Spain	241	0.038	0	0
Greece	807	0.040	0	0	Sweden	147	-0.048	0	0
Guatemala	585	0.062	1	0	Tanzania	236	0.001	1	1
Honduras	200	0.108	1	1	Thailand	1,105	0.083	0	0
Iceland	110	0.197	0	0	Turkey	1,090	0.033	0	0
India	1,015	0.077	1	0	Uganda	501	0.010	1	1
Indonesia	769	0.080	0	0	Ukraine	451	-0.001	0	0
Israel	110	0.178	0	0	United Kingdom	669	0.038	0	0
Italy	1,053	0.048	0	0	United States	681	0.074	0	0
Japan	228	0.093	0	0	Zambia	194	0.149	1	1
Kazakhstan	746	0.074	0	0	*Total Obs.*	37,848			

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Panel C: Descriptives

Variable	Observations	Mean	Std. Dev.	P25	P50	P75
$\Delta Log(Inward\ FDI)_{ijt}$	37,848	0.051	0.594	-0.006	0.000	0.104
$Post\ Beps_t$	37,848	0.633	0.482	0.000	1.000	1.000
$Low\ GNI$ - $Bottom\ Quartile_i$	37,848	0.249	0.432	0.000	0.000	0.000
$Low\ GNI$ - $Atlas\ Method_i$	37,848	0.123	0.329	0.000	0.000	0.000
$Log(GDP)_{it}$	37,848	12.409	1.971	10.790	12.556	14.088
$Log(GDP)_{jt}$	37,848	11.611	2.101	9.942	11.444	13.061
$Log(Population)_{it}$	37,848	3.382	1.658	2.138	3.393	4.385
$GDP\ Growth_{it}$	37,848	3.481	2.965	1.619	3.160	5.388
$GDP\ Growth_{jt}$	37,848	3.355	3.279	1.619	3.165	5.169
$Log(Bilateral\ Trade\ Cost)_{ijt}$	37,848	5.285	0.628	4.870	5.289	5.726
$CSTR_{it}$	37,848	0.245	0.071	0.200	0.250	0.300
$CSTR_{jt}$	37,848	0.244	0.080	0.200	0.250	0.300
$Banking\ Crisis_{jt}$	37,848	0.057	0.233	0.000	0.000	0.000

Panel D: Analyses

Variables	(1)	(2)
	ΔLog(Inward Debt FDI)ijt	
Low GNI-Bottom Quartile$_i$ × Post BEPS$_t$	**0.058*** **	
	[2.882]	
Low GNI-Atlas Method$_i$ × Post BEPS$_t$		**0.057** **
		[2.415]
Log(GDP)$_{it}$	-0.280***	-0.246***
	[-4.690]	[-4.146]
Log(GDP)$_{jt}$	0.152***	0.153***
	[2.880]	[2.896]
Log(Population)$_{it}$	-1.356***	-1.248***
	[-4.856]	[-4.248]
GDP Growth$_{it}$	-0.001	-0.002
	[-0.287]	[-0.369]
GDP Growth$_{jt}$	0.004	0.004
	[0.876]	[0.875]
Log(Bilateral Trade Cost)$_{ijt}$	-0.018	-0.017
	[-1.236]	[-1.197]
CSTR$_{it}$	0.011	0.022**
	[1.009]	[2.102]
CSTR$_{jt}$	-0.026*	-0.026*
	[-1.920]	[-1.917]
Banking Crisis$_{jt}$	0.006	0.006
	[0.349]	[0.347]
Observations	37,848	37,848
R-Squared	0.103	0.103
Method	DID	DID
Controls	Y	Y
Country-pair fixed effects	Y	Y
Year fixed effects	Y	Y

This table presents the results of our analysis of the impact of the BEPS initiative on FDI low-income countries. Panel A reports the sample selection procedure. Panel B reports the sample composition by country. Panel C reports descriptive statistics. Panel D reports results of our multivariate analyses. All variables are defined in Appendix B. All continuous independent variables are standardized to have a mean of zero and standard deviation of one. Standard errors are clustered at the country-pair level, and t-statistics are reported in brackets below the coefficients. Significance levels are based on two-sided t-tests and are indicated as follows: * $p<0.1$, ** $p<0.05$, *** $p<0.01$.

Table 9: Addressing Potential Policy Confounds
Panel A: Excluding state aid countries

	(1)	(2)	(3)	(4)
Anti-tax avoidance rule:	BEPS	IL Rules	TP Rules	GAARS
Variables		$\Delta Log(Inward\ FDI)_{ijt}$		
BEPS Intensity$_i$ × Post BEPS$_t$	**-0.022***			
	[-1.834]			
Treat$_{ci}$ × Post$_{ct}$		**-0.075***	**-0.127***	**-0.111***
		[-4.309]	**[-6.020]**	**[-4.716]**
Observations	9,751	47,341	10,594	24,034
R-Squared	0.127	0.171	0.178	0.135
Method	DID	Stacked DiD	Stacked DiD	Stacked DiD
Controls	Y	Y	Y	Y
Country-pair fixed effects	Y	N	N	N
Country-pair-cohort fixed effects	N	Y	Y	Y
Year fixed effects	Y	N	N	N
Year-cohort fixed effects	N	Y	Y	Y

Panel B: Isolated events

	(1)	(2)	(3)
Anti-tax avoidance rule:	IL Rules	TP Rules	GAARs
Variables		$\Delta Log(Inward\ FDI)_{ijt}$	
Treat$_{ci}$ × Post$_{ct}$	**-0.090***	**-0.136***	**-0.115***
	[-4.413]	**[-5.282]**	**[-3.240]**
Observations	28,261	9,138	20,779
R-Squared	0.178	0.184	0.141
Method	Stacked DiD	Stacked DiD	Stacked DiD
Controls	Y	Y	Y
Country-pair-cohort fixed effects	Y	Y	Y
Year-cohort fixed effects	Y	Y	Y

Panel C: Controlling for the presence of other anti-avoidance rules

Anti-tax avoidance rule:	(1) IL Rules	(2) TP Rules	(3) GAARs
Variables		$\Delta Log(Inward\ FDI)_{ijt}$	
$Treat_{ci} \times Post_{ct}$	-0.049**	-0.154***	-0.077***
	[-2.356]	[-5.959]	[-2.967]
IL Rule		0.148**	-0.089***
		[2.139]	[-2.865]
TP Rule	-0.114*		-0.128***
	[-1.840]		[-2.887]
GAAR	-0.016	-0.061**	
	[-0.239]	[-2.002]	
Observations	40,540	12,386	29,123
R-Squared	0.166	0.174	0.138
Method	Stacked DiD	Stacked DiD	Stacked DiD
Controls	Y	Y	Y
Country-pair-cohort fixed effects	Y	Y	Y
Year-cohort fixed effects	Y	Y	Y

This table presents results of robustness tests addressing the potential for overlapping reforms and policy confounds. In Panel A, we re-estimate our main tests as estimated with state aid countries studied by Fox et al. (2022), excluded from the sample. Panel B presents results of robustness tests that limit the cohorts included in each stacked DiD sample to those relating to treated countries with no concurrent anti-tax avoidance events occurring within the country-specific event window. In Panel C, we control for the presence of host country IL rules, TP rules, and GAARs. In all panels, the dependent variables are the log-difference of total inward debt FDI (*ΔLog(Inward Debt FDI)*) and total inward equity FDI (*ΔLog(Inward Equity FDI)*). All variables are defined in Appendix B. All continuous independent variables are standardized to have a mean of zero and standard deviation of one. Standard errors are clustered at the country-pair level, and t-statistics are reported in brackets below the coefficients. Significance levels are based on two-sided t-tests and are indicated as follows: * p<0.1, ** p<0.05, *** p<0.01.