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CORPORATE MOBILITY AND MACROECONOMIC STATISTICS: EVIDENCE FROM THE REDOMICILIATIONS OF ITALIAN COMPANIES

by Cristina Bove*, Stefano Federico†, Giuseppina Marocchi‡,
Silvia Sabatini§ and Enrico Tosti†

Abstract

This paper examines the instances of redomiciliation by Italian multinational enterprises (MNEs) between 2012 and 2024, focusing on their reasons, their macroeconomic impacts, and on the statistical challenges involved in the analysis. Over the period in question, sixteen Italian firms, with a total market capitalization of €280 billion, relocated their legal headquarters abroad. The largest share of firms moved to the Netherlands, largely motivated by the country's governance framework, which allows for multiple voting structures that strengthen the position of controlling shareholders. In most of the remaining cases, the redomiciliation followed the merger with a foreign competitor or a process of corporate restructuring. These redomiciliations significantly impacted Italy's macroeconomic statistics, particularly as regards its international portfolio and direct investment position, and slightly reduced gross national income (GNI). In the study, we highlight a number of conceptual and practical challenges for statisticians, including residency classification and data compilation, and underscore the need for international standards to address these issues. Monitoring and transparent reporting are crucial for countries affected by (such) corporate mobility.

JEL Classification: F23, G34, G32, F60.

Keywords: redomiciliations, corporate inversion, macroeconomic statistics, globalization.

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1. Introduction[1]

In recent years several large Italian multinational corporations (MNEs) have redomiciliated abroad, moving the parent company's legal residence in a different country (typically the Netherlands). Redomiciliations alter the legal structure of the corporate group, putting a foreign-based company at the top, but no change typically occurs to the business operations, to the location of the workforce (including the top management) or even, in some cases, to the tax residence. These corporate restructuring operations appear to be largely driven by "forum shopping" motivations − specifically, the adoption of governance structures that allow for a stronger separation between control and ownership, therefore strengthening the position of controlling shareholders − rather than tax saving or strategic considerations (Belcredi *et al.* 2023). In particular, redomiciliated companies tend to adopt "multiple voting rights" shares, often involving rewards to long-term ("loyal") shareholders in the form of additional voting rights granted to those holding ordinary shares for a continued period of time.

The impact of redomiciliations is multifaceted, including corporate governance issues (if, for instance, the country of the new legal residence offers weaker protection to minority shareholders; Cortes *et al.* 2021) and obviously taxation (Chow *et al*. 2022). This paper focuses on an additional, and rarely investigated, issue, i.e. their impact on macroeconomic statistics.[2] International statistical standards identify the units that are part of the national economy, and therefore contribute to all its macroeconomic aggregates, on the basis of the "residence principle".[3] The residence of each institutional unit is defined as the economic territory with which the unit has the strongest connection, expressed as its "center of predominant economic interest". For corporations, the center of economic interest is normally the economy in which they are legally constituted and registered. Redomiciliations therefore imply a change in residence of the parent of the corporate group not only in legal but also in statistical terms. After a redomiciliation, financial assets and liabilities, and the associated income flows, are relocated to the new country residence.

[1] We are grateful to Massimo Belcredi, Lara Faverzani and Andrea Signori (Università Cattolica del S. Cuore) for sharing their list of redomiciliating companies for Italy and to Maria Borga, Ronald Nelisse, Fausto Pastoris and Carmen Picon-Aguilar for their useful comments on an earlier draft. The views expressed in this work are those of the authors and do not necessarily reflect those of the Banca d'Italia or the Eurosystem.

[2] Related work includes studies on the impact of redomiciliations in selected countries such as the United States (Hanson *et al.*, 2015) and the Netherlands (Nelisse and Hiemstra 2019) as well as case studies on the treatment of specific redomiciliations on Italy's external statistics (Federico *et al.*, 2018; Accoto *et al.*, 2023).

[3] Cfr. the sixth edition of IMF's Balance of Payments and International Investment Position Manual, in particular the fourth Chapter (https://www.imf.org/external/pubs/ft/bop/2007/bopman6.html).

While redomiciliations are a global phenomenon, their number is significantly larger in Italy than in the other main European countries. Moreover, in contrast to other countries (e.g., United States), the redomiciliation trend has not faded over time in Italy.[4]

This focuses on redomiciliations carried out by Italian MNEs over the last decade and quantifies their impact on Italy's macroeconomic statistics. Drawing on information provided by companies to their shareholders and investors, we identify 16 Italian MNEs that redomiciliated abroad since 2012. While the number may seem low, the average size of public companies involved is quite large. At the end of 2023 the market value of these redomiciliated companies amounted to EUR 280 billion, compared to an overall market capitalization of all Italian listed companies of EUR 586 billion.

After providing an overview of these redomiciliations, we quantify their impact on Italy's macroeconomic statistics, including international investment position and gross national income. Finally, we conclude by highlighting the main conceptual and practical issues raised by redomiciliations for the compilation of macroeconomic statistics. Our analysis suggests that the impact of redomiciliations on macroeconomic statistics makes it crucial for countries where this phenomenon is relevant to monitor the operations and disseminate statistical information on them, as proposed in the next revision of international statistical standards.

Before proceeding further, some clarification of terminology is in order. Due to the lack of official and harmonized definitions, these corporate restructurings are referred to by companies, media, statisticians and academic researchers in a variety of ways.[5] We choose to use the term *redomiciliations* in a broad sense, referring to any form of corporate restructuring at the end of which the group's parent company is incorporated in a foreign country. We refer instead to *corporate inversions* and *transfers of registered office* as the two main mechanisms through which redomiciliation occurs. The former refers to a cross-border merger between the original parent company (the inverter) and another company (often, but not always, a subsidiary in a foreign country), with the post-merger company incorporating in the foreign country. The latter refers instead to a change in residence of the parent company to a foreign country which does not require any merger with other companies, with the parent company transferring its unchanged assets and liabilities to the new country. This form of mobility is more likely between countries belonging the European Union.

[4] A new piece of legislation approved on February 27, 2024, by the Italian Parliament ("Interventions to Support Capital Competitiveness", also known as "Ddl Capitali") greatly expands, among other things, the possibility of adopting multiple voting schemes and might therefore induce a halt to the redomiciliation trend. For a view on the regulation, see Enriques (2023).

[5] These include at least the following terms: redomiciliation, corporate inversion, cross-border inversion, cross-border conversion, corporate migration, company relocation, relocation of headquarters, transfer of registered office, change of seat, reincorporation.

The rest of the paper is structured as follows. Section 2 describes the main worldwide trends in redomiciliations. Section 3 provides an overview of redomiciliations by Italian companies. Section 4 estimates their impact on Italy’s macroeconomic statistics. Section 5 discusses the key conceptual challenges from a statistical point of view, while Section 6 elaborates on the main practical issues for compilers. Finally, Section 7 concludes.

2. Worldwide trends in redomiciliations

The availability of statistics on redomiciliations is extremely scarce. At the worldwide level, no statistics on this phenomenon is collected by international organizations or other official institutions. The situation might improve in the coming years as the future update of international statistical standards for balance of payments foresees a presentation of data on corporate inversions. However, this presentation will be on a supplementary basis, i.e., the decision is left to the compiler’s judgment, depending also on the relevance of the phenomenon in its jurisdiction; therefore, the actual reporting of this breakdown by compilers might be limited.

A few academic studies have assembled datasets on corporate inversions and/or other types of redomiciliations. Col *et al.* (2020) identify corporate inversions through changes in the first 2 digits of firms’ ISIN identifiers (which typically correspond to firms’ incorporation country code). They focus on corporate inversions of firms out of 11 OECD economies into 45 host destinations over the 1996-2013 period. They find that the number of corporate inversions increased over time (from about 20 inversions per year between 1996 and 2007 to 30 from 2008 to 2013). They also find that the main countries from which firms inverted out were Canada, the United States, and the United Kingdom and that tax havens received almost 40 percent of inversion flows, thus suggesting that tax motives were unlikely to be the only motivation.

Using various sources, Belcredi *et al.* (2023) collect data on redomiciliations by EU listed companies (with a market capitalization exceeding €1 billion at the end of 2021) to another EU country. Their final sample includes 36 redomiciliations, with Italian firms accounting for 15 of them (followed by French and German companies); for Italian firms, Netherlands represents the destination country for about 60 percent of redomiciliations, followed by the United Kingdom, Luxembourg and Ireland.

Biermeyer and Meyer-Erdmann (2021) provide information on the number of cross-border conversions and cross-border transfers of registered seat within the EU, largely drawing on national official journals and company registers. The data collection starts since 2000 and points to a fast increase in company mobility in the EU, especially over the last decade.

At the country level, more detailed evidence on redomiciliations is available only for very few countries, namely two popular destinations (Ireland and the Netherlands) and one popular origin country (the United States). Ireland is, to the best of our knowledge, the only country that regularly publishes selected macroeconomic statistics on redomiciliations. Specifically, the Irish Central Statistical Office (CSO) identifies redomiciled public listed companies (PLCs) as a special group in the national accounts, because while these entities are resident in Ireland, "*they have such little interaction with the rest of the economy, that including them with the rest of the Irish corporations would make it look like the domestic economy is accumulating much more money than it really is"*. Redomiciliation to Ireland started in the late 2000s, mainly from United States and United Kingdom. Redomiciled companies typically have a permanent office and are resident for tax purposes in Ireland but have no or little real activity in the country. Factor income of redomiciled PLCs accounts on average for 2.6 percent of Ireland's gross national income (GNI) over the 2008-2022 period, with significant fluctuations; the peak was reached in 2012, when it amounted to 5 percent of GNI.[6]

For the Netherlands, Nelisse and Hiemstra (2019) identify Dutch companies created from a corporate inversion applying the following two criteria to the universe of Dutch listed companies: a) the corporation originated abroad, and the initial growth stage took place abroad; b) the Dutch activities are limited in relation to the size of the entire multinational group. They detect 28 corporations and estimate that their impact on primary income balance grows over time. Over the 2010-2017 period, they account for 0.5 percent of GNI, reaching a peak of 1.2 percent in 2017.

Redomiciliations abroad have been often investigated in the United States, which has experienced various waves of corporate inversions to a foreign country. The first wave occurred between the late 1990s and early 2000s and typically involved a U.S. corporation setting up a new foreign subsidiary and then being acquired by that foreign subsidiary, with usually no effect on the activity or operations of the corporation.

After new legislation was introduced in 2004 to prevent these transactions, a second wave took place between late 2000s and mid-2010s, mainly in the form of mergers with foreign competitors in the same industry, followed by incorporation in the foreign country. Inversions were generally reported to be motivated by strategies to reduce worldwide corporate income tax liabilities. Since 2014 further legislation has been introduced to successfully discourage corporate inversions (Congressional Budget Office 2017).

[6] Factor income of redomiciled PLCs is excluded to compute the "Modified GNI", which is an indicator designed by CSO to measure the size of the Irish economy excluding globalization effects. (Central Statistics Office 2017).

3. Italian companies and redomiciliations

Drawing on company reports and on information provided to shareholders, we identify 16 Italian multinational corporations that redomiciliated to a foreign country during the period 2012-2024, i.e. on average a bit more than one company per year. Redomiciliating companies span several industries, from manufacturing (automotive, textiles, electrical equipment, beverages, optical products, pharmaceuticals, agricultural machinery, building materials) to services (real estate, media, retail trade, holding activities).

Two distinct groups can be identified based on the type of redomiciliations (Table 1).

Table 1 – Destination and type of redomiciliation

	Destination				
	Netherlands	**France**	**United Kingdom**	**Luxembourg**	**Total**
Pure redomiciliation	10	0	0	2	12
Redomiciliation during/after industrial merger	0	2	2	0	4
All cases	**10**	**2**	**2**	**2**	**16**

For four companies, redomiciliations took place in the context of an industrial merger, i.e. a merger with a foreign competitor, after which the new merged company was incorporated in a country other than Italy. We label these types of transactions as "Redomiciliations during/after an industrial merger"[7], in order to differentiate them from the remaining transactions (which we label as "Pure redomiciliations"), in which no industrial merger took place. While for the former group redomiciliations were ancillary or functional to the completion of the industrial merger, for the latter group redomiciliations were carried out for the very purpose of moving the legal domicile to a foreign country.[8] We choose nonetheless to look at both types of redomiciliations, in order to provide a more comprehensive portrait of the phenomenon, also considering that the choice of a foreign country for redomiciliations after an industrial merger reflects a conscious decision of the merged company. The comparison between these two types of transactions is indeed useful to our purposes as it shows that the impact on macroeconomic statistics is the same, while the underlying processes, decisions and concrete effects differ significantly.

Looking at the destination country, more than 60% of companies (10 out of 16) have chosen to move their registered office to the Netherlands. However, if we exclude the redomiciliations related

[7] In two cases redomiciliations took place shortly *before* the merger rather than after the merger, but in both cases according to company information the corporate restructuring was closely related to the incoming merger.

[8] A peculiar case occurred when one redomiciliation coincided with a restructuring operation aimed at separating the society from the parent company in view of the subsequent initial public offering (IPO), which took place a few months later.

to industrial mergers (two of which were directed to the United Kingdom and the other two to France), the share of Netherlands goes above 80%.[9]

As regards the redomiciliation technique (i.e. the specific legal structure on which each redomiciliations is based), we notice a clearly changing pattern over time (Table 2). Until 2018 redomiciliations took place via a *corporate inversion* (also known as *cross-border reverse merger*). This is a merger between the original parent company (the inverter) and a subsidiary in a foreign country, with the new company that results from the merger incorporating in the country of the subsidiary. The foreign subsidiary usually holds a negligible amount of assets and liabilities in its balance sheet before the inversion and in some cases is created *ex novo* for the purpose of the inversion only. Since 2019 redomiciliations have instead been executed via a mere *change of residence* (often known as *transfer of registered office*), which does not involve any merger with another company. This transfer reflects the right of a corporation incorporated in one EU member state to transforms itself into a corporation incorporated into another Member State on the basis of the freedom of establishment within the EU. This follows EU law and the jurisprudence of the EU Court of Justice (CJEU), which has asserted companies' right to transfer their registered office to another Member State by adopting a legal form permitted by the legislation of that Member State, while retaining legal personality without interruption.[10]

Table 2 – Redomiciliations: main features by year

Year	**Technique of redomiciliation**	**Number of redomiciliations**	*(of which): adoption of multiple votes*	*(of which): Netherlands as destination*	*(of which): Italy as tax residence*
2012	Corporate inversion	1	0	0	1
2013	Corporate inversion	1	1	1	0
2014	Corporate inversion	1	1	1	0
2015	Corporate inversion	3	1	1	1
2016	Corporate inversion	2	1	1	0
2018	Corporate inversion	2	0	0	0
2019	Transfer of registered office	1	0	1	1
2020	Transfer of registered office	1	1	1	1
2021	Transfer of registered office	3	3	3	3
2024	Transfer of registered office	1	1	1	1
Total		**16**	**9**	**10**	**8**

Source: Company reports.

The most frequent motivation declared by companies in their communication to their shareholders, especially among MNEs relocating to the Netherlands, is related to rewarding long-term shareholder

[9] One company redomiciliated first to Luxembourg and then, after one year, to the Netherlands.
[10] Technically, from an Italian law perspective the transfer entails an amendment of the Company's articles of association, falling under the remit of an extraordinary shareholders' meeting.

ownership through the adoption of "special voting mechanism" (which grants additional rights of vote to long-term shareholders); this motivation is cited by seven companies out of ten relocating to the Netherlands and, in the end, nine companies adopted multiple voting schemes.

Other reasons cited by companies include enhancing the attractiveness to international investors and expanding business especially in foreign markets; this applies particularly to redomiciliations that occur in the context of an industrial merger, where corporate strategy factors are indeed quite relevant. There are also references to potential benefits from the company law framework in the destination country and in two cases to facilitating the company's listing on the stock exchange market.

The prominent role of corporate governance motivation behind redomiciliations finds further support from the subsequent changes to voting mechanisms actually implemented by redomiciliating companies, in line with the findings of Belcredi et al. (2023). All firms which have relocated to the Netherlands except one have adopted multiple voting right shares granted through a loyalty scheme that allows to attribute more than one vote to each share (up to 20 in one case), so that long-term shareholders progressively increase their voting power. On the contrary, this pattern does not occur for redomiciliations to Luxembourg, France and the United Kingdom where the one-share-one-vote system continues to apply.

Compared to the motivation related to governance, tax motivations seem to be less relevant, especially for the most recent redomiciliations. Tax residence remained in Italy for half of the companies (including all redomiciliations that occurred since 2019). Tax residence was instead moved to the foreign country in all cases of redomiciliations during/after an industrial merger as well as for three other redomiciliations. Among the firms that joined a foreign tax jurisdiction, the preferred destination was the United Kingdom (4 occurrences), followed by France (2) and then by Luxembourg and Netherlands (1 each).[11]

A common pattern among redomiciliating firms is that none of the 16 companies expect that the change in legal residence would have any impact on the workforce or on the organization of the company. Moreover, all firms have maintained their headquarters in Italy (with only one exception of a holding company with a small staff already located in the Netherlands) and continued to operate in Italy as before through the establishment of a secondary office (also known as branch). In a few cases (3 out of 16), redomiciliations have implied a change in the location of the meetings of the Board of Directors. However, almost half of the companies (7 out of 16) do not engage in a fixed meeting location for board meetings, reserving the right to communicate it in advance of each meeting; 6 out of 16 MNEs have declared that they will continue to hold board meetings in Italy.

[11] One company joined two different tax jurisdictions during the period under investigation; see note 8.

4. **Quantifying the impact of redomiciliations on Italy's external statistics**

This section aims to provide a quantitative assessment of the impact of redomiciliations on Italy's external statistics. As a matter of fact, such quantification has a purely theoretical value, since it is difficult to summarize in one absolute measure the effects of events that occurred along a decade. In this respect assumptions and simplifications were necessary. All that said, a first indication of the size of the phenomenon comes from the combined value of market capitalization of redomiciled companies, which amounts to EUR 280 billion at the end of 2023.[12] The total value of net equity (own funds at book value) of redomiciled companies is also quite significant (145 billion).

We estimate the impact on financial stocks (assets and liabilities) between Italy and the rest of the world at the end of 2023.[13] We focus on the equity component, leaving aside the debt component, which is typically highly volatile and might be affected by intra-group cash pooling arrangements or by specific lending or issuance structures. Table 3 reports the results, broken down by the two relevant functional categories potentially affected by redomiciliations (portfolio and direct investment), both for the whole set of firms and for the two subsets of firms distinguished on the basis of the overall net impact on IIP (positive or negative).

Table 3 – Impact of redomiciliations on Italy's portfolio and direct investment stocks
(EUR billions, end-2023)

	Portfolio assets	**Portfolio liabilities**	***Net portfolio investment position***	**Direct investment assets**	**Direct investment liabilities**	***Net direct investment position***	***Net portfolio and direct investment position***
	(1)	(2)	*(3)=(1)-(2)*	(4)	(5)	*(6)=(4)-(5)*	(7)=(3)+(6)
All firms	+14.9	-25.1	***+40.0***	-14.1	+25.7	***-39.9***	**0.1**
Firms with positive impact	8.6	-15.1	***23.7***	6.5	16.8	***-10.3***	**13.4**
Firms with negative impact	6.3	-10.1	***16.3***	-20.6	8.9	***-29.6***	**-13.3**

Source: authors' elaborations on company balance sheet data, direct reporting and securities holdings statistics.

The first two columns show that portfolio investment assets increase, while portfolio investment liabilities decrease as a consequence of redomiciliations. The former reflects the newly appearing portfolio assets, which correspond to the portfolio equity shares of the redomiciliated company held by resident investors; such shares, which before redomiciliation were a domestic investment, become indeed a cross-border investment after redomiciliations. The latter reflects the removal of portfolio

[12] All the companies involved are listed on the stock exchange or have been listed after the redomiciliation process.
[13] For selected items, we measure positions at the end of the last available year (2022). We generally attempt to sterilize the impact of mergers during or after redomiciliations by using the latest positions before such mergers.

liabilities, i.e. portfolio equity shares held by non-resident investors, which become holdings of a non-resident company. The combination of these two factors leads to a EUR 40 billion increase in Italy's net portfolio investment position due to redomiciliations (third column).

Redomiciliations also have a significant impact on direct investment. Specifically, direct investment assets record a decrease, while direct investment liabilities increase (fourth and fifth columns, respectively). The former effect is a combination of two opposing forces: on the one hand, direct investment assets held by the redomiciliating parent company in foreign affiliates and subsidiaries are no longer recorded in the country's external assets, because they become assets of the foreign country of redomiciliation; on the other hand, new direct investment assets by residents are recorded, reflecting the value of the direct investment shares held by resident entities (including natural persons) in the new foreign parent company.[14] Finally, new direct investment liabilities arise, as the equity related to the activity that remains in Italy (usually under a "branch" or secondary office) as well as any further equity in other Italian companies previously held by the parent company become now assets of the new foreign parent company. Considering all these factors, the direct investment net position decreases by EUR 40 billion (sixth column), fully offsetting the increase in portfolio investment net position.

Overall, the net impact of redomiciliations on the country's net international investment position turns out to be marginal. However, we should not generally expect redomiciliations to have a neutral impact on the country's net position. We find indeed that nine redomiciliations turn out to have a net positive impact (for a combined amount equal to EUR 13.4 billion), while the remaining seven redomiciliations have a net negative impact (amounting to EUR -13.3 billion). The variety of outcomes generally reflects different factors, such as differences in the composition of assets and liabilities of the redomiciliating company or in the ownership structure of the group. Different valuation criteria also play a role, to the extent to which portfolio investment and direct investment in listed companies are valued at market prices, while direct investment in unlisted companies is measured at own funds at book value. For instance, the interposition of unlisted companies between the ultimate owner of the company and the redomiciliated parent company (such as holding companies) does not have a neutral impact.[15]

Moreover, the significant reallocation of external positions from direct to portfolio investment has implications on the country's gross national income. A precise estimate of the impact of

[14] Specifically, the "disappearing" FDI assets amount to EUR -27.8 billion, while the "newly emerging" FDI assets amount to EUR 13.7 billion.

[15] For instance, if the ultimate owner resident in Italy directly controls the redomiciliated parent company, its assets are valued at market prices, while if the ultimate owner indirectly controls the redomiciliated parent company via a non-resident unlisted company, its assets would be valued at own funds at book value (which might be significantly different from a market price valuation).

redomiciliations is quite challenging for a source country such as Italy, compared to destination countries such as the Netherlands or Ireland in which companies redomiciliate (entering therefore in the country's company registers). We nonetheless provide a tentative assessment, looking at a three-year average to smooth out income data, which can be quite volatile.[16] Table 4 reports our estimates. Redomiciliations tend to increase Italy' net income balance on portfolio investment, in line with the increase in net external portfolio investment stocks. Similarly, net income on direct investment falls, following the decrease in net external investment stocks. The decrease in direct investment income is larger than the increase in portfolio investment income, reflecting the asymmetric treatment of reinvested earnings (i.e. undistributed profits that are recorded in the case of direct investment income but not for portfolio investment income). Finally, the operating surplus of redomiciliated companies needs to be subtracted, given that it no longer accrues to Italy's gross national income but represents income accruing to the foreign country of redomiciliation. The net impact on gross national income is therefore equal to the sum of net income on portfolio investment, net income on direct investment and the "lost" operating surplus of redomiciliated companies. We estimate that the overall net impact on Italy's gross national income is slightly negative, amounting to -4.0 billion (roughly 0.2 percentage points of GNI each year).

Table 4 – Impact of redomiciliations on Italy's gross national income
(EUR billions, average 2021-2023)

Credits on portfolio investment	**Debits on portfolio investment**	***Net income on portfolio investment***	**Credits on direct investment**	**Debits on direct investment**	***Net income on direct investment***	**Operating surplus of redomiciliated companies**	***Net impact on gross national income***
(1)	(2)	*(3)=(1)-(2)*	(4)	(5)	*(6)=(4)-(5)*	(7)	(8)=(3)+(6)-(7)
+0.4	-0.4	***+0.8***	-1.1	+2.9	***-4.0***	**0.8**	**-4.0**

Source: authors' elaborations on company balance sheet data, direct reporting and securities holdings statistics.

5. **Conceptual issues for statisticians**

Redomiciliations raise both conceptual and practical challenges for statisticians. The core conceptual challenge is that redomiciliations call into question the notion of "residence", which plays a key role in "residence-based" statistical domains such as those of national accounts and balance of payments. The BPM6 defines the residence of an institutional unit as *"the economic territory with which it has the strongest connection, expressed as its center of predominant economic interest"* (BPM6 4.113). It also clarifies that *"as a general principle, an enterprise is resident in an economic*

[16] We consider the latest three-year interval available for each company (which corresponds to the 2021-23 interval for the majority of cases).

territory when the enterprise is engaged in a significant amount of production of goods or services from a location in the territory".

The manual highlights specific cases of corporations with little or no physical presence, citing examples of corporations whose administration is entirely contracted out to other entities (e.g., securitization vehicles and some SPEs) or "virtual manufacturing" corporations (in which all the physical processes are outsourced to other unit). As these special cases, redomiciliated companies also have no production and no or very little physical presence in the country of redomiciliation. Their connection to the economy derives from incorporation and registration in the host country, which clearly represents a "*substantial degree of connection to the economy, associated with jurisdiction over the enterprise's existence and operations*" (BPM6 4.135).

With respect to these examples mentioned by the manual, the experience of redomiciliations by Italian companies suggests two considerations. The first is that the above-mentioned special cases generally refer to companies situated at lower ranks of the group structure (such as SPEs or specialized subsidiaries), while our study points to redomiciliations of parent companies, which typically carry out a significant amount of production in Italy and often also hold equity stakes in many domestic or foreign affiliates. The second consideration is that in our groups of companies the connection to the country of redomiciliation is particularly weak, given that even the residence for tax purposes (another relevant criterion to assess the attachment to a given economy) remained in Italy in about half of cases.

Discussions about the notion of company residence are obviously not restricted to statisticians. Residence plays a fundamental role in the allocation of taxation powers on corporations across countries as well as in non-tax matters related to company law. In this context, countries apply various criteria (Burgers *et al.* 2018), among which the most prominent ones include the "place of incorporation" and the "place of effective management" (POEM). The former corresponds to the legal country of incorporation, while the latter generally corresponds to the "place where key management and commercial decisions that are necessary for the conduct of the entity's business as a whole are in substance made" (Commentary on Article 4 of the 2014 OECD Model, par. 24).

Double taxation treaties aim to provide a set of rules to solve conflicts of residence. Under the 2017 OECD Model tie-breaker rule, competent authorities deal with the dual residency issue on a case-by-case basis by mutual agreement, taking into consideration a broad set of facts and circumstances.[17] Overall, the approach to double residency issues followed in the field of

[17] These circumstances include: where the meetings of the company's board of directors or equivalent body are usually held; where the chief executive officer and other senior executives usually carry on their activities; where the senior day-to-day management of the company is carried on; where the person's headquarters are located.

international taxation seems slightly more inclined toward a preference for the "substantial" criteria related to the place of effective management compared to the more "formal" approach followed by the statistical community.

To wrap up the discussion, going back to the challenges for statisticians, the ultimate issue raised by redomiciliations is whether legal incorporation represents a sufficient connection to the economy even if a company has no production, no physical presence, no assets and is not even tax resident in that country. Even in such cases, legal incorporation still entails actual or potential consequences for the company, which by virtue of incorporation is indeed subject to the country's jurisdiction. In the case in which incorporation is considered as sufficient condition for residence in the foreign country, a related issue is how to account for the substantial operational and holding activities that continue to be carried out in Italy.

Following the manual, when a non-resident entity has substantial operations but not separate legal entity in the country, a branch may be identified as an institutional unit for statistical purposes. This acknowledges the *"strong connection to the location of operations in all ways other than incorporation"*. While this is relatively straightforward for operational activities, there might still be uncertainties regarding the treatment of holding activities, which include for instance direct investment in affiliates and subsidiaries. While the ownership of these affiliates is formally transferred to the new parent company in the foreign country, the actual direction and coordination activity might be made by the branch located in Italy.

All the options described above result in three different possible arrangements after redomiciliation:

1. no separate institutional unit remains in Italy;[18]
2. an institutional unit (branch) is established in Italy to carry on only operational activities;
3. an institutional unit (branch) is established in Italy to carry on operational and holding activities.

These three different schemes have meaningful statistical implications, both from a theoretical and practical point of view (see further, par. 6).

Another conceptual issue is related to the statistical treatment of the specific corporate operations that lead to the redomiciliation. As mentioned in Section 3, a redomiciliation may be attained either via a corporate inversion or via a transfer of registered office (which does not involve any merger with other companies). Based on a literal interpretation of international statistical standards these two

[18] In other words, no branch is established in Italy or a branch is established but it is not an institutional unit separate from its mother company.

techniques of redomiciliation would require two different types of recording in macroeconomic statistics (IMF, 2021; ECB, 2024).

The reverse merger with incorporation should be recorded as a transaction (which is defined as *"an interaction between two institutional units that occurs by mutual agreement or through the operation of the law and involves an exchange of value or a transfer"* (BPM6 3.4)). The transfer of registered office should instead be recorded under "other changes in volume" (a category which records any changes in the value of assets that are due neither to transactions nor to revaluation, including changes arising from entities changing their economy of residence).

From a statistical perspective, the question is whether it is appropriate to record differently two forms of corporate restructuring that eventually have the same economic effects (i.e., they both lead to a corporate restructuring at the end of which the parent company is redomiciliated). The on-going debate in the international fora is not yet settled[19] and the final answer will likely reflect various considerations.

First, there might be again a choice between "form versus substance", i.e. whether statisticians should give greater weight to a literal reading of statistical manuals or to a representation of the underlying economic reality (which is equivalent between the two redomiciliation techniques). Second, users' needs should also need to be taken into account. For instance, the approach based on transactions carries the risk of inflating FDI flows, especially if the number of redomiciliations will increase over time, reducing the analytical value of this set of statistics which is already distorted by purely financial flows with little or no economic impact (Blanchard and Acalin, 2016, Damgaard *et al.*, 2024).

Moreover, the fact that we have treated the two types of redomiciliation as equivalent for the purpose of this study is already a first indication that at least for economic analysis they might be considered as a unique phenomenon.

6. **Practical issues for compilers**

Beyond conceptual issues, redomiciliations also cause several practical issues for compilers, in terms of information availability, correct interpretation and consistent recording (Federico *et al.*, 2018; Accoto *et al.*, 2023). First, compilers have to become aware that a redomiciliation is taking

[19] During the process of updating of the current methodological standards (the seventh edition of the IMF's Balance of Payments and International Investment Position Manual and the fifth edition of the OECD's Benchmark Definition of Foreign Direct Investment), special attention has been paid to the phenomenon of corporate restructuring and change of residence, with a detailed examination of the various types of operations and related statistical recordings. The final compilation guidance does not resolve the ambiguity, that is explicitly mentioned, leaving room for further analysis on the subject.

place. This is relatively easy for listed companies such as those analyzed in this study, given that public information is typically available in company press releases and company reports to shareholders or investors.

Tracking redomiciliations of unlisted companies, however, may be more difficult. The redomiciliating company will typically cease to be registered in the company register of the home country (except for those companies which continue to operate through a formally registered branch) and will appear in the company register of the country of redomiciliation (to which the compiler might not necessarily have access).

After becoming aware of a redomiciliation, compilers need to have detailed information on the corporate restructuring, However, the information set provided by companies to shareholders and investors is rarely structured in a way to be useful for the purpose of statistical compilation. For instance, breakdowns between resident and non-resident counterparties or key data on the value of financial transactions or positions might not be available in the documents publicly released by redomiciliating companies.

Compilers might face significant information gaps also after redomiciliations have taken place, as the branch that carries out all the operational activity in the home country (production, exports, etc.) might not always be able or willing to provide a set of detailed accounts that are needed for statistical purposes. Under certain conditions, the branch should indeed be recognized as an institutional unit in the statistics of the economy in which it is located, and excluded from the statistics of the country where the new parent company is legally incorporated.

In principle, this residency assessment should be fully consistent across different statistical domains (balance of payments, national accounts, etc.) and across countries. In practice, inconsistent classifications across different registers (e.g. business registers, balance of payments register, banking statistics registers, etc.) might occur and inconsistent interpretations of the conditions under which the branch should be considered as an institutional unit (and therefore resident in that country) might also occur.

Direct contacts with company or branch representatives might be helpful in certain cases but might also face greater hurdles after redomiciliations. Indeed, the statistical burden for redomiciliating company generally increases after redomiciliation, as the company will have to report information both on its parent company (to the country of legal incorporation) and on the branch (to the country where the branch is located). Overall, given the complexity of redomiciliations, risks of imperfect coordination among statistical compilers across the various domains and countries involved are significant.

Finally, in some cases an additional consequence of the redomiciliation is that the resident entity holding assets abroad happens to coincide with either a natural person or a company not subject to the compilation of complete financial statements (e.g. a "*società semplice*" according to the Italian commercial law). Both natural persons and companies with limited financial information are typically exempt from reporting obligations for external statistics purposes in many countries (including Italy). This information gap further increases the practical challenges for compilers, which might have to apply estimation or imputation methods to compensate for the unavailability of direct reporting from these subjects.

7. Concluding remarks

This study provides an overview of redomiciliations of Italian firms over the last fifteen years. Italy represents an interesting special case for an analysis of corporate mobility, as it is the European country with the highest number of redomiciliations abroad. After discussing the main characteristics and determinants of redomiciliations, we focus particularly on their impact on the country's macroeconomic statistics and discuss the main conceptual and practical issues from the point of view of compilers of official statistics.

We show that redomiciliations are often driven by the search for a more flexible governance structure (such as multiple voting rights); in a smaller number of cases, they follow industrial mergers with foreign competitors. Redomiciliations typically do not alter the operating activities of the companies (i.e. the headquarters remain in Italy and no impact on the workforce is generally observed).

According to our estimates these redomiciliations had a non-negligible impact on macroeconomic statistics: an increase by about EUR 40 billion in Italy's net portfolio investment assets and a decrease by a similar amount in net direct investment assets; a slightly negative effect on gross national income (about -0.2 percentage points of GNI), reflecting both the "loss" of operating surplus of redomiciliated companies (which now accrues to the foreign country) and the asymmetric treatment of reinvested earnings. However, redomiciliations do not necessarily have a neutral effect on a country's net position, as their impact depends on the specific structure and features of the redomiciliating company's group.

Looking forward, it is not clear whether the redomiciliations trend among Italian companies will continue unabated or will fade out. Recent legislation allowing for multiple voting in Italy might reduce one of the main drivers of this phenomenon − the incorporation in countries with much less restrictive rules about shareholders' voting structures − thereby halting the trend, at least temporarily, as suggested by the experience of other countries (e.g. the United States).

At the same time, however, there are structural forces clearly pushing in the direction of increasing corporate mobility, not only in Italy but across the entire world.

First, at the EU level recent legislation has been introduced to facilitate and promote cross-border mobility of companies, making it easier for companies to convert their legal form to the law of another EU member state; moreover, the European Court of Justice has repeatedly argued in favour of an extensive interpretation of corporate mobility as part of the principle of freedom of establishment.

Second, the return of industrial policy, as countries seek to promote economic development and address national security and climate change challenges, might increase the incentives for redomiciliations; for instance, a European battery cell production company recently completed the process of redomiciliation to the United States, citing incentive programs for clean energy manufacturers among the expected benefits.

Third, the combination of mutual recognition rules with non-negligible differences in regulatory costs across jurisdictions might induce redomiciliations in heavily regulated industries such as finance; recent examples include a banking group moving from Sweden to Finland in 2018 and an insurance and financial services provider moving from the Netherlands to Bermuda in 2023.[20]

Finally, technological innovation will continue to make it easier to carry out management and coordination activities remotely, allowing companies to develop even more flexible organizational strategies and further reducing their attachment to a specific country.

Our analysis and these reflections on the factors that could increase corporate mobility in the near future suggest that it is crucial, for countries where the redomiciliation phenomenon is relevant, to accurately monitor the operations and to disseminate detailed statistical information on them, as proposed in the next revision of international statistical standards.

[20] In the latter case, the first move implied a redomiciliation from the Netherlands to Luxembourg, followed the next day with a redomiciliation from Luxembourg to Bermuda. The reason of this double move was that Dutch law does not facilitate a direct change of legal domicile to a jurisdiction outside the European economies, in contrast to Luxembourg law.

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