The Council of the European Union agrees to an amendment to the Parent-Subsidiary Directive

(June 20, 2014)

The Council has agreed to an amendment to Council Directive 2011/96/EU (The Parent-Subsidiary Directive). The amendment aims to arrange that the member state of the parent company will refrain from taxing profits from the subsidiary only to the extent that such profts are not tax deductible for the subsidiary.

In approving the text, the Council agreed to split it from a broader proposal in order to allow early adoption of the new rule on hybrid loans, whilst allowing work to continue on another aspect, namely the introduction of a common anti-abuse provision.

The amendments to Article 1 and the adding of a new Article 1a to the Directive, which both were included in the initial proposal, are not included in the amendment upon which the Council agreed today. The text of the amendment made to Article 4, paragraph 1, sub a has changed in comparison to the amendment that was initially proposed.

Following today's political agreement, this part of the legislation is expected to be adopted at a forthcoming Council session, after finalisation of the text. Member States will have until the December 31, 2015 to transpose it into national law.

Click here for the text of the Parent-Subsidiary Directive as we expect it to read after the adjustments have been implemented. The amendments we expect to be made are highlighted in Bold and Blue.