

Common system of taxation applicable in the case of parent companies and subsidiaries of different Member States: tackling double non-taxation

2013/0400(CNS) - 08/07/2014 - Final act

PURPOSE: to amend EU tax rules on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.

LEGISLATIVE ACT: Council Directive 2014/86/EU amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.

CONTENT: the original parent-subsidiary directive (Directive 2011/96/EU) exempts dividends and other profit distributions paid by subsidiary companies to their parent companies from withholding taxes and eliminates double taxation of such income at the level of the parent company.

The benefits of Directive 2011/96/EU should not lead to situations of double non-taxation and, therefore, generate unintended tax benefits for groups of parent companies and subsidiaries of different Member States when compared to groups of companies of the same Member State.

To counteract double non-taxation deriving from mismatches in the tax treatment of profit distributions between Member States, Directive 2011/96/EU is amended to ensure that the Member State of the parent company and the Member State of its permanent establishment should not allow those companies to benefit from the tax exemption applied to received distributed profits, to the extent that such profits are deductible by the subsidiary of the parent company.

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