

# **Common system of taxation applicable to interest and royalty payments made between associated companies of different Member States. Tax package**

1998/0087(CNS) - 17/09/1998 - Text adopted by Parliament, 1st reading/single reading

Adopting the report by Mr Carlo SECCHI (PPE, I), the European Parliament amended the proposal for a Directive seeking to eliminate double taxation of cross-border interest and royalty payments between associated companies. While the Commission proposal allows Member States to take steps to prevent these rules from being used for tax evasion or tax avoidance, the European Parliament intends to limit this right to cases where a transaction has tax evasion or tax avoidance as its sole objective. Parliament considers that the provisions of the Directive need to be extended to taxes levied on interest and royalty payments made between companies which are not associated as part of the further development of the Single Market. Other amendments seek to gradually phase out the various exceptions to the general ban on double taxation of royalty and interest payments. Parliament also adopted an amendment calling upon the Member States not to use the "package approach" adopted as a tool for delaying approval of the various elements of the package, i.e. by demanding simultaneous approval of all its constituent parts. Finally, Parliament asked the Member States to undertake to re-examine their existing laws and established practices in line with the principles set out in the Council Resolution of 1 December 1997 on the Code of Conduct for business taxation in order to guarantee a wide application of the provisions of the Directive by the time it enters into force.