Tax & Legal Weekly Alert

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Tax Updates

The Parent-Subsidiary Directive has been amended

The European Union has amended the Directive 2011/96/EU (i.e. the Parent-Subsidiary Directive) in order to stop the use of hybrid financing instruments and has extended the list of Member State companies to which this Directive applies (i.e. for Poland and Romania) – page 2

The Parent-Subsidiary Directive has been amended

The European Union has adopted amendments to the Directive 2011/96/EU (i.e. the Parent-Subsidiary Directive) in order to prevent double non-taxation of dividends distributed within corporate groups and deriving from hybrid loan arrangements.

When planning intra-group financing, companies from different Member States will be prevented from using hybrid loan arrangements for obtaining double non-taxation of the income derived as a result of these transactions.

Hybrid loan arrangements exploit mismatches between national tax rules. In this respect, distributed profits may be considered non-taxable in the parent company's state of residency and a tax-deductible expense in the state of the subsidiary.

In addition, the list of companies to which the Parent-Subsidiary Directive applies has been amended by the addition of new types of companies from Poland and Romania (i.e. "spółka komandytowo-akcyjna" in Poland and "societati in nume colectiv" and "societati in comandita simpla" in Romania).

Member States must transpose these amendments into their national legislation by December 31, 2015.

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