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26 November 2013

Parent-Subsidiary Directive: proposed amendments

Yesterday, on 25 November 2013, the Commission proposed two amendments to the Parent-Subsidiary Directive to significantly reduce tax avoidance in Europe.

Firstly, the anti-abuse provision will be updated. The proposal obliges member states to adopt a common, more comprehensive provision, allowing them to ignore artificial arrangements used for tax avoidance purposes. An example where the revised anti-abuse rule could apply is where an intermediate holding company is inserted in the EU to act as a letterbox company, solely established to avoid withholding taxes.

Secondly, hybrid loan arrangements (such as profit participating loans) will no longer benefit from double non-taxation, through an interest deduction in the source state and a dividend exemption in the recipient state. Under the proposal, if a hybrid loan payment is deductible in the subsidiary's member state, then it must be taxed by the parent company's member state.

According to the proposal, the amended directive, if adopted by the Council, should be implemented by the member states by 31 December 2014.

Please click [here](#) to read the proposal.

Contact

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