



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 27 June 2014
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**FISC 104
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"I/A" ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: Council Directive amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States
- Adoption of the legislative act (LA + S)

1. On 25 November 2013, the Commission presented a proposal for a Directive amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (doc. 16918/13 FISC 237). The proposal seeks to fill a loophole of the current Directive by tackling hybrid financial mismatches within the scope of application of the PSD and to introduce a general anti-abuse rule in order to protect the functioning of this Directive.
2. The European Economic and Social Committee and the European Parliament delivered their opinions respectively on 25 March and 2 April 2014.
3. The debate in 6 May 2014 ECOFIN has shown that there is wide support for closing the 'hybrid loan mismatch' loophole as quickly as possible, whereas the part of the proposal dealing with the general anti-abuse rule will require more work.

4. On 20 June 2014, the Council reached a political agreement on the Presidency compromise text. It was agreed that a number of statements would be made to the Council Minutes, as set out in the Addendum to this note.

 5. The Permanent Representatives Committee is therefore asked to suggest that the Council:
 - adopt as an "A" item on the agenda of a forthcoming meeting the Directive amending **Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States**, as finalised by the legal/linguistic experts in doc. 10996/14 FISC 99 ECOFIN 679;

 - request that the statements, set out in the Addendum to this note, be entered in the Minutes of that meeting.
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