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► **B****COUNCIL DIRECTIVE**

**of 23 July 1990**

**on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States**

(90/435/EEC)

(OJ L 225, 22.9.1990, p. 6)

Amended by:

	Official Journal		
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► <b><u>M1</u></b> Council Directive 2003/123/EC of 22 December 2003	L 7	41	13.1.2004

Amended by:

► <b><u>A1</u></b> Act of Accession of Austria, Sweden and Finland	C 241	21	29.8.1994
(adapted by Council Decision 95/1/EC, Euratom, ECSC)	L 1	1	1.1.1995
► <b><u>A2</u></b> Act concerning the conditions of accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded	L 236	33	23.9.2003

Corrected by:

- **C1** Corrigendum, OJ L 23, 29.1.1991, p. 35 (90/435/EEC)
- **C2** Corrigendum, OJ L 16, 18.1.1997, p. 98 (90/435/EEC)



## COUNCIL DIRECTIVE

of 23 July 1990

### on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States

(90/435/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 100 thereof,

Having regard to the proposal of the Commission <sup>(1)</sup>,

Having regard to the opinion of the European Parliament <sup>(2)</sup>,

Having regard to the opinion of the Economic and Social Committee <sup>(3)</sup>,

Whereas the grouping together of companies of different Member States may be necessary in order to create within the Community conditions analogous to those of an internal market and in order thus to ensure the establishment and effective functioning of the common market; whereas such operations ought not to be hampered by restrictions, disadvantages or distortions arising in particular from the tax provisions of the Member States; whereas it is therefore necessary to introduce with respect to such grouping together of companies of different Member States, tax rules which are neutral from the point of view of competition, in order to allow enterprises to adapt to the requirements of the common market, to increase their productivity and to improve their competitive strength at the international level;

Whereas such grouping together may result in the formation of groups of parent companies and subsidiaries;

Whereas the existing tax provisions which govern the relations between parent companies and subsidiaries of different Member States vary appreciably from one Member State to another and are generally less advantageous than those applicable to parent companies and subsidiaries of the same Member State; whereas cooperation between companies of different Member States is thereby disadvantaged in comparison with cooperation between companies of the same Member State; whereas it is necessary to eliminate this disadvantage by the introduction of a common system in order to facilitate the grouping together of companies;

Whereas where a parent company by virtue of its association with its subsidiary receives distributed profits, the State of the parent company must:

- either refrain from taxing such profits,
- or tax such profits while authorizing the parent company to deduct from the amount of tax due that fraction of the corporation tax paid by the subsidiary which relates to those profits;

Whereas it is furthermore necessary, in order to ensure fiscal neutrality, that the profits which a subsidiary distributes to its parent company be exempt from withholding tax; whereas, however, the Federal Republic of Germany and the Hellenic Republic, by reason of the particular nature of their corporate tax systems, and the Portuguese Republic, for budgetary reasons, should be authorized to maintain temporarily a withholding tax,

<sup>(1)</sup> OJ No C 39, 22. 3. 1969, p. 7 and Amendment transmitted on 5 July 1985.

<sup>(2)</sup> OJ No C 51, 29. 4. 1970, p. 6.

<sup>(3)</sup> OJ No C 100, 1. 8. 1969, p. 7.

**▼B**

HAS ADOPTED THIS DIRECTIVE:

*Article 1*

1. Each Member State shall apply this Directive:
- to distributions of profits received by companies of that State which come from their subsidiaries of other Member States,
  - to distributions of profits by companies of that State to companies of other Member States of which they are subsidiaries,

**▼M1**

- to distributions of profits received by permanent establishments situated in that State of companies of other Member States which come from their subsidiaries of a Member State other than that where the permanent establishment is situated,
- to distributions of profits by companies of that State to permanent establishments situated in another Member State of companies of the same Member State of which they are subsidiaries.

**▼B**

2. This Directive shall not preclude the application of domestic or agreement-based provisions required for the prevention of fraud or abuse.

*Article 2*

►M1 1. ◄ For the purposes of this Directive ‘company of a Member State’ shall mean any company which:

- (a) takes one of the forms listed in the Annex hereto;
- (b) according to the tax laws of a Member State is considered to be resident in that State for tax purposes and, under the terms of a double taxation agreement concluded with a third State, is not considered to be resident for tax purposes outside the Community;
- (c) moreover, is subject to one of the following taxes, without the possibility of an option or of being exempt:
  - impôt des sociétés/vennootschapsbelasting in Belgium,
  - selskabsskat in Denmark,
  - Körperschaftsteuer in the Federal Republic of Germany,
  - φόρος εισοδήματος νομικών προσώπων κερδοσκοπικού χαρακτήρα in Greece,
  - impuesto sobre sociedades in Spain,
  - impôt sur les sociétés in France,
  - corporation tax in Ireland,
  - imposta sul reddito delle persone giuridiche in Italy,
  - impôt sur le revenu des collectivités in Luxembourg,
  - vennootschapsbelasting in the Netherlands,
  - imposto sobre o rendimento das pessoas colectivas in Portugal,
  - corporation tax in the United Kingdom,

**▼A1**

- Körperschaftsteuer in Austria,
- yhteisöjen tulovero/inkomstskatten för samfund in Finland,
- statlig inkomstskatt in Sweden,

**▼A2**

- Daň z příjmů právnických osob in the Czech Republic,
- Tulumaks in Estonia,
- Φόρος Εισοδήματος in Cyprus,
- uzņēmumu ienākuma nodoklis in Latvia,
- Pelno mokestis in Lithuania,
- Társasági adó, osztalékadó in Hungary,
- Taxxa fuq l-income in Malta,
- Podatek dochodowy od osób prawnych in Poland,
- Davek od dobička pravnih oseb in Slovenia,
- daň z príjmov právnických osôb in Slovakia,

**▼B**

or to any other tax which may be substituted for any of the above taxes.

**▼M1**

2. For the purposes of this Directive the term ‘permanent establishment’ means a fixed place of business situated in a Member State through which the business of a company of another Member State is wholly or partly carried on in so far as the profits of that place of business are subject to tax in the Member State in which it is situated by virtue of the relevant bilateral tax treaty or, in the absence of such a treaty, by virtue of national law.

**▼B***Article 3*

1. **►M1** For the purposes of applying this Directive:
  - (a) the status of parent company shall be attributed at least to any company of a Member State which fulfils the conditions set out in Article 2 and has a minimum holding of 20 % in the capital of a company of another Member State fulfilling the same conditions;
 

such status shall also be attributed, under the same conditions, to a company of a Member State which has a minimum holding of 20 % in the capital of a company of the same Member State, held in whole or in part by a permanent establishment of the former company situated in another Member State;

from 1 January 2007 the minimum holding percentage shall be 15 %;

from 1 January 2009 the minimum holding percentage shall be 10 %;
  - (b) ‘subsidiary’ shall mean that company the capital of which includes the holding referred to in (a). ◀
2. By way of derogation from paragraph 1, Member States shall have the option of:
  - replacing, by means of bilateral agreement, the criterion of a holding in the capital by that of a holding of voting rights,
  - not applying this Directive to companies of that Member State which do not maintain for an uninterrupted period of at least two years holdings qualifying them as parent companies or to those of their companies in which a company of another Member State does not maintain such a holding for an uninterrupted period of at least two years.

*Article 4***▼M1**

1. Where a parent company or its permanent establishment, by virtue of the association of the parent company with its subsidiary, receives distributed profits, the State of the parent company and the State of its permanent establishment shall, except when the subsidiary is liquidated, either:
  - refrain from taxing such profits, or
  - tax such profits while authorising the parent company and the permanent establishment to deduct from the amount of tax due that fraction of the corporation tax related to those profits and paid by the subsidiary and any lower-tier subsidiary, subject to the condition that at each tier a company and its lower-tier subsidiary meet the requirements provided for in Articles 2 and 3, up to the limit of the amount of the corresponding tax due.
- 1 a. Nothing in this Directive shall prevent the State of the parent company from considering a subsidiary to be fiscally transparent on the basis of that State's assessment of the legal characteristics of that subsidiary arising from the law under which it is constituted and therefore from taxing the parent company on its share of the profits of its

**▼M1**

subsidiary as and when those profits arise. In this case the State of the parent company shall refrain from taxing the distributed profits of the subsidiary.

When assessing the parent company's share of the profits of its subsidiary as they arise the State of the parent company shall either exempt those profits or authorise the parent company to deduct from the amount of tax due that fraction of the corporation tax related to the parent company's share of profits and paid by its subsidiary and any lower-tier subsidiary, subject to the condition that at each tier a company and its lower-tier subsidiary meet the requirements provided for in Articles 2 and 3, up to the limit of the amount of the corresponding tax due.

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2. However, each Member State shall retain the option of providing that any charges relating to the holding and any losses resulting from the distribution of the profits of the subsidiary may not be deducted from the taxable profits of the parent company. Where the management costs relating to the holding in such a case are fixed as a flat rate, the fixed amount may not exceed 5 % of the profits distributed by the subsidiary.

3. ►M1 Paragraphs 1 and 1a shall apply until the date of effective entry into force of a common system of company taxation. ◄

The Council shall at the appropriate time adopt the rules to apply after the date referred to in the first subparagraph.

*Article 5*

1. ►M1 Profits which a subsidiary distributes to its parent company shall be exempt from withholding tax. ◄

**▼M1****▼B***Article 6*

The Member State of a parent company may not charge withholding tax on the profits which such a company receives from a subsidiary.

*Article 7*

1. The term 'withholding tax' as used in this Directive shall not cover an advance payment or prepayment (précompte) of corporation tax to the Member State of the subsidiary which is made in connection with a distribution of profits to its parent company.

2. This Directive shall not affect the application of domestic or agreement-based provisions designed to eliminate or lessen economic double taxation of dividends, in particular provisions relating to the payment of tax credits to the recipients of dividends.

*Article 8*

1. Member States shall bring into force the laws, regulations and administrative provisions necessary for them to comply with this Directive before 1 January 1992. They shall forthwith inform the Commission thereof.

2. Member States shall ensure that the texts of the main provisions of domestic law which they adopt in the field covered by this Directive are communicated to the Commission.

*Article 9*

This Directive is addressed to the Member States.

## ▼M1

## ANNEX

## LIST OF COMPANIES REFERRED TO IN ARTICLE 2(1)(A)

- (a) companies under Belgian law known as ‘société anonyme’/‘naamloze vennootschap’, ‘société en commandite par actions’/‘commanditaire vennootschap op aandelen’, ‘société privée à responsabilité limitée’/‘besloten vennootschap met beperkte aansprakelijkheid’, ‘société coopérative à responsabilité limitée’/‘coöperatieve vennootschap met beperkte aansprakelijkheid’, ‘société coopérative à responsabilité illimitée’/‘coöperatieve vennootschap met onbeperkte aansprakelijkheid’, ‘société en nom collectif’/‘vennootschap onder firma’, ‘société en commandite simple’/‘gewone commanditaire vennootschap’, public undertakings which have adopted one of the abovementioned legal forms, and other companies constituted under Belgian law subject to Belgian corporate tax;
- (b) companies under Danish law known as ‘aktieselskab’ and ‘anpartsselskab’. Other companies subject to tax under the Corporation Tax Act, insofar as their taxable income is calculated and taxed in accordance with the general tax legislation rules applicable to ‘aktieselskaber’;
- (c) companies under German law known as ‘Aktiengesellschaft’, ‘Kommanditgesellschaft auf Aktien’, ‘Gesellschaft mit beschränkter Haftung’, ‘Versicherungsverein auf Gegenseitigkeit’, ‘Erwerbs- und Wirtschaftsgenossenschaft’, ‘Betriebe gewerblicher Art von juristischen Personen des öffentlichen Rechts’, and other companies constituted under German law subject to German corporate tax;
- (d) companies under Greek law known as ‘ανώνυμη εταιρεία’, ‘εταιρεία περιορισμένης ευθύνης (Ε.Π.Ε.)’ and other companies constituted under Greek law subject to Greek corporate tax;
- (e) companies under Spanish law known as: ‘sociedad anónima’, ‘sociedad comanditaria por acciones’, ‘sociedad de responsabilidad limitada’, public law bodies which operate under private law. Other entities constituted under Spanish law subject to Spanish corporate tax (‘Impuesto sobre Sociedades’);
- (f) companies under French law known as ‘société anonyme’, ‘société en commandite par actions’, ‘société à responsabilité limitée’, ‘sociétés par actions simplifiées’, ‘sociétés d’assurances mutuelles’, ‘caisses d’épargne et de prévoyance’, ‘sociétés civiles’ which are automatically subject to corporation tax, ‘coopératives’, ‘unions de coopératives’, industrial and commercial public establishments and undertakings, and other companies constituted under French law subject to French corporate tax;
- (g) companies incorporated or existing under Irish law, bodies registered under the Industrial and Provident Societies Act, building societies incorporated under the Building Societies Acts and trustee savings banks within the meaning of the Trustee Savings Banks Act, 1989;
- (h) companies under Italian law known as ‘società per azioni’, ‘società in accomandita per azioni’, ‘società a responsabilità limitata’, ‘società cooperativa’, ‘società di mutua assicurazione’, and private and public entities whose activity is wholly or principally commercial;
- (i) companies under Luxembourg law known as ‘société anonyme’, ‘société en commandite par actions’, ‘société à responsabilité limitée’, ‘société coopérative’, ‘société coopérative organisée comme une société anonyme’, ‘association d’assurances mutuelles’, ‘association d’épargne-pension’, ‘entreprise de nature commerciale, industrielle ou minière de l’Etat, des communes, des syndicats de communes, des établissements publics et des autres personnes morales de droit public’, and other companies constituted under Luxembourg law subject to Luxembourg corporate tax;
- (j) companies under Dutch law known as ‘naamloze vennootschap’, ‘besloten vennootschap met beperkte aansprakelijkheid’, ‘Open commanditaire vennootschap’, ‘Coöperatie’, ‘onderlinge waarborgmaatschappij’, ‘Fonds voor gemene rekening’, ‘vereniging op coöperatieve grondslag’, ‘vereniging welke op onderlinge grondslag als verzekeraar of kredietinstelling optreedt’, and other companies constituted under Dutch law subject to Dutch corporate tax;
- (k) companies under Austrian law known as ‘Aktiengesellschaft’, ‘Gesellschaft mit beschränkter Haftung’, ‘Versicherungsvereine auf Gegenseitigkeit’, ‘Erwerbs- und Wirtschaftsgenossenschaften’, ‘Betriebe gewerblicher Art von Körperschaften des öffentlichen Rechts’, ‘Sparkassen’, and other companies constituted under Austrian law subject to Austrian corporate tax;
- (l) commercial companies or civil law companies having a commercial form and cooperatives and public undertakings incorporated in accordance with Portuguese law;

▼ **M1**

- (m) companies under Finnish law known as ‘osaakeyhtiö/aktiebolag’, ‘osuuskunta/andelslag’, ‘säästöpankki/sparbank’ and ‘vakuutusyhtiö/försäkringsbolag’;
- (n) companies under Swedish law known as ‘aktiebolag’, ‘försäkringsaktiebolag’, ‘ekonomiska föreningar’, ‘sparbanker’, ‘ömsesidiga försäkringsbolag’;
- (o) companies incorporated under the law of the United Kingdom;
- (p) companies incorporated under Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees and cooperative societies incorporated under Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE) and Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees;

▼ **A2**

- (q) companies under Czech law known as: ‘akciová společnost’, ‘společnost s ručením omezeným’;
- (r) companies under Estonian law known as: ‘täisühing’, ‘usaldusühing’, ‘osaühing’, ‘aktsiaselts’, ‘tulundusühistu’;
- (s) under Cypriot law: ‘εταιρείες’ as defined in the Income Tax laws;
- (t) companies under Latvian law known as: ‘akciju sabiedrība’, ‘sabiedrība ar ierobežotu atbildību’;
- (u) companies incorporated under the law of Lithuania;
- (v) companies under Hungarian law known as: ‘közkereseti társaság’, ‘betéti társaság’, ‘közös vállalat’, ‘korlátolt felelősségű társaság’, ‘részvénytársaság’, ‘egyesülés’, ‘szövetkezet’;
- (w) companies under Maltese law known as: ‘Kumpaniji ta’ Responsabilità Limitata’, ‘Soċjetajiet en commandite li l-kapital tagħhom maqsum f’azzjonijiet’;
- (x) companies under Polish law known as: ‘spółka akcyjna’, ‘spółka z ograniczoną odpowiedzialnością’;
- (y) companies under Slovenian law known as: ‘delniška družba’, ‘komanditna družba’, ‘družba z omejeno odgovornostjo’;
- (z) companies under Slovak law known as: ‘akciová spoločnosť’, ‘spoločnosť s ručením obmedzeným’, ‘komanditná spoločnosť’.