

Bucharest, 31 March 2014

PROFITS TAX UPDATES

HOLDING PROVISIONS

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Florin Gherghel, Head of Tax Department

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Profits Tax Updates

- The companies which have opted/opt for a financial year different from the calendar year, according to the accounting regulations, can opt for the fiscal year to correspond to the financial year. There are specific provisions for determining the first fiscal year, for notifying this option to the tax authorities, for submitting the annual profit tax return, respectively for paying the profits tax.
- In case the tax credit corresponding to sponsorships exceeds the profits tax, the amounts not deducted from the profits tax are carried forward in the following 7 consecutive years.
- The companies ceasing their existence due to a merger/division can transfer to the successor companies the right for carrying forward the interest expenses/net loss from FX differences which are not deductible in case of debt-to-equity ration over three (certain conditions must be fulfilled).

Holding Provisions | 1

- A Romanian company does not include in the computation of the profits tax the revenues from the sale/assignment of the participation titles held in a Romanian/foreign legal person located in a state with whom Romania has concluded a double taxation avoidance agreement – the first company holds for an uninterrupted period of 1 year minimum 10% of the share capital of the legal person in which it holds the participation titles.
- A Romanian company does not include in the computation of the profits tax the revenues from the dissolution of another Romanian/foreign legal person located in a state with whom Romania has concluded a double taxation avoidance agreement – the first company holds for an uninterrupted period of 1 year minimum 10% of the share capital of the legal person subject to dissolution.

Holding Provisions | 2

- A Romanian company does not include in the computation of the profits tax the dividends received from a Romanian/foreign legal person (from a non-EU country with whom Romania has concluded a double taxation avoidance agreement) – the Romanian legal person receiving the dividends holds minimum 10% of the share capital of these entities for an uninterrupted period of 1 year (certain conditions have to be fulfilled).
- One of the conditions which a Romanian company has to fulfil in order not to apply profits tax to the dividends received from a EU subsidiary has relaxed, namely the period for 10% shareholding quota has diminished to one year (instead of two).
- One of the conditions which a EU company has to fulfil in order not to pay dividend tax on the dividends received from a Romanian legal person has relaxed, namely the period for 10% shareholding has reduced to one year (instead of two).

Contact Partner



Florin Gherghel
Head of Tax Department

T +40 21 312 5888

florin.gherghel@noerr.com

Offices

Alicante

Noerr Alicante IP, S.L.
Avenida México 20
03008 Alicante
Spain
T +34 965 980480

Berlin

Noerr LLP
Charlottenstraße 57
10117 Berlin
Germany
T +49 30 20942000

Bratislava

Noerr s.r.o.
AC Diplomat
Palisády 29/A
81106 Bratislava
Slovakia
T +421 2 59101010

Brussels

Noerr LLP
Boulevard du Régent 47-48
1000 Brussels
Belgium
T +32 2 2745570

info@noerr.com
www.noerr.com
© Noerr LLP

Bucharest

S.P.R.L. Menzer & Bachmann - Noerr
Str. General Constantin
Budişteanu nr. 28 C, sector 1
010775 Bucharest
Romania
T +40 21 3125888

Budapest

Noerr & Partners Law Office
Fő utca 14-18
1011 Budapest
Hungary
T +36 1 2240900

Dresden

Noerr LLP
Paul-Schwarze-Straße 2
01097 Dresden
Germany
T +49 351 816600

Düsseldorf

Noerr LLP
Speditionstraße 1
40221 Düsseldorf
Germany
T +49 211 499860

Frankfurt am Main

Noerr LLP
Börsenstraße 1
60313 Frankfurt am Main
Germany
T +49 69 9714770

Kiev

Cooperation Partner:
TOV Nobles
Vul. Khreschatyk, 7/11
01001 Kiev
Ukraine
T +380 44 4953080

London

Noerr LLP
Tower 42
25 Old Broad Street
London EC2N 1HQ
United Kingdom
T +44 20 75624330

Moscow

Noerr OOO
1-ya Brestskaya ul. 29
P.O.B. 247
125047 Moscow
Russian Federation
T +7 495 799 56 96

Munich

Noerr LLP
Brienner Straße 28
80333 Munich
Germany
T +49 89 286280

New York

Representative Office
885 Third Avenue, Suite 2610
New York, NY 10022
USA
T +1 212 4331396

Prague

Noerr s.r.o.
Na Poříčí 1079/3a
110 00 Prague 1
Czech Republic
T +420 233 112111

Warsaw

Noerr
Sp. z o.o. Spiering Sp. k.
Al. Armii Ludowej 26
00-609 Warsaw
Poland
T +48 22 5793060