

Summary

On 13 June 2018, the Law no. 265/2017 was adopted by the Parliament („the Law no. 265”) allowing companies to distribute dividends on a quarterly basis. The measure was adopted with the purpose of profit and stimulating trade initiatives.

Subsequent to the adoption, the Law no. 265 will come into place after the publication in the Official Gazette, three days after it's promulgated by the President of Romania.

For reaching its purpose, the Law no. 265 amends certain provisions of the Law no. 82/1991 („the Accountancy law”) and the Law no. 31/1990 („the Companies law”). Thusly, the Law no. 265 introduces the following modifications:



Who can choose to distribute dividends on a quarterly basis?

The entities which may choose to distribute dividends on a quarterly basis are specified in Article 1 paragraph 1 of the Accountancy law:

- companies,
- national companies,
- autonomous companies (in Romanian: *regie autonomă*)
- national institutes of research and development,
- cooperative companies,
- other companies which have the obligation to organize and to conduct their financial accounts according to the Accountancy law.

Which is the process in order to distribute dividends on a quarterly basis?

- The quarterly distribution of dividends is done by choice, up to a certain limit, as follows:

The accounting net profits at the end of the quarter + any profits brought forward + sums drawn from available reserves - any losses brought forward - sums placed to reserve = distribution limit of quarterly dividends;

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- From an accounting perspective, the interim distribution of dividends will be registered in the accounting records and reflected in the financial statements, as debt owed to the shareholders;
- Differences arising from the distribution of the dividends during the year will be regularized by the yearly financial statements. Thusly, the yearly distribution of dividends can be done only after the highlighting and regularizations of the distributions made throughout the year;
- Subsequent to the regularizations, the shareholders who received additional dividends have the obligation to return them in 60 days, starting from the date the yearly financial statements are approved. The management of the Company will ensure the obligation is carried out.

What obligations have the entities which distribute quarterly dividends?

- The entities who choose to distribute dividends have the obligation to prepare interim financial statements;
- The interim financial statements will be audited, if the entities which prepare them have a statutory obligation to audit their yearly financial statements or choose to audit them. Also, if the yearly financial statements are subject to verification by the auditors (in Romanian: cenzor), the interim financial statements are subject to the same verification;
- The payment deadline of the quarterly dividends is set by the shareholders' general meeting, or, given the case, through special laws;

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- The company which does not pay the dividends to shareholders at the deadline set will owe penalty interest, after such deadline, calculated according to Article 3 of the Government Ordinance no. 13/2011, unless a higher interest is set out.

What obligations have the shareholders who receive dividends?

- The shareholders who do not reimburse the Company with the additionally received dividends in 60 days, will owe a penalty interest, after such deadline, calculated according to Article 3 of the Government Ordinance no. 13/2011, unless a higher interest is set out;
- Article 2721 letter b) of the Companies Law is completed by Law no. 265, which qualifies as an offence the deed of the founder, the administrator, the managing director, the manager, the member of the supervisory board or managing board or the legal representative of the company, who collects or pays dividends from fictitious profits or distributes dividends which could not be distributed during the financial year, based on the interim financial statement.

Other provisions:

- In the case of joint-stock companies, starting with the date of the calling of the general meeting, amongst the other available documents, the shareholders will also have the possibility to consult the situations of the partially distributed dividends.

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