

Tax & Legal Weekly Alert

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Legal amendments: The company may issue dividends quarterly

Companies may issue dividends quarterly, according to the bill no. 265/2017, adopted by the Romanian Parliament, on June 13.

For this purpose, the bill brings a series of amendments of Accounting Law no. 82/1991, of the Companies' law no. 31/1990 and of Law no. 1/2005 regarding the organization and functioning of the cooperation.

In order to enter into force, the bill has to be sent to promulgation by the president and to be published in the Official Gazette.



Legal amendments: The company may issue dividends quarterly

Companies may issue dividends quarterly, according to the bill no. 265/2017, adopted by the Romanian Parliament, on June 13.

The Bill brings forward significant amends to the Accounting Law no. 31/1990, through the mentioning of the possibility to issue dividends though out the year, quarterly, based on the control balance, in case the articles of association does not state the contrary. As such:

- The Company can issue dividends, as an option quarterly, based on the interim financial situations, and annually, after the regularization carried out through the annual financial situations.
- The dividends distributed quarterly will be paid in the term mentioned by the general assembly of the associates or, if the case, mentioned in special laws. The regulation of the differences resulted through the issue of dividends during the year (either through the payment of the company for its associates/ shareholders, or the other way around) will be carried out in the term of 60 days from the approval date of the annual financial situations, under the sanction of penalizing rates of interest determined by the applicable legislation, with the exception when the articles of incorporation or a decision of the general assembly of associates will not determine a higher interest.
- The annual financing situations will emphasize the partially distributed dividends and will regulate the resulted differences.
- The paid dividends contrary to the above statements will be restored, if the company proves that the associates had knowledge of the irregularity of the distribution or, in the existing circumstances, should have known that.
- In case of joint stock companies, the situation regarding the partially distributed dividends during the fiscal year will be made available at the registered office of the company, at the date of invitation of the general assembly for the approval of the annual financial situations.
- Article 271¹ letter b) that incriminates the distribution of fictitious dividends or of dividends that cannot be distributed was amended so as to reflect the statements above.

In order for the amendments from the Companies' law to be accommodated, the Bill also amends the Accounting Law no. 82/1991. The Accounting Law brings forwards the following clarifications:

- The allocation of the quarterly profit can be carried out under the limit of the quarterly net accounting profit plus the reported profits and the retired sums from the available reserves in this scope (after the deduction of any reported losses and of the equal and statutory reserves).
- For the scope of distributing the profit, the interim financial situations must be prepared, the approval of the general assembly of shareholders/ associates and the auditing (if the company has the statutory obligation to audit its annual financial situations or to opt in this sense) or the censors control (if the annual financial situations are, according to law, verified by the censors) being necessary.

The law regarding the organization and functioning of the cooperation was also amended in order to include the right of the cooperation's members to receive the dividends from the quarterly resulted profit.

For the complete text of the adopted Bill, please access the following link
<https://goo.gl/LMz42o>

For further questions regarding the aspects mentioned in this alert,
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