

Current accounts of associates – maximum deductible interest rate

For the second quarter of 2019 the average effective rate applied by credit institutions for variable rate loans to companies with an initial maturity of more than two years, amounts to 1.36%.

Interest paid to shareholders or associates of the partnership because of the sums they make available to the company in addition to their share in it is deducted from taxable profit within the average effective interest rate charged by credit institutions for variable rate loans to companies whose initial maturity exceeds two year.

For the second quarter of 2019, the average effective rate is 1.36% (OJ 27-6).

Companies that will close a financial year in the third quarter of 2019 (from June 30 to September 29) will be able to find out the maximum deduction rate that they can use this fiscal year.

For companies with 2-month financial year the maximum deductible interest rate for reporting periods closed since June 30, 2019 is as follows:

Closed financial year	Maximum rate %
From 30 June to 30 July 2019	1,38 %
From 31 July to 30 August 2019	1,37 %
From 31 August to 29 September 2019	1,36 %

Note: these rates are calculated according to the formula given by BOI-BIC-CHG-50-30 No. 70 (BIC-XI-5835 s.).

However, the companies that terminate their financial year during the quarter can, if they find it interesting, take into account the rate related to the quarter in which the last months of the financial year are included (BOI aforesaid No. 40: BIC- XI-5845 s.).

It should be noted that in practice, companies closing the financial year between July 1 and September 29 will be able to find out the average effective rate for the current quarter before signing their income statement (since the rate for the third quarter of 2019 will be published in the second half of September). Thus, if this rate is higher than in the previous quarter, it will be more profitable for companies to use it to determine their marginal interest rate.

In this regard, companies that have closed their fiscal year between May 31 and June 29, 2019 have an interest in using this alternative calculation formula when the rate taken into consideration for the second quarter of 2019 (1.36%) is higher than that previous quarter (1.34%). By applying this alternative formula, the maximum rate of deductible interest amounts to 1.40% for these years (instead of 1.39%). On the other hand, there is no advantage to using the alternative formula for the fiscal years closed between April 30 and May 30, 2019, as both methods resulting in the same rate (1.41%).