

# Tax & Legal Alert

ROMANIA 29 May 2009

## Deductibility threshold for interest expenses for foreign currency loans increases from 7% to 8%

### Contacts:

**Peter de Ruiter**  
Partner  
E-mail: Peter.deRuiter@ro.pwc.com

**Mihaela Mitroi**  
Partner  
E-mail: Mihaela.Mitroi@ro.pwc.com

**Ionut Simion**  
Partner  
E-mail: Ionut.Simion@ro.pwc.com

**Daniel Anghel**  
Partner  
E-mail: Daniel.Anghel@ro.pwc.com

**PricewaterhouseCoopers Romania**  
Opera Center  
1-5 Costache Negri Street  
5<sup>th</sup> District, Bucharest  
Tel.: + 40212028500  
Fax: + 40212028600

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Government Decision nr. 616/2009 was published amending the deductibility threshold for the interest rate on foreign currency loans.

As from 1 January 2009 the deductibility threshold for the interest rate on foreign currency loans for profit tax purposes increases from 7% (applicable since 2007) to 8%.

Thus, deductibility of interest expenses is capped at 8% for loans contracted from entities other than international development banks and similar organisations, Romanian or foreign banks, non-banking financial institutions, legal persons granting loans under the law and for loans guaranteed by the State or obtained based on bonds admitted for trading on a regulated market. Interest exceeding this limit is non-deductible for profit tax purposes and cannot be carried forward to future tax periods.

Thin capitalisation rule continues to apply as before.

[Source: Official Gazette no. 351 dated 26 May 2009]

For more information, please contact Peter de Ruiter, Mihaela Mitroi, Ionut Simion and Daniel Anghel.