An overview of the legal bases of dividend distribution in the European Union

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Executive Summary

Since the EU Commission decided in 2002 that IFRS would apply at least to consolidated financial statements of listed companies, letting member states consider also the use of IFRS to individual financial statements, some issues have emerged on the possible impacts of such an extended application. Among them, a critical one is how it could impact the bases of dividend distribution for corporations.

As some European countries already authorise IFRS for individual financial statements, it is interesting to find out if and how the legal rules for dividend distribution have been adapted accordingly. This is the main objectives of this study.

However, apprehending how the application of IFRS to individual financial statement can or could impact dividend distribution implies first a full overview of the legal framework in the European Union.

In this report, we propose a detailed analysis of the legal basis of dividend distribution in the different member states (including the UK) that encompasses a summary of the different legal rules and a presentation of the dividend restrictions that can arise from accounting options under local GAAP and under IFRS. Our report is structured, in addition to an introduction and conclusion, into four parts (sections 1, 2, 3 and 4).

Section 1 reveals that almost all countries refer to individual financial statements as a basis for profit allocation and that 22 of them (out of 28) require or accept the application of IFRS, at least in some specific cases.

Section 2 sheds the light on the legal framework of profit allocation. It seems quite homogeneous among countries even if there are some minor differences. The General Meeting of shareholders (GM) is the final decision making body in 21 countries. A majority of member states explicitly (18) authorises the 3 types of dividends: in cash, in shares and in kind. All of them require the reimbursement of unlawful dividends unless shareholders acted in good faith when they received those dividends, and 12 of them explicitly mention potential criminal sanctions for shareholders or directors who made this unlawful distribution.

The legal bases regarding the amount of dividend distribution are discussed in **section 3**. A great majority of countries (23) mention explicitly the existence of a distributable profit or distributable reserves as a necessary condition to decide on a dividend distribution.

A short majority of member states (16) impose the constitution of a legal reserve but the minimum to be allocated each year varies from 5% to 10% of net profit, while the threshold to be reach by the legal reserve fluctuates from 1/20 to 1/3.

When a company holds its own shares it has to keep in equity the amount of those shares in a large majority of countries (23).

Positions on share premium are mixed since 10 countries prohibit its distribution while 8 authorise it (and 11 do not explicitly mention it).

Very few countries (4) require a minimum dividend for ordinary shares or mention that the by-laws can require it (3 countries).

Almost all countries (26) consider the option of issuing preference shares that give right to a priority dividend.

Most member states (22) formally permit interim dividends and only Slovakia prohibits them. However, the conditions to be met for interim dividends vary:

- 19 countries explicitly required interim accounts but only 7 specify that the latter must be audited.
- 11 countries accept the distribution of reserves as interim dividend while 9 refuse it.
- 9 countries limit the amount that can be distributed as interim dividends, while 9 do not require any limit.

Section 4 analyses the existence of dividend distribution restrictions arising first from optional accounting treatments under local GAAP and then from optional or mandatory accounting treatments under IFRS (for the 22 member states that authorise the application of IFRS to individual financial statements).

6 optional accounting treatments have been identified under local GAAP: capitalisation of start-up costs, capitalisation of development costs, revaluation of intangible/tangible assets, revaluation of financial assets, recognition of deferred tax asset and the equity method for investment in subsidiaries. The number of member states that formally accept these options under local GAAP varies from 24 for capitalisation of development costs to 5 for deferred tax assets. In

all cases, except for 2 countries regarding the revaluation of financial assets, a restriction on dividend distribution is required due to the chosen accounting treatment, which means that in most cases the unrealised gains or increased profits due to these accounting choices under local GAAP cannot be distributed.

8 IFRS accounting treatments, either mandatory or optional, that could generate dividend distribution issues have been identified:

- Capitalisation of development costs (IAS 38)
- Other comprehensive income (OCI) arising from the option for the revaluation model for tangible assets (IAS 16) and or for intangible assets (IAS 38),
- Unrealised gains on investment properties arising from the option for the fair value model (IAS 40),
- OCI arising from the measurement at fair value of certain financial instruments and cash flow hedge instruments (IFRS 9/IAS 39),
- Unrealised gains on certain financial instruments recognised in net income (IFRS 9/IAS 39),
- OCI arising from actuarial gains on defined benefit plan (IAS 19),
- OCI arising from the effect of changes in foreign exchange rates (IAS 23),
- Gains recognised in OCI or in net income, arising from deferred tax assets (IAS12).

The majority of countries that authorise the application for IFRS to individual financial statements require a restriction on dividend distribution for all identified issues, except in the case of OCI arising from deferred tax assets for which half of the countries do not mention anything. However, for the other 7 issues, the number of countries that explicitly restrict dividend distributions varies from 20 (OCI arising from revaluation of intangible/tangible assets (IAS 16/IAS 38)) to 12 (OCI arising from defined benefit pension plan (IAS 12)).

Therefore, our study reveals that unrealised gains recognised either under local GAAP or under IFRS are mainly regarded as undistributable by European member states, even if a few authorise the distribution of unrealised gains in certain cases, especially related to some financial assets and investment properties.

Introduction

The purpose of this report is to identify the legal basis of dividend distribution for corporations in the different member states of the European Union.

More specifically, we aim at understanding how accounting standards and accounting choices may impact the amount of net profit and reserves than can be distributed from a legal point of view. Indeed, while some European countries have converged their local GAAP more with IFRS, others decided to authorize the use of IFRS in individual financial statements, it is interesting to find out if and how the legal bases of dividend distribution have been adapted as a consequence.

When this study has been carried out, the United Kingdom was still part of the European Union. Hence, our results include the 27 current member states and the United Kingdom, i.e. 28 countries.

For each country, a data grid has been filled out. Each grid includes the following questions and answers regarding corporations:

1. What are the different types of dividends (in cash, in shares or in kind)?
2. Dividend distribution decision: which instance decides on profit allocation?
3. What are the sanctions in case of unlawful distributions?
4. From a legal point of view, are dividends calculated based on the entity level (individual financial statements) or at the group level (consolidated financial statements)?
5. Which GAAP can be used for individual financial statements?
6. Are there any conditions/restrictions for dividend distribution for corporations?
    a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)
    b. Is there any statutory/legal reserve?
    c. Is there any minimum dividend?
    d. Are there conditions/restrictions for dividend distribution related to certain accounting choices (under local GAAP)?
    e. For countries where IFRS are or can be applied for individual accounts are there any specific conditions/restrictions for dividend distribution?
7. Can dividends per share be different depending on the types of shares?

8. Are interim dividends permitted? If yes, what are the conditions to distribute interim dividends?

In this report, we present a summary of our results based on the 28 grids presented as appendices.

Our study is limited to the legal requirements applying in each country to corporations, i.e. stock corporations and limited liability companies.

Different sources have been used to carry out this study: legal documents including company law, accounting regulations and an unpublished working paper obtained from the European Commission (2015-2016 EU dividend questionnaire) that synthetises the incomplete results from a questionnaire sent to member states.

This report is structured as follows. The first section presents an overview of the type of financial statements used to determine the profit allocation. The legal framework for profit allocation is examined in the second section. A third section exposes the rules regarding the profit and reserves than can be distributed in the different member states. Restrictions for dividend distribution due to certain accounting choices under local GAAP and/or under IFRS are detailed in section 4.

1. Financial statements used for profit allocation.

Almost all member states (26 out of 28) refer exclusively to individual financial statements as a basis for profit allocation, while Estonia and Denmark also mention consolidated financial statements.

The Estonian Commercial Code mentions that on the group level, the parent company uses consolidated financial statements to allocate dividends, but under conditions regarding the net assets of the parent company, which shows that the group profit allocation is not completely independent from the individual financial statements of the parent company but still influenced/restricted by them.

The Danish companies act specifies that “The company’s central governing body is responsible for ensuring that distributions do not exceed a reasonable amount having regard to the company’s financial position and, for parent companies, the group’s financial position, and that no distribution is made to the detriment of the company or its creditors”.

Individual financial statements are prepared under local GAAP or under IFRS, depending on countries and on type of companies. As shown in table 1, in 2020, **a majority of member states (75%) require or authorize IFRS in the individual financial statements**, at least for some specific companies. Since 2005, there has been a move towards requiring or authorizing IFRS in individual financial statements in Europe.

Local GAAP are mandatory for all companies	6	Austria, France, Germany, Hungary, Spain, Sweden
IFRS are mandatory for all companies	1	Cyprus
Either Local GAAP or IFRS can be applied	4	Ireland, Luxembourg, Netherlands, United Kingdom
IFRS are mandatory for some specific* companies and can be applied by others	8	Bulgaria, Denmark, Estonia, Finland, Greece, Lithuania, Malta, Slovenia
IFRS are mandatory for some specific* companies and cannot be applied by others.	2	Belgium, Romania
IFRS are mandatory for some specific* companies, can be applied by other specific companies and cannot be applied by others	5	Croatia, Italy, Latvia, Portugal, Slovakia
IFRS can be applied by some specific* companies and local GAAP are mandatory for other specific* companies	2	Czech Republic, Poland
Total	*28*	

Table 1: Which GAAP for which individual financial statements

*Depending on countries, specific companies encompass companies from a specific industry (the banking industry for example), companies of a certain size or subsidiaries of a parent company applying IFRS in its financial statements.

2. Legal framework for profit allocation

Legal framework encompass the decision-making body on profit allocation, the different ways of paying dividends and the sanctions in case of unlawful dividends paid to shareholders.

2.1. The decision-making body

Unsurprisingly, **the Shareholders General Meeting (GM) decides on profit allocation** in all member states (Table 2). For all of them, the decision made by the GM is based on a proposal of the Board of Directors or the Supervisory Board, (but for 21 out of 28, the GM is really the final decision-maker, meaning that the GM can legally decide to grant more or less dividends than what has been proposed by the Board) and in 7 countries the Board of Directors or the Supervisory Board has powers beyond propositions only.

Shareholders General Meeting	21
Board of Directors/Supervisory Board and Shareholders General Meeting	7
Total	*28*

Table 2: Which instance decides on profit allocation?

In those 7 countries **the decision is shared between the GM and the Board of Directors/Supervisory Board** (depending on the structure of the company) are Austria, Cyprus, Denmark, Germany, Ireland, Malta and Netherlands

In 4 cases**, the final decision is made by the GM but dividend distribution cannot exceed the amount proposed by the Board of Directors**/Supervisory Board: Cyprus, Denmark, Ireland and Malta.

In Austria, it is usually the management and the supervisory board decide on and fix the amount of distributable profit. The GM can only decide not to distribute (all) distributable profits when the by-laws provide such a possibility.

In Germany, management and Supervisory Board can decide to allocate up to 50% of net income to retained earnings without the agreement of shareholders who then make a distribution decision only on the remaining 50%.

Finally, the Dutch company law requires, for limited liability companies only, that the decision is made by the GM but has to be approved by the Board of Directors, while this latter requirement does not exist for stock corporations.

2.2. The different types of dividends

A majority of countries (18) authorise 3 ways of paying dividends (table 3): in cash, in kind or in shares. Most often, this latter possibility is legally accepted only when the company's by-laws contain corresponding provisions to be.

In cash, in kind, in shares	18
In cash and other types of distribution not mentioned	3
In cash and in kind only	2
In cash only	2
In cash, in kind; in shares not specified	2
Not explicitly defined in the law	1
Total	*28*

Table 3: The different types of dividends

Only 2 countries explicitly mention in their company law that dividends can only be paid in cash: Latvia and Lithuania.

Estonia and Malta do not allow payment of dividends in shares.

For the remaining 6 countries, the situation varies from no single reference to the form of dividend in the Law (Bulgaria), to no explicit reference to other alternatives than cash (Netherlands, Slovakia and Slovenia), to no explicit reference to distributions in shares (Portugal and Romania).

2.3. Sanctions in case of unlawful distribution

The term "unlawful distribution" refers to the case where dividends have been paid in violation of the provisions of the Law. This case is explicitly mentioned in the Company law of all member states (Table 4), which requires that shareholders reimburse unlawful dividends except if they acted in "in good faith", i.e they were not or could not be aware of the illegality of the distribution.

Reimburse dividends unless shareholders acted in “good faith"	14	Belgium, Bulgaria, Cyprus, Czech Republic, Estonia, Greece, Hungary, Ireland, Italy, Lithuania, Malta, Portugal, Slovenia, Sweden
Reimburse dividends unless shareholders acted in “good faith" + potential criminal law sanctions	12	Austria, Croatia, Denmark, France, Germany, Latvia, Luxembourg, Netherlands, Poland, Romania, Slovakia, United Kingdom
Reimburse dividends unless shareholders acted in “good faith" + interest	2	Finland, Spain
Total	*28*	

Table 4: Sanctions in case of unlawful distribution

In most cases, there are no details about how to determine if shareholders knew that the distribution was unlawful or had reasonable grounds to know it. However, Czech Republic Company law mentions that the good faith of shareholders is explicitly presumed, unless some doubts exist, and Lithuanian Company law requires the company to prove that the shareholder was aware of the illegality of the distribution.

In Estonia, shareholders who acted in good faith do not have to refund the company, but the payment may be demanded only if it is necessary for satisfying the claims of the creditors of company.

Criminal sanctions are explicitly mentioned by 12 countries. These sanctions concern the management or the Board of directors who proceed to the payment of dividends while they knew it was an unlawful distribution. For the other 16 countries, we haven’t found any explicit references to this kind of sanctions in the Company law but it doesn’t necessarily mean that they don’t exist.

Finally, Finland and Spain explicitly provide for the payment of an interest on sums illegally received as dividends when shareholders didn’t act in good faith.

3. Profit and reserves that can be legally distributed

We have first investigated how distributable profit are defined under the Company law of each country and if there are any legal restrictions on dividend distributions (except those coming from specific accounting choices, see section 4) regarding legal reserves, share premiums and the acquisition of own shares.

3.1. The legal bases regarding the amount of dividend distribution

A great majority of countries (23) mention explicitly the existence of a distributable profit or distributable reserves as a necessary condition to decide on a dividend distribution (table 5). Distributable profit is usually defined as the net profit for the financial year less loss carried forward from the previous year and amounts to be transferred to reserves due to legal or statutory obligations.

For Ireland, Malta and the United Kingdom the Company law requires that only realised profit can be distributed. Greece mentions the existence of undistributable reserves which include unrealised profits. However, for all cases, there is no detailed definition of "realised". This issue will be discussed in section 4.

(1) Existence of Distributable Profit or Distributable Reserves and (2) After distribution: shareholders' equity must equal at least share capital + undistributable reserves	10	Bulgaria, Cyprus, France, Greece, , Luxembourg, Malta, Portugal, Slovakia, Spain, United Kingdom
(1)Existence of Distributable Profit or Distributable Reserves	8	Czech Republic, Denmark, Germany, Ireland, Italy, Poland, Slovenia, Sweden,
(1)After distribution: shareholders' equity must equal at least share capital and (2) undistributable reserves	4	Belgium, Estonia, Greece, Latvia, Netherlands
(1)Existence of Distributable Profit or Distributable Reserves and (2)other specific conditions	4	Austria, Croatia, Finland, Hungary
(1) Existence of Distributable Profit or Distributable Reserves and (2) After distribution: shareholders' equity must equal at least share capital + undistributable reserves and (3) other specific condition	1	Lithuania
Not explicitly mentioned	1	Romania
Total	*28*	

Table 5: Conditions regarding profit distribution

For 15 countries, this first requirement of having a distributable profit comes with another one: either a condition on the amount of shareholders' equity after distribution (11 cases) or another specific condition (4 cases):

- In Austria and Croatia, there is a restriction regarding limited liabilities companies: when between the end of the financial year and the profit appropriation decision information appears that the financial situation of the company will substantially and not temporarily deteriorate due to losses or impairments, the distributable profit cannot be distributed for the amount of the loss/impairment.

- In Finland and Hungary, the company law specifies that dividends shall not be distributed, if it is known or should be known at the time of the distribution decision that the company is insolvent or that the distribution will cause the insolvency of the company. However the definition of insolvency is not specified.

Finally, Lithuania is the only country to require a very specific third condition beyond the existence of distributable profits or reserves and the condition on shareholders' equity: no dividend can be distributed if a company fails to pay the taxes prescribed by laws within the established time limits.

The conditions for dividend distribution are the same for all kind of limited liabilities companies, whatever their activity, except in Malta and in the United Kingdom. In both countries, investment companies (as defined under the Company law) can distribute dividends only if after the distribution, net assets equal at least 1,5 times the aggregate of its liabilities.

3.2. The existence of a legal reserve

A majority of countries (16) require the constitution of a legal reserve for all companies (Table 6).

Yes for all companies	16	Belgium, Bulgaria, Croatia, Estonia, France, Germany, Greece, Italy, Lithuania, Luxembourg, Poland, Portugal, Romania, Slovakia, Slovenia, Spain
No	11	Cyprus, Czech Republic, Denmark, Finland, Hungary, Ireland, Latvia, Netherlands, Poland, Sweden, United Kingdom
Yes for some companies	1	Austria
Total	*28*	

Table 6: Is a legal reserve required?

In Austria, this requirement is limited to stock corporations and large limited liability companies. Interestingly, in Sweden, before 2006, there was a mandatory requirement to allocate 10% of net income to a non-distributable legal reserve. There is no longer any such requirement, but legal reserves created before 2006 could remain, and are still non-distributable.

For countries requiring the constitution of a legal reserve, the minimum % of net profit that has to be allocated each year varies from 5% to 10% (Table 7), while the amount to be reached by the legal reserves varies from 1/20 to 1/3. A short majority of countries require a minimum of 5% of net profit to be allocated each year until the legal reserve reaches 1/10 of the share capital.

Minimum annual allocation (% of net profit) / Legal reserve Requirement (portion of share capital)	**5%**	**8%**	**10%**	**Total**
1/20	1 (Croatia)			1
1/10	9 (Austria*, Belgium, Estonia, France, Germany*, Lithuania, Luxembourg, Slovakia, Slovenia)		1 (Bulgaria)	10
1/5	3 (Italy, Portugal, Romania)		1 (Spain)	4
1/3	1 (Greece)	1 (Poland)		2
Total	**14**	**1**	**2**	**17**

Table 7: Rules for legal reserves constitution

*For Austria and Germany the 10% limit includes the legal reserve and the share premium.

3.3. Restrictions when a company holds its own shares

A great majority of member states require a restriction on dividends when a company holds its own shares (Table 8). The amount paid for the own shares must be kept in equity: Depending on the country, this amount is specifically identified or not in a reserve for own shares.

No	23
No in some specific cases	1 (Spain)
Not specified	4 (Estonia, Greece, Latvia and Sweden)
Total	*28*

Table 8: Can the reserves for own shares be distributed?

The Spanish Company law specifies that a reserve for own shares must be maintained but only if own shares are used as collateral.

3.4. Share premium

Positions are more mixed in what concerns the share premium. **A minority of countries (7) explicitly authorises the distribution of the share premium** (Table 9).

No	10	Bulgaria, Estonia, Germany, Greece, Lithuania, Malta, Portugal, Romania, Slovenia, United Kingdom,
Not specified	10	Croatia, Cyprus, Czech Republic, Hungary, Ireland, Latvia, Luxembourg, Netherlands, Slovakia, Spain,
Yes	7	Austria, Belgium, Denmark, Finland, France, Poland, Sweden
Yes under conditions	1	Italy
Total	*28*	

Table 9: Can the share premium be distributed?

In Italy, the share premium can be distributed but only if the legal reserve reaches 20% of the share capital (which is the threshold to be reached for the legal reserve).

3.5. Existence of a minimum dividend

A great majority of countries (Table 10) do not mention any minimum dividend for ordinary shares in their company law (Please refer to § 3.6 for preference shares).

No	21	Austria, Croatia, Cyprus, Estonia, Denmark, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
No, except if it is required by the articles of the association	3	Bulgaria, Czech Republic, France
Yes	3	Finland, Greece, Portugal
Yes for some specific companies	1	Belgium
Total	*28*	

Table 10: Is a minimum dividend required for ordinary shares?

A minimum dividend can be paid when required by the by-laws in 3 countries.

In Bulgaria, the Czech Republic and France the by-laws can require the payment of a “first dividend” calculated as a percentage of the actual contributions of shareholders and to be paid before the normal dividend.

In Greece, at least 35% of the distributable profit should be distributed each year, but the GM with a majority of 80% could decide not to distribute dividend.
In Portugal, at least 50% of distributable profit should be distributed unless stated otherwise in the by-laws or decided otherwise by the GM at a majority of 75%.

In Finland, at least 50% of distributable profit (excluding undistributable amounts according to the by-laws) should be distributed if at least 10% of shareholders ask for it during the general meeting.
In Belgium, a minimum dividend is required but only for regulated real estate companies that must distribute at least 80% of profits adjusted for gains and losses of real estate disposals; this amount can be reduced by the extent of debt reduction of the company.

3.6. Dividend for preference shares

All countries except Cyprus and Ireland explicitly mention the possibility to issue preference shares with specific rights in terms of dividends or voting rights (Table 11). Legal conditions applying to the issue of preference shares vary across countries (maximum of preference shares).

Yes	26
Not specified	2 (Cyprus, Ireland)
Total	*28*

Table 11: Can dividend per share be different for preference shares?

3.7. Interim dividends

Most countries (22) authorize the distribution of interim dividends for all companies (Table 12).

Yes for all companies	22	Cyprus, Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, United Kingdom
Yes in some specific cases	4	Austria, Croatia, Estonia, Germany

Not specified	1	Bulgaria
No	1	Slovakia
Total	*28*	

Table 12: Is it possible to distribute interim dividends?

Four countries permit interim dividends but under some specific conditions:

- In Austria only stock corporations can distribute interim dividends.
- In Croatia and Estonia and in Germany for stock corporations interim dividends can only be distributed after the end of the financial year and before the decision of the GM (in Germany limited liability companies can distribute interim dividend before the end of the financial year).

Interestingly, Slovakia expressly prohibits interim dividends.

73% of countries that permit interim dividends require interim financial statements as a necessary condition with only 37% explicitly specifying that these accounts have to be audited (Table 13).

	Interim accounts required?	Audited interim accounts required?	Can interim dividends exceed distributable net profit of the financial year?	Is there any limitation to the distribution of interim dividends??
Yes	19	7	11	9
No	1	2	9	9
Not specified	6	16	6	8
Total	*26*	*25*	*26*	*26*

Table 13: Conditions to be met for interim dividends

Eleven countries authorize the distribution of more than the distributable profit of the interim financial period (distributable reserves can be distributed): Austria, Belgium, Croatia, Estonia, Hungary, Germany, Latvia, Netherlands, Poland, Portugal and Slovenia.

The amount than can be distributed as interim dividend is limited in 9 countries:

- In Austria, interim dividends cannot exceed 50% of the average annual dividend of the 3 previous financial years.

- In Croatia, Germany and Slovenia, interim dividend cannot exceed 50% of the distributable net profit shown in the interim accounts and 50% of the net profit for the preceding year.
- In Portugal, interim dividends must not exceed 50% of the distributable profit shown in the provisional balance sheet.
- In Hungary and Poland, the Company law specifies that interim dividends can only be distributed if the company has sufficient funds to cover the distribution. Furthermore, in Poland, it is not possible to distribute more than the sum of 50% of the distributable interim profit plus distributable reserves.
- In Italy interim dividends cannot exceed the smallest amount between net profit of the last fiscal year and the amount of the profit which must be allocated to reserves based on Company law or by-law requirements.
- In Latvia, interim dividends cannot exceed 85% of the distributable net profit. Moreover, no interim dividend may be paid out if the company is in any of the following situations:
    - The company has tax debts
    - The company has tax payments deferred
    - The tax advance to be paid by the company has been reduced.

Among countries that do not permit the distribution of retained earnings as interim dividends, only 3 do not require any limitation on the distribution of interim dividends: the Czech Republic, France and Spain.

4. Accounting choices and restrictions on dividend distribution

In this section, we report on restrictions that may be specified in the Company law or in the accounting regulation regarding some accounting choices. We have collected data directly from the legal regulation in most cases, but in some cases we have referred to the unpublished working paper coming from the European Commission who carried out a survey on dividend distribution in 2015-2016.

4.1. Under Local GAAP

We have identified 6 accounting issues for which company choices exist (table 14).
When the Company law or the accounting regulation does not specify if a choice is possible or not, it is codified as "not specified". When it is explicitly mentioned that this accounting treatment is not allowed, it is codified as "Accounting treatment prohibited"
When the accounting option leads to a restriction in terms of dividend distribution it is codified as "Yes" or "Yes partially" otherwise "No".
Cyprus is not included in this section since only IFRS can be applied for individual financial statements.

	Capitalised start-up costs	Capitalised development costs	Intangible and tangible assets revaluation	Financial assets revaluation/ measured at fair value	Deferred tax asset	Equity method for investments in subsidiaries in the individual financial statements
1. Accounting treatment allowed	**8**	**24**	**19**	**17**	**5**	**10**
1.a.DDR*= Yes	*8*	*23*	*19*	*15*	*5*	*10*
1.bDDR*=Yes partially	-	-	-	*2*	-	-
1.c: DDR* =No	-	*1*	-	-	-	-
2. Accounting treatment prohibited	**3**	-	**4**	**5**	**1**	**5**
3. Not specified	**16**	**3**	**4**	**5**	**21**	**12**
Total	*27*	*27*	*27*	*27*	*27*	*27*

Table 14: Impact of accounting choices on restrictions on dividend distribution

*DDR: Dividend Distribution Restriction

There is only one case where a member state explicitly mentions that the option for one of the identified accounting options does not imply any restrictions on dividend distribution. In all other cases it varies between a majority of countries requiring constraints on dividend distribution and a majority that does not specify if the accounting treatment is accepted or not. Results on the different issues are detailed below.

Capitalisation of start-up costs

A minority of countries (8) explicitly authorize the capitalisation of start-up costs as an option.

All of them require a direct or an indirect restriction on dividend distribution when this option is used:

- In Belgium: this option could lead to restrictions since start-up costs that have not been amortised yet have to be deducted from net assets when performing the "net assets test".
- In Hungary, Italy, Luxembourg, Netherlands, Portugal and in Romania: no dividend may be distributed until start-up costs have been fully amortized unless there are distributable reserves which cover the related amount.
- In France, any dividend distribution is prohibited as long as start-up costs have not been fully amortised. With respect to costs of issue of new shares that can also be capitalised, no dividends may be distributed until the issuance costs have been fully amortized unless there are distributable reserves which cover the related amount.

Three countries do not allow the capitalisation of start-up costs: Finland, Germany and the United Kingdom.

A majority of countries (16) do not mention this option which may mean that it is not allowed even if this cannot be fully confirmed.

Capitalisation of development costs

A high majority of member states (all except Bulgaria, Greece and Lithuania) explicitly permit the capitalisation of development costs and all of them except the Czech Republic require dividend restrictions in such a case, as recommended by the European Accounting Directive (Art 12 § 11): no dividend may be distributed until capitalised development costs have been fully amortized unless there are distributable reserves which cover the related amount.

Bulgaria, Greece and Lithuania **do not expressly mention the option to capitalise development costs** under local GAAP.

Revaluation of tangible and intangible assets

A majority of countries (19) explicitly permit the revaluation of tangible and intangible assets[1], with a restriction on dividend distribution when this option is activated: the revaluation reserve cannot be distributed. Hence, deciding to revaluate fixed assets does not enable higher dividends.

The countries concerned are: Belgium, Bulgaria, Croatia, Denmark, Finland, France, Ireland, Latvia, Lithuania; Luxembourg, Malta, the Netherlands Poland, Portugal, Romania, Slovenia, Spain, Sweden, the United Kingdom.

Only 4 countries do not allow the revaluation of tangible or intangible assets: Austria, Germany, Greece and Italy.

This accounting treatment **is not explicitly mentioned in 4 countries**: the Czech Republic, Estonia, Hungary and Slovakia.

Revaluation of financial assets

As expected, the situation is very similar to that of tangible/intangible assets, but there are some minor differences

The revaluation of financial assets or their measurement at fair value is authorized in all countries (17) that authorize the revaluation of tangible/intangible assets, except in Romania.

In some countries, the revaluation is annual, in other countries it is not on an annual basis.

- Among them, **15 do not allow the distribution of unrealised gains** arising from the revaluation of financial assets: Belgium, Bulgaria, Denmark, Finland, France, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovenia, Spain and Sweden.
- In the Netherlands and the United Kingdom, **it is possible to distribute some, but not all,** unrealised gains arising from the measurement of financial assets at fair value. The UK regulation specifies that profits are treated as realised only when realised in the form of cash or other assets whose ultimate cash realisation can be assessed with reasonable

[1] In our analysis we have decided to consider together countries that at least permit the revaluation of tangible assets even if they do not accept it for intangibles (for example France).

certainty. As a consequence unrealised profits on financial assets that are likely to be sold in the short term can be distributed.

- In the Netherlands, changes in fair value that are recognised in net income can be distributed.

Consistently, member states **that do not permit the revaluation of tangible/intangible** assets do not accept the revaluation of financial assets, i.e.: Austria, Germany, Greece and Italy.
Romania authorizes the revaluation of tangible/intangible assets but does not accept the revaluation of financial assets.

Five countries **do not explicitly mention this accounting option**: Croatia, the Czech Republic, Estonia, Hungary and Slovakia.

Deferred tax assets

This **topic is not explicitly mentioned in a great majority of countries (21)**.
In these countries, it may be possible or not to recognise deferred tax assets, but the probable impact on dividend distribution is not mentioned. This is the case for example in France:
the French General Accounting Plan does not clearly state that only the tax payable method must be used even if the great majority of French companies use it. Therefore, the French regulation does not specify any restriction on dividend distribution when the deferred tax method is used.

Five countries explicitly accept or require the recognition of deferred tax assets with some conditions on dividend distribution:

- Austria: dividends can be paid out if distributable reserves are at least equivalent to the recognised deferred tax assets.
- Germany: dividends can be paid out if distributable reserves are at least equivalent to the positive difference between deferred tax assets and deferred tax liabilities.
- Ireland, Malta and the United Kingdom: as only realised profits can be distributed, it can be assumed that deferred tax income cannot be distributed even if it is not clearly stated in the regulation.

Under Greek GAAP, only realised profits can be recognised, it can be therefore concluded that **deferred tax assets are not recognised**, which make the issue on dividend distribution non-applicable.

Equity method for investment in subsidiaries in the individual financial statements

The equity method to measure investments in subsidiaries **is formally permitted in the individual financial statements of 10 countries** and for all of them the equity method profit or loss cannot be distributed: Croatia, Denmark, France, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal and Sweden.

This method is **not accepted in 5 member states**: Austria, Germany, Greece, Romania and the United Kingdom.

Finally, **12 countries do not explicitly** mention the possibility to use the equity method, making it impossible to know how it would impact dividend distribution if it were used: Belgium, Bulgaria, the Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia and Spain.

Other restrictions

Austria and Germany impose a limitation on dividend distribution when a company holds shares of a parent company: an amount equivalent to the investments has to be allocated to a specific and non-distributable reserve.

4.2. Under IFRS

We have assumed that the following IFRS accounting treatments, either mandatory or optional, could generate dividend distribution issues:

- Capitalisation of development costs (IAS 38)?
- Other comprehensive Income (OCI) arising from the option for the revaluation model for tangible assets (IAS 16) and or for intangible assets (IAS 38),
- Unrealised gains on investment properties recognised in net income (IAS 40),
- OCI arising from the measurement at fair value of certain financial instruments and cash flow hedge instruments (IFRS 9/IAS 39),

- Unrealised gains on certain financial instruments recognised in net income (IFRS 9/IAS 39),
- OCI arising from actuarial gains on defined benefit plan (IAS 19),
- OCI arising from the effect of changes in foreign exchange rates (IAS 23),
- Gains recognised in OCI or in net income, arising from deferred tax assets (IAS12).

Table 15 recapitulates the position of the 22 countries that require or authorize IFRS for individual financial statements. A "Yes" means that the accounting treatment under IFRS entails restrictions on dividends paid out, while a "No" means the opposite. When the company law or the accounting regulation is silent on the matter, it is codified as "Not specified".

The 6 countries that do not accept IFRS in individual financial statements are not included in this analysis: Austria, France, Germany, Hungary, Spain and Sweden.

Dividend distribution restrictions	Capitalised development costs (IAS 38)	OCI: intangible and tangible assets revaluation (IAS 16/IAS 38)	OCI: financial instruments at fair value (IFRS 9/IAS 39)	OCI: defined benefit pension plans (IAS 19)	OCI: foreign exchange gains & losses (IAS 23)	OCI: deferred tax assets and liabilities (IAS 12)	Net Income: investment properties at fair value (IAS 40)	Net Income: financial instruments at fair value (IFRS 9/IAS 39)
Yes	17	20	17	12	13	9	16	13
No	1	1	2	2	2	2	4	6
Not specified	4	1	3	8	7	11	2	3
Total	*22*	*22*	*22*	*22*	*22*	*22*	*22*	*22*

Table 15: Impact of IFRS accounting treatments on dividend distribution

A majority of countries require a restriction on dividend distribution for all identified issues, except in the case of OCI arising from deferred tax assets for which half of the countries do not mention anything. Results on the different topics are detailed below.

Development costs capitalisation

A large number of member states (17) make the distribution of dividends conditional on having distributable reserves at least equivalent to the amount of the carrying value of development costs. This group includes the 17 countries that already require the same restrictions under local GAAP (except the 6 that do not accept IFRS):

Belgium, Croatia, Denmark, Estonia, Finland, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, the United Kingdom.

As seen above (§ 4.1**), there is no constraint on dividend distribution** arising from the capitalisation of development cost in the Czech Republic.

The company law or the accounting regulation **does not mention any constraint** in 4 countries: Bulgaria, Cyprus, Greece and Lithuania.

OCI arising from intangible and/or tangible assets revaluation (IAS 16/IAS 38) and gains and losses recognised in net income arising from measurement of investment properties at fair value

Almost all countries (20) **forbid the distribution of the revaluation surplus recognised in OCI.** This is consistent with the observations made on the same topic for local GAAP: all countries that explicitly mention this option under local GAAP do not allow the distribution of the revaluation surplus under IFRS either (Table 16).

	Revaluation under local GAAP possible?	Dividend distribution restriction if revaluation is possible under local GAAP	Dividend distribution restriction on revaluation surplus recognised in OCI under IFRS	Dividend distribution restriction on change in fair value on investment properties recognised in net income under IFRS
Belgium, Bulgaria, Denmark, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, Romania, Slovenia, Netherlands, United Kingdom	**Yes**	**Yes**	**Yes**	**Yes**
Poland, Portugal	**Yes**	**Yes**	**Yes**	**No**
Italy, Greece	**No**	**Not applicable**	**Yes**	**Yes**
Croatia	Yes	Yes	Yes	Not specified
Cyprus	Not applicable	Not applicable	Yes	No
Czech Republic	Not specified	Not specified	No	No
Estonia	Not specified	Not specified	Not specified	Not specified
Slovakia	Not specified	Not specified	Yes	Yes

Table 16: Revaluation of intangible/tangible assets and investment properties under local GAAP and under IFRS and restriction on dividend distribution

Regarding unrealised gains in the income statement resulting from changes in fair value on investment properties, the position is less clear cut, even if a majority of member states do not allow their distribution.

Indeed, **3 countries that deny the right to distribute revaluation surplus recorded in OCI do not limit the distribution of unrealised gains on investment properties** recognised in net income: Cyprus, Poland and Portugal.

The Czech Republic is the only country that permits the distribution of the revaluation surplus (and unrealised gains on investment properties). Indeed, according to the unpublished working paper EU 2015_2016-dividend distribution, there is no restriction on dividends distribution when IFRS are applied in individual statements in the Czech Republic.

Estonia does not specify if any restriction exists or not.

Unrealised gains related to financial instruments recognised in OCI or in net income (IFRS 9/IAS 39)

Consistently with the observations made in § 4.1, most countries impose a restriction on the distribution of unrealised gains arising from the measurement of financial instruments at fair value. However, the situation is slightly different depending on whether the unrealised gains are recorded in OCI (17) or in net income (13) as detailed in Table 17.

	Dividend distribution restriction for unrealised gains on financial instruments recognised in OCI ?	Dividend distribution restriction for unrealised gains on financial instruments recognised in net income
Belgium	Yes	Yes
Bulgaria	Yes	Yes
Croatia	Not specified	Not specified
Cyprus	No	No
Czech Republic	No	No
Denmark	Yes	Yes
Estonia	Not specified	Not specified
Finland	Yes	Yes
Greece	Yes	Yes
Ireland	Yes	Yes
Italy	Yes	Yes
Latvia	Yes	Yes
Lithuania	Not specified	Not specified
Luxembourg	Yes	Yes
Malta	Yes	Yes
Netherlands	Yes	No
Poland	Yes	No
Portugal	Yes	No
Romania	Yes	Yes
Slovakia	Yes	Yes
Slovenia	Yes	Yes
United Kingdom	Yes	No

Table 17: Restriction on dividend distribution arising from recognition of unrealised gains on financial instruments

Only 2 countries do not stipulate any restrictions on dividend distribution whether the changes in fair value are recorded in OCI or in net income (Cyprus and the Czech Republic).

Four countries do not accept the distribution of unrealised gains recognised in OCI but authorize the distribution of unrealised gains recognised in net income: the Netherlands, Poland, Portugal and the United Kingdom.

OCI arising from actuarial gains on defined benefit plan (IAS 19) and from the effect of changes in foreign exchange rates (IAS 23)

The situation is very similar among the 22 countries regarding these 2 topics. A majority of countries do not accept the distribution of these OCI items.

Like for other OCI, Cyprus and the Czech Republic do not require any constraint on dividend distribution here.

The Netherlands is the only country for which we found a different position on the topics: the distribution of OCI arising from the effect of changes in foreign exchange rates is not allowed, while it is not specified in the case of IAS 19.

Gains recognised in OCI or in net income, arising from deferred tax assets/liabilities (IAS 12).

The position of member states is less clear-cut on gains/losses resulting from deferred tax assets/liabilities **since half of them (11) do not specify if it implies some restatements to obtain the basis of dividend distribution.**

9 countries do not permit the distribution of unrealised gains arising from the recognition of deferred taxes: Bulgaria, Greece, Ireland, Luxembourg, Malta, Poland, Portugal, Romania, the United Kingdom.

Only Cyprus and the Czech Republic do not impose limitations on the dividend distribution in this case.

Conclusion

The objective of this study was to investigate the legal framework of dividend distribution for corporations across the European Union and the possible restrictions for dividend distribution arising from some accounting options under local GAAP and under IFRS.

It reveals first that IFRS are applied to individual financial statements on a mandatory or voluntary basis in a majority of member states, since only 6 of them prohibit it.

Our study shows also that the legal framework of dividend distribution is quite homogenous despite some minor disparities in terms of defining distributable profit, existence of undistributable reserves and the possibility to pay out interim dividends. More specifically, at this stage, our study does not enable us to identify clusters of countries that would be very similar because of a close history in terms of the practice of law.

While the legal application of IFRS in Europe had concerns in Europe about the door being opened to the distribution of unrealised profits (Richard, 2015)[2], our study shed light on a more conservative position in most European countries. Only a few countries explicitly authorize the distribution of paper profits recognised in net income: unrealised gains on investment properties and some unrealised gains on financial instruments.

However, our study is limited on IFRS accounting treatments that could obviously lead to higher net profits and or retained earnings than local GAAP: revaluation of assets, recognition of deferred tax assets and capitalisation of development costs. Indeed, we have not investigated other accounting practices that could be more conservative under local GAAP than under IFRS and as such lead to higher distributable profits under IFRS. For example, due to a more conservative conception of financial reporting, provisions are generally higher under German GAAP than under IFRS. Investigating such potential impacts on dividend distribution would require a deeper analysis of companies' practices, beyond the legal rules.

[2] Richard, J. (2015), The dangerous dynamics of modern capitalism (from static to IFRS'futuristic accounting), Critical Perspectives on Accounting, Vol.30, 9-34.

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Appendix : Detailed information by country

Global overview of the legal bases of dividend distribution in the EU

AUSTRIA

Scope of the study: corporations (limited liability companies) only
Main legal sources: öAktG: österreichisches Aktiengesetz: Austrian Stock Corporation Act of 1965 (last amendment June 2019); UGB: Unternehmensgesetzbuch: Austrian Enterprise Act of 1897 (last amendment: August 2019); this act corresponds to/replaces the Austrian Commercial Code; UGB applies to all corporations (therefore including LLC)
öGmbHG: österreichisches GmbH Gesetz: Austrian Limited Liability Companies Act of 1906 (last amendment August 2019)

In substance Austrian Limited Liability Companies (LLCs) have to apply the same rules as stock corporations (in particular if the öGmbHG contains no rules regarding an issue) but, regarding capital maintenance (and dividends), there are more restrictions for LLCs.
In the following table, everything applies to LLCs unless otherwise indicated.

	Answer	**Legal source**
1. What are the different types of dividend distribution?		
In cash	Yes	öAktG: Austrian Stock Corporation Act UGB: Austrian Enterprise Act öGmbHG: Austrian LLC Act
In shares	Yes (= dividend in kind)	
In kind	Yes; no particular legal rule allows in kind dividends but the legal literature deems them acceptable (based on interpretation of § 104 para. 4 öAktG giving a certain autonomy of dividend decisions to the shareholder meeting; see below question 2.) According to the legal literature in kind dividends cannot be imposed on ALL shareholders and, therefore, potentially require the agreement of every shareholder unless the in kind dividends are in general authorized by the by laws.	
2. Dividend distribution decision: which instance decides on profit allocation?		

	Management and supervisory board or the Shareholder meeting Normal case: The management and the supervisory board[3] establish and approve the annual accounts. They can decide on and fix the amount of distributable profits (by deciding to transfer to or from the retained earnings); the distributable profit has then to be distributed (except for residual amounts due to rounding). The shareholder meeting can only decide not to distribute (all) distributable profits when the by-laws provide such a possibility. Also possible: The management and the supervisory board can decide to let the shareholder meeting approve the annual accounts. In this case, the shareholder meeting can also decide on and fix the amount of distributable profits which have to be distributed (unless by-laws give the possibility not to do so, see above). Also: It is possible to prohibit in general or to limit the distribution of profits in the by-laws. LLC: The distributable profit is automatically distributed (no decision necessary) unless stated otherwise in the by-laws	§ 104 para. 2 no.2 öAktG § 104 para. 4 öAktG § 52 öAktG § 35 öGmbHG
3. What are the sanctions in case of unlawful distributions?	Reimburse dividends unless shareholders acted in "good faith" (+ potential criminal law sanctions)	§ 56 para. 1 and 3 öAktG
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Entity level (individual FS)	§ 52 öAktG Also § 266 no1 UGB
5. Which GAAP can be used for individual accounts:		
-Local GAAP are mandatory for all companies	Yes	

[3] In Austria there is a two-tier governance system: the management board (executives) and the supervisory board (supervising the management board). Members of one board cannot be members of the other board.

6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	"Distributable profits" The following information has to be provided at the end of the income statement or in the notes: Profit/loss for the year + Transfers from the capital reserve (share premium/APIC) + Transfers from profit reserves (retained earnings) - Transfers to profit reserves (retained earnings) (+/- Transfers based on contractual profit/loss transfer agreements if applicable) +/- Profit/loss carried forward from the preceding year = Distributable profit LLC: same as above; the distribution of the distributable profit can be totally or partially excluded in the by-laws	§ 231 para. 2 or 3, and para.5 UGB (§ 232 para. 3 UGB) § 82 para. 1 öGmbhG
b. Is there any statutory/legal reserve? (if yes: details)	Yes for stock corporations and large LLCs 5% of the net income for the year, reduced by any loss carried forward from the preceding year, is to be allocated to the legal reserves, until the aggregated legal reserves and the capital reserves (share premium) are at least equivalent to 10% of the share capital, or whichever greater part of the share capital is specified in the by-laws.	§ 229 para.62 UGB
c. Is there any minimum dividend?	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices?	Yes - in case of changes of the legal form: limitation of dividends based on fair value gains in the process of revaluation of net assets - in case of deferred tax assets: dividends can only be paid to the extent that the remaining "free" reserves (not restricted, i.e. not legal reserves) +/- Profit/loss carried forward from the preceding year are at least as high as the deferred tax assets. Under Austrian GAAP deferred tax assets and liabilities must be recognised. - in case of share buy-backs an amount equal to the amount of shares bought back has to be allocated to retained earnings - in case of investments in a parent company: an amount equal to the	 § 235 para.1 UGB § 235 para.2 UGB § 229 para. 1a UGB § 225 para. 5 UGB

	investment has to be allocated to a specific reserve - in addition there are certain industry specific distribution limitations, e.g. § 57 para. 5 (BWG; banks); § 143 öVAG (insurance companies) LLC: If the management or the supervisory board learns, between the end of the financial year and the profit appropriation decisions, that the financial situation of the company WILL substantially and not temporarily deteriorate due to losses or impairments, the distributable profit cannot be distributed for the amount of the loss/impairment; the profits corresponding to this amount have to be carried forward	§ 82 para. 5 öGmbHG
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	NA	
7. Can dividends per share be different depending on the types of shares?	Yes, different types of shares can have different rights, in particular in terms of profit distribution LLC: yes by-laws can require different rules	§ 11 öAktG § 82 para. 2 öGmbHG
8. Are interim dividends permitted?	Yes after half of the financial tear is over the management board (with approval from the supervisory board) can propose a down payment on dividends of the current year; LLC: interim dividends are not allowed; this is the result of an analogue application of § 82 para. 5 öGmbHG (see above answer 6d): any interim dividend would make § 82 para. 5 öGmbHG useless. According to the legal literature an exception, however, seems possible when interim financial statements have been formally prepared and approved, potentially published and/or audited, and/or creditors had the possibility to obtain collateral for their claim similar to § 55 para. 2 öGmbHG (this § allows creditors to claim collateral in case of a capital reduction)	§ 54a öAktG § 82 para. 5 öGmbHG
If yes, what are the conditions to meet to distribute interim dividends?	The interim dividend cannot exceed 50% of the average annual dividend of the 3 previous financial years; the interim dividend cannot exceed the interim profit +/ profit/loss carryforward; after paying the interim dividends the remaining retained earnings have to be at least equal to the amount of interim dividends	§ 54a öAktG

BELGIUM

Main legal sources*:* the Belgian Company and Association Code published on 4 April 2019 and which entered into force on 1 May.

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Belgian Company and Association Code
In shares	Yes	Belgian Company and Association Code
In kind	Yes	Belgian Company and Association Code
2. Dividend distribution decision: which instance decides on profit allocation?	The general meeting has the power to decide on the allocation of profits and the amount of distributions. The articles of association may delegate to the administrative organ the power to make distributions from the profit of the current financial year or from the profit of the previous financial year until the annual accounts for that financial year have been approved, reduced, if necessary, by the loss carried forward or increased by the profit carried forward, within the limits of Articles 5:142 (prohibited if negative net assets) and 5:143 (prohibited if the company is no longer able to pay its debts at 12 months after the distribution). Reserves for own shares cannot be distributed.	Belgian Company and Association Code : Art 5:141
3. What are the sanctions in case of unlawful distributions?	If it is established that when the decision was taken, the members of the administrative body (directors) knew or, in the light of the circumstances, should have known, that following the distribution, the company would clearly no longer be able to discharge its debts they are jointly and severally liable to the company and third parties for all damages resulting therefrom. Moreover, directors may be fined from 50 euros to 10 000 euros and may also be punished by imprisonment of one month to one year.	Belgian Company and Association Art. 5:144 Belgian Company and Association Art. 7:232

	In case of unlawful distribution, the shareholder is liable to repay the dividend if he/she knew that it was an unlawful distribution or has reasonable grounds for believing that it was the case.	Belgian Company and Association Art. 7:214
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	Belgian Company and Association Code : Art 5:141
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and cannot be applied by others (local -GAAP)	Yes: listed "Sociétés Immobilières Réglementées" (Regulated Real Estate Companies) must apply IFRS for their consolidated and individual financial statements Other companies must apply Belgian GAAP for their individual accounts	Royal Decree 13 July 2014, Art.11 (Arrêté Royal relative aux sociétés immobilières réglementées) Royal Decree 4 December 2003 (Arrêté royal du 4 décembre 2003)
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	No explicit definition in the Belgian Code but implicitly it can be understood that : Distributable profit = profit for the financial year less previous losses and amounts to be transferred to reserves due to legal or statutory obligations + retained earnings that can be distributed. No distribution may be made where the net assets, are, or would become, as a result of such a distribution, less than the amount of the paid-up capital or, if that amount is higher, the called capital, plus any reserves that the law or the Articles of Association do not allow to be distributed. Revaluation reserves cannot be distributed	Belgian Company and Association Code : Art 7.212
b. Is there any statutory/legal reserve?	Yes: each year at least 5% of the net profit less previous losses. This obligation ceases when the legal reserve on the balance sheet reaches 1/10th	Belgian Company and Association Code : Art

(if yes: details)	of the share capital. The legal reserve cannot be distributed to shareholders.	7.211
c. Is there any minimum dividend? (if yes: details)	No, except for "Sociétés Immobilières Réglementées" (Regulated Real Estate Companies) : they must distribute at least the difference between: -80% of net income less previous losses and amounts to be transferred to reserves due to legal or statutory obligations -and the reduce in the debt of the company	Royal Decree 13 July 2014, Art.13 (Arrêté Royal relative aux sociétés immobilières réglementées)
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: -When the entity chooses to recognise start-up costs as intangible assets and/or to capitalize development costs it could reduce dividend distribution. Indeed, when performing the "net assets test" start-up costs and development costs that have not been amortized yet have to be deducted from net assets. - When a company decides to revalue its tangible and financial assets, on an ad-hoc basis as permitted by Belgian GAAP, the revaluation reserve cannot be distributed	Belgian Company and Association Code : Art 7.212 Royal Decree 29 April 2019 (Arrêté Royal portant exécution du Code des sociétés et des associations)
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: -OCI arising from the revaluation of intangible or tangible assets cannot be distributed (IAS 16/IAS 38). -unrealised gains arising from the measurement at fair value of investment properties (IAS 40) cannot be distributed. - unrealised gains/losses arising from the measurement of hedging instruments that have not been qualified as hedging instruments (IFRS 9/IAS 39) cannot be distributed. Other gains recognised in OCI are not specified.	Royal Decree 29 April 2019 (Arrêté Royal portant exécution du Code des sociétés et des associations)
7. Can dividends per share be different depending on the types of shares?	Yes: shares without voting rights can benefit from a preferred dividend	Belgian Company and Association Code : Art 7:57 §2
8. Are interim dividends permitted?	Yes, the articles of association may give the administrative body the power to distribute an interim dividend	Belgian Company and Association Code : Art 7.211
If yes, what are the conditions to meet to distribute interim dividends?	This distribution may only be made from the profit of the current financial year, or from the profit of the previous financial year if the annual accounts for that financial year have not yet been approved, reduced, where applicable,	

	by the loss carried forward or increased by the profit carried forward, excluding any deduction from existing reserves and taking into account the reserves to be set up pursuant to law or the Articles of Association. The decision must be taken on the basis of a balance sheet certified by a statutory auditor. Where the interim dividend exceeds the amount of the dividend subsequently approved by the general meeting, it shall, to this extent, be considered as an interim dividend to be deducted from the next dividend.	

BULGARIA

Main legal source : Commerce Act 1991

	Answer	Legal source
1. What are the different types of dividend distribution?	Not explicitly defined in the Commerce Act 1991	Commerce Act 1991
In cash		
In shares		
In kind		
2. Dividend distribution decision: which instance decides on profit allocation?	The general meeting	Commerce Act 1991
3. What are the sanctions in case of unlawful distributions?	The shareholders shall not be obliged to return the received amounts, except if the company proves that they have known or could have learned of the lack of preconditions.	Commerce Act 1991, Art 247a.
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and can be applied by others	Yes: IFRS Standards as adopted by the EU are required in both the consolidated and separate company accounts of all companies, except unlisted SMEs that do not have share capital and unlisted entities in liquidation and insolvency. SMEs that do not have share capital are permitted to use IFRS Standards as adopted by the EU, but if they chose to use IFRS Standards as adopted by the EU they must do so in both their consolidated and separate company financial statements. Furthermore, the choice to use IFRS Standards as adopted by the EU is irrevocable.’	
-IFRS are mandatory for some specific companies and cannot be applied by others (local -GAAP)	No	

6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Dividends and interest can be paid only if the net value of the property after payments of dividends and interest equals at least to the sum of the capital of the company, the reserve fund and the other funds, which the company is obliged to establish by virtue of a law or the statutes. Net value of the property is defined as the difference between the value of the rights and liabilities of the company according to its balance. The payments of dividends and interest shall not exceed the amount of the profit for the respective year, the undistributed profit from past years, the part of the reserve fund and the other funds of the company, exceeding the minimum determined by the law or the articles of association. The commerce Act does not specify what are interest	Commerce Act 1991, Art.190
b. Is there any statutory/legal reserve? (if yes: details)	Yes : the creation of a "Reserve Fund" that precedes any dividend payment, is mandatory. The sources of this fund should be: - At least 10% of profit which shall be set aside until the fund's assets reach 10% or more of the company's capital stock or such other larger proportion as the statutes may provide; - and/other proceeds obtained in excess of the nominal value of shares and bonds upon their issuing; - and/or the total of the additional payments made by the stockholders for preferences given them with shares; - and/or other sources provided for by the statutes or by a general meeting resolution. - Reserve fund for own shares cannot be distributed	Commerce Act 1991, Art.246 Commerce Act 1991, Art.187c
c. Is there any minimum dividend? (if yes: details)	Yes : the articles of the association can require the payment of an interest based on the contributions of shareholders to be paid before the normal dividend	Commerce Act 1991, Art.190
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Unrealised gains and losses cannot be distributed: - revaluation reserves cannot be distributed -fair value adjustment included in net profit cannot be distributed	2015-2016 EU dividend questionnaire
e. For countries where IFRS are or can	Yes the following adjustments are applied to IFRS accumulated profits to determine	2015-2016 EU

be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	distributable profits: - OCI (Other Comprehensive Income) regarding the Revaluation surplus (IAS 16 and IAS 38) - OCI regarding the remeasurements of defined benefit plans (IAS 19) -OCI regarding the gains and losses arising from translating the financial statements of a foreign operation (IAS 21) -OCI regarding the gains and losses on remeasuring of financial assets measured at fair value through OCI and OCI regarding hedging (IFRS 9) -Other unrealised profit/losses included in net income	dividend questionnaire
7. Can dividends per share be different depending on the types of shares?	Yes: preferred stocks may provide a guaranteed or additional dividend or share in the company's assets in case of liquidation, as well as other rights provided for in this Act or the statutes. The statutes may provide that preferred shares have no voting rights, which must be indicated on the stock itself.	Commerce Act 1991, Art.182
8. Are interim dividends permitted?	Not explicitly mentioned	
If yes, what are the conditions to meet to distribute interim dividends?		

CROATIA

Main legal sources: Company Act, Income Tax Act, Accounting Act (2015)

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	All three types of dividend distribution are permitted in Croatia. Company law in Croatia is regulated primarily by the Companies Act. This Act (Article 220.9) allows companies to make a dividend distribution in kind if this option is defined in the statute (or in articles of association) for each company. Also, Income Tax Act (articles 68-69) implies that there are different types of dividend distribution: "Income from capital shall also include receipts from dividends and shares in profit based on shares in capital and other equivalent receipts deemed as allocation of profit."	Companies Act (Article 220.9) Income Tax Act(Article 68-69)
In shares		
In kind		
2. Dividend distribution decision: which instance decides on profit allocation?	Only the General Meeting can decide on profit allocation.	Companies Act (Articles 275.1; 441.1)
3. What are the sanctions in case of unlawful distributions?	Distributions made contrary to provisions of the Companies Act must be returned by shareholders who have received them if the company proves that these shareholders knew or ought to have known of the irregularity (Companies Act, 407.2) Also, person in charge of a company and responsible for unlawful distributions will have to pay a fine up to 50.000,00 HRK (aprox. 7.000,00 EUR) (Companies Act, 630.15)	Companies Act (Articles 407.2; 630.15)
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Dividends are based on the entity level (individual FS) because the corporate groups are not considered as separate legal entities, but only as economic entities. General meeting is the main body of each company (as separate legal entity) that decides on distribution of profit (Companies Act 275.1).	Companies Act (Article 275.1).
5. Which GAAP can be used for		

individual accounts:		
IFRS are mandatory for some specific companies and cannot be applied by others (local -GAAP)	IFRS are required for: -companies whose securities trade in a regulated market -banks, insurance companies, insurance companies, leasing companies and other financial institutions -"large entrepreneurs": the companies have to fulfil two of the following three conditions in their previous financial year: (1) total revenue greater than 260 million HRK (approximately US$45 million); (2) total assets greater than 130 million HRK(approximately US$23 million); and (3) an average number of employees in excess of 250. IFRS are permitted for subsidiaries, which are normally required to apply CFRS if the parent company prepares its consolidated financial statements according to IFRS. Other companies have to apply Croatian GAAP.	Accounting Act-Art.17
6. Are there any conditions/restrictions for dividend distribution for corporations **a.Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)**	Croatian law (Companies Act) defines a public limited liability company as a "joint stock company" (dioničko društvo or d.d.) and a private limited liability company as a "limited liability company" (društvo s ograničenom odgovornošću or d.o.o.). There are different conditions/restrictions for dividend distribution between d.d. (public limited liability company) and d.o.o. (private limited liability company). <u>D.D. (public limited liability companies) (Article 220, Companies Act)</u> Net profits may be distributed to the shareholders after allocation for the following purposes in following order: 1. To cover losses brought forward from previous years; 2. To distribute them into legal reserves; 3. To distribute them into reserves for own shares, if the company has acquired or intends to acquire them; 4. To distribute them into reserves provided for by the articles of association (statutory reserves), if the company has formed them. General meeting can allocate up to a half of remaining amount of net profits to other reserves and the rest of the amount can be used for dividend distribution or other purposes.	Companies Act (Articles 220; 406.1)

	Amount of money that can be distributed to shareholders should not exceed the amount of net profit for the last financial year plus the amount of retained profit from previous years and reserves that can be distributed to shareholders minus the amount of losses brought forward from previous years and amount of money allocated to legal and statutory reserves. <u>D.O.O. (private limited liability company) (Article 406.1)</u> The amount of net profit for the last financial year plus amount of retained profit from previous years minus the amount of losses brought forward from previous years can be distributed to the company owners, if it is not in contradiction to the provisions of the law, statute or decision of the General meeting. Also, Article 406.4 prescribes another restriction on dividend distribution in case if in the period from the end of financial year to the time of dividend distribution decision, financial position of the company becomes significantly worse due to significant loss in value of assets. In that case, the amount of net profit available for distribution should be decreased for the amount of loss. Beside restrictions in provisions of Companies Act, Accounting Act also restricts dividend distribution in particular cases for all companies (d.o.o. and d.d.). These cases are described ad d. and ad e.	
a. Is there any statutory/legal reserve? (if yes: details)	Yes, Companies Act (article 222) requires 5% of the profit for the year to be transferred to the reserve until the total of legal reserves and capital reserves reaches 5% of issued share capital. The legal reserve can be used for covering current and prior period losses in the amount of up to 5% of issued share capital. Companies that have acquired or intend to acquire their own shares have the obligation to form reserves for treasury (own) shares. If the company’s capital relating to the shares acquired by the company lawfully exceeds 10% of the share capital of the company, the company must, within three years following the acquisition of shares, alienate the portion of the shares exceeding the aforesaid percentage. If the company's own shares are not alienated within this time limit, the company shall withdraw them. Statutory reserves are formed for the purposes determined by the articles of association	Companies Act (Article 222)

	(statute) of the company from the remaining profit and can be used only for the purposes specified in the statute.	
b. Is there any minimum dividend? (if yes: details)	No	
c. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Local GAAP (CFRS) are based on IFRS but they are simpler and shorter. Therefore, the same restriction to dividend distribution is related to both local GAAP and IFRS. YES. Accounting Act (Article 19.11) defines that companies which have amount of net profit available for dividend distribution after applying provisions of Companies Act, should first allocate amounts to other reserves in order to cover: i. Carrying amount of intangible asset arising from development phase of an internal project (CFRS 5.26) ii. Part of profit that is recognised in profit or loss from the investor's share of the profit or loss of the associate (equity method) but the distribution of profit is not received yet or cannot be claimed. (CFRS 2.82) iii. Revaluation Reserve cannot be distributed	Accounting Act (Article 19.11) CFRS (Articles 5.26; 2.82)
d. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	YES. Accounting act (Article 19.11) defines that companies which have amount of net profit available for dividend distribution after applying provisions of Companies Act, should first allocate amounts to other reserves in order to cover: i. Carrying amount of intangible asset arising from development phase of an internal project (IAS 38.57) ii. Part of profit that is recognised in profit or loss from the investor's share of the profit or loss of the associate (equity method) but the distribution of profit is not received yet or cannot be claimed. (IAS28.10) iii. Revaluation Reserve cannot be distributed The unrealised following profits (recognised either in OCI or in net profit) cannot be distributed: -assets revaluation (IAS 16, IAS 38). No specifications for other OCI.	Accounting Act (Article 19.11) IAS 38 IAS 28 2015-2016 EU dividend questionnaire
7. Can dividends per share be different depending on the types of shares?	YES. Companies act (article 167) defines two types of shares: ordinary and preferred (cumulative and participating) shares. Preferred shares offer preferred rights such as guaranteed a fixed dividend in perpetuity or other rights.	Companies Act (article 167)
8. Are interim dividends permitted?	Management can decide to make a dividend payment **only after the end of the financial year** and before a company's annual General meeting and the release of final	Companies Act (article 221)

	financial statements, on condition that the articles of association empower them to do so.	
If yes, what are the conditions to meet to distribute interim dividends?	Beside condition that articles of association have to empower management for this decision, other conditions also have to be met. The amount to be distributed should not exceed a half of net profit from the trial profit and loss account minus amount of legal and statutory reserves and should not exceed a half of last year’s profit. Also, this decision has to be approved by supervisory board/board of directors.	

CYPRUS

Main legal sources: The Companies Law of Cyprus

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Companies Law of Cyprus, Art.169.A
In shares	Yes : Not explicitly mentioned but seems possible	Companies Law of Cyprus, Art.169.A
In kind	Yes : Not explicitly mentioned but seems possible	Companies Law of Cyprus, Art.169.A
2. Dividend distribution decision: which instance decides on profit allocation?	The General Meeting of sharehoders decides on profit allocation under the recommendation of the board of directors. No dividend shall exceed the amount recommended by the directors	Companies Law of Cyprus, Table A Art.114
3. What are the sanctions in case of unlawful distributions?	Any unlawful distribution must be returned by the shareholders who received it, if the company proves that the said shareholders- - were aware of the irregularity of the distributions made in their favour or - could not in view of the circumstances have been unaware of it.	Companies Law of Cyprus, Art.169D
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Not explicitly specified but as the Companies Law refers to “the company” it implies that dividend distribution is made at the entity level.	
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for all companies	Yes (since 1981)	
6. Are there any conditions/restrictions for dividend distribution for	**Yes**	

corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Dividend distribution must meet 2 conditions: - the net assets after dividend distribution should be at least equal to: • Subscribed capital (excluding the subscribed capital that has not been called up when the uncalled part does not appear in the assets) + Reserves that cannot be distributed according to the law or the articles of the company. It seems to be a very general clause as these reserves are not specified in the Companies Law. - the amount of a distribution to shareholders cannot exceed the amount of the results of the last financial year, increased by the profits brought forward at the end of the last financial year and sums drawn from reserves available for this purpose, reduced however by the amount of losses brought forward from previous financial years, and sums placed to reserve in accordance with the law or the articles of association. NB: In the Companies Law of Cyprus, articles on dividend distribution only refer to stock corporations. - Reserves funds for own shares cannot be distributed	Companies Law of Cyprus, Art.169.A Companies Law of Cyprus, Art.57.D
b. Is there any statutory/legal reserve? (if yes: details)	No	
c. Is there any minimum dividend? (if yes: details)	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	N/A	
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Not specified in the law. According to a KPMG study led in 2008, there is no restriction (distributable profit is calculated from IFRS financial statements without any restatements). However, an analysis of the individual financial statements of listed companies in Cyprus has revealed that OCI arising from the revaluation of tangible/intangible assets cannot be distributed (Logicom Public Limited)	
7. Can dividends per share be different depending on the types of shares?	Not mentioned in the Companies Law	
8. Are interim dividends permitted?	Yes	

If yes, what are the conditions to meet to distribute interim dividends?	Interim dividends only if the following conditions apply: - Interim accounts shall be prepared in which the funds available for distribution are shown to be sufficient; - the amount to be distributed cannot exceed the amount of profits made since the end of the last financial year, increased by the profits which have been transferred from the last financial year and sums drawn from reserves and reduced by the losses of the previous financial years, and sums to be placed in reserve pursuant to the requirements of the law or the articles of association.'	Companies Law of Cyprus, Art.169.C

CZECH REPUBLIC

Main Legal sources: *ACT of 25 January 2012 on Commercial Companies and Cooperatives (Business Corporations Act)*, herefafter BCA

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	BCA, Section 161
In shares	No, unless provided for in the articles of association	BCA, Section 161
In kind	No, unless provided for in the articles of association	BCA, Section 161
2. Dividend distribution decision: which instance decides on profit allocation?	The General Assembly of shareholders, except if the articles of association provide for a fixed profit share	BCA, Section 161
3. What are the sanctions in case of unlawful distributions?	A profit share shall not be reimbursed unless the person to whom the profit share was paid out knew or should have known that the conditions provided in this Act were violated by the payment. If in doubt, good faith shall be presumed.	BCA, Section 35
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements: The different types of financial statements listed in the law are: Ordinary financial statements, extraordinary financial statements and consolidated financial statements Profit share is based on ordinary or extraordinary financial statements	BCA, Section 190 BCA, Section 34
5. Which GAAP can be used for individual accounts:		
-Local GAAP are mandatory for some companies and IFRS can be applied for some specific entities	Local GAAP are mandatory for all companies, except for the following which can apply IFRS to their individual financial statements: -Listed company -Subsidiary of company that prepare consolidated financial statements under IFRS	
6. Are there any conditions/restrictions for dividend distribution for		

corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Profit share is based on ordinary or extraordinary financial statements. The amount to be distributed among the members may not exceed the amount of profit for the accounting period just ended, increased by the retained profits from previous years, less the accumulated losses from previous years and contributions made to the reserve fund and other funds in accordance with this law and the articles of association and the memorandum of association. A company whose balance sheet shows its own shares under its assets shall create a special reserve fund for the same amount. The special reserve fund shall be cancelled or decreased by a company if its own shares are disposed of or used by the company to decrease its registered capital. The reserve fund cannot be distributed	BCA, Section, Section 161 BCA, Section 316
b. Is there any statutory/legal reserve? (if yes: details)	No	
c. Is there any minimum dividend? (if yes: details)	Yes if the articles of the association provide for a fixed profit share	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	No according to the EU.2015-2016 dividend distribution but nothing is specified in the Company Law	EU.2015-2016 dividend distribution
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	No	EU.2015-2016 dividend distribution
7. Can dividends per share be different depending on the types of shares?	Yes, preference shares without voting rights may have priority rights concerning profit share	BCA, Section 278
8. Are interim dividends permitted?	Yes	
If yes, what are the conditions to meet to distribute interim dividends?	Interim dividends may be paid out only on the basis of interim financial statements clearly showing that the business corporation has sufficient funds for the profit distribution. The amount of interim dividend may not be higher than the sum of the profit (loss) of the current accounting period and retained earnings that can be distributed	BCA, Section 40

DENMARK

Main legal sources: The Danish Company Act, The Danish Financial statements Act

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Companies Act paragraph 181.1
In shares	Yes: not formally specified but seems possible	
In kind	YES - If a dividend payment is made in other values than cash, an assessment report must in general be prepared	Companies Act paragraph 181.1
2. Dividend distribution decision: which instance decides on profit allocation?	The general meeting decides on the distribution of the amount, which according to the financial statements is available for distribution as dividends. The general meeting may not decide to distribute higher dividends than proposed or accepted by the company's central management body.	Companies Act paragraph 180.1
3. What are the sanctions in case of unlawful distributions?	Founders and members of the management who, in the performance of their duties, have deliberately or negligently added damage to the corporation, are obliged to provide compensation. The same applies when the damage is added to the capital owners or third parties. Certain provisions in the Companies Act are subject to fines (for example non-compliance with paragraph 180 above)	Companies Act paragraph 361 Companies Act paragraph 367
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Entity level – individual financial statements §180.2: Only free reserves may be used for dividends, which means amounts which, in the company's most recently approved financial statements, are recorded as transferred profits, and reserves which are not restricted from being distributed as dividends by law or by-laws, net of transferred losses (please see the table below).	Companies Act paragraph 180.2

	However, even though it dividends are calculated on the basis of the individual corporations financial statement, the parent company must take into consideration the group's financial situation, see paragraph 179.2: 'The company's central governing body is responsible for ensuring that distributions do not exceed a reasonable amount having regard to the company's financial position and, for parent companies, the group's financial position, and that no distribution is made to the detriment of the company or its creditors (see section 115, paragraph 5, and section 116, paragraph 5). The central governing body is also responsible for ensuring that reserves that cannot be distributed, as specified by statute or the company's articles of association, are covered.'	Companies Act paragraph 179.2
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and can be applied by others	Companies that have securities admitted to trading on a regulated market in an EU / EEA country, and which only prepare individual annual accounts (i.e., they do not prepare consolidated accounts), are obliged to apply IFRS in the individual accounts. Companies that are not required to apply the International Accounting Standards, pursuant to the European Parliament and Council Regulation on the application of international accounting standards, may voluntarily choose to prepare individual financial statements or consolidated financial statements in accordance with those standards.	Financial Statements Act paragraph 137.2 Financial Statements Act paragraph 137.1
6. Are there any conditions/restrictions for dividend distribution for corporations	A number of accounting and company law requirements are set for equity reserves, which determines the reserves' restrictions and options, including which opportunities exist for using the equity items for dividend distribution. Please see table below.	
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Dividends may only be distributed out of distributable reserves, which are amounts stated as retained earnings in the company's latest adopted financial statements, and reserves that are distributable under statute or the company's articles of association, less retained losses. Revaluation reserve cannot be distributed Share premium can be distributed	Company Act, Art.180 Financial Statements Act paragraph 41.3

	Own shares: § 197. If a limited or limited liability company acquires own shares for consideration, the company must only use amounts that can be used for distribution of dividends, cf. §180.2. The company's holding of own shares must be deducted when assessing whether the requirements for minimum share capital, cf. §4 (Limited company: min. share capital 400,000 DKK) and limited liability companies: min. share capital 40,000 DKK), have been complied with. § 198. Acquisition of own shares for monetary consideration may [in general] only be made after authorization from the general meeting to the capital company's central governing body. §198.2 The authorization may only be granted for a specified period not exceeding 5 years. §198.3 The authorization must state: 1) the greatest value that their own equity may have, and 2) the minimum and maximum amount that the company is allowed to provide as consideration for the shares.	Companies Act paragraph 197
b. Is there any statutory/legal reserve?	No, except if required by the articles of the association	
c. Is there any minimum dividend? (if yes: details)	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: when the entity chooses to capitalize development costs as intangible assets no dividend may be distributed until these costs have been fully amortized or unless there are distributable reserves in an amount at least equivalent to the carrying value of capitalized development costs. -When a company uses the equity method to measure its investment in a subsidiary, the revaluation reserve cannot be distributed -When a company decides to revalue its assets the revaluation reserve cannot be distributed	Financial Statements Act: § 35a, 35b.2, 41.3, 43a.5, 83.2
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: When development costs are capitalized no dividend may be distributed until these costs have been fully amortized or unless there are distributable reserves in an amount at least equivalent to the carrying value of capitalized development costs. When fair value is used to measure assets, a reserve for fair value must be accounted for and it is not distributable: it concerns:	2015-2016 EU dividend questionnaire

	- Assets revaluation (IAS 16, IAS 38, IAS 40) - fair value accounting for financial instruments (IFRS 9), except in the case of financial instruments held for trading or for hedging purposes - Post-employment benefits (IAS 19) - Deferred taxes (IAS 12)	
7. Can dividends per share be different depending on the types of shares?		
For example: ordinary shares versus preferred shares?	Yes: As a standard, shares must carry equal rights, but the Articles of Association can provide that the company has different share classes. In such a situation different dividends can be paid to different classes. 'In limited liability companies, all shares carry equal rights. However, the articles of association of a company may provide that the company must have different share classes, in which case the articles must specify the different characteristics and size of each class.'	Companies Act paragraph 45
8. Are interim dividends permitted?	Yes	
If yes, what are the conditions to meet to distribute interim dividends?	In Denmark there are two major types of limited liability companies: Public limited company (In Danish: Aktieselskab – min. share capital 400,000 DKK) and private limited company (In Danish: Anpartsselskab – min. share capital 40,000 DKK) § 183.1 In public limited companies, a decision on the distribution of extraordinary dividends must always be enclosed with a balance sheet. The central management body assesses whether it is prudent to enclose the balance sheet from the latest annual report or whether an intermediate balance sheet must be prepared showing that sufficient funds are available for the distribution, cf. §183.2 §183.2. Notwithstanding §183.1, in public limited companies where the decision to distribute extraordinary dividends is more than 6 months after the balance sheet date in the company's last approved annual report, an intermediate balance sheet must always be prepared, which shows that sufficient funds are available for the distribution. §183.3. In private limited liability companies, the central management body assesses whether or not a decision pursuant to §183.1 must be enclosed with a balance sheet.	Companies Act paragraph 183.1-183.6

	However, in limited liability companies where the decision to distribute extraordinary dividends is taken more than 6 months after the balance sheet date in the company's last approved annual report, an intermediate balance sheet must always be prepared, which shows that sufficient funds are available for the distribution. §183.4. If an intermediate balance sheet is prepared according to §183.1-3, the interim balance sheet must be reviewed by the auditor if the company is subject to an audit obligation. The intermediate balance must be prepared in accordance with the rules that the capital company apply when preparing the annual report. The intermediate balance sheet must not have a balance sheet date that is more than 6 months prior to the decision to distribute extraordinary dividends. §183.5. If an extraordinary dividend is distributed in other values than cash, an assessment report must be prepared, cf. § 36 and § 37. It must be stated in the assessor's statement that the dividend amount corresponds at least to the assessed amount of the other value or values other than cash which are distributed. If the central management body prepares and submits a declaration in accordance with the rules in paragraph 38.2, there is no obligation to obtain assessment report on the distribution of assets as mentioned in paragraph 38.1. The central management body shall publish the declaration in the Danish Business Authority's IT system no later than two weeks after the decision on the distribution, cf. paragraph 9.3. The balance sheet in accordance with paragraph 36.3 , is prepared as a takeover balance for the transferred business. §183.6. The decision of the central management body to distribute extraordinary dividends shall be recorded in the protocol. The balance sheet or balance sheet for the last financial year must be included in the protocol as an annex to the decision taken.	

ESTONIA

In Estonia there are 2 types of limited liability companies: private limited liability company ("osaühing") and public limited liability company (stock corporations) ("aktsiaselts"). Private limited liability company's share capital shall be at least 2500 euros. Public limited company's share capital shall be at least 25 000 euros. Commercial Code includes separate paragraphs for private limited liability company (para 135–220) and for public limited company (para 221–383). Table includes information for both types.

Main legal sources: Commercial Code

	Answer	Legal source
1. What are the different types of dividend distribution?		Commercial Code : § 157 (5), 279 (2)
In cash	yes :for private limited and public limited companies dividends shall be paid in cash. If the shareholder agrees other assets can be used also.	
In shares	no	
In kind	yes	
Dividend distribution decision: which instance decides on profit allocation?	For limited liability company the approval of the annual report and profit allocation shall be decided by the shareholders. For stock corporations, the general meeting of the company's shareholders based on the approved annual report decides on the profit allocation.	Commercial Code § 179, 335 (1)
What are the sanctions in case of unlawful distributions?	If a shareholder is made unlawful payment the payment must be returned. If the shareholder did not know nor should have known that dividend was paid without basis the return of the payment may be demanded only if it is necessary for satisfying the claims of the creditors of the limited company.	Commercial Code § 158, 280
From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	A single entity allocates dividends on the individual entity level; on the group level the parent company uses consolidated financial statements to allocate dividends. However it is specified that "Profit as apparent from the consolidated reports shall not be distributed in so far as this would decrease the net assets of the parent undertaking to a level below the total of share capital and reserves which pursuant to law or the articles of association shall not be paid out to shareholders"	Commercial Code § 157, 335

Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and can be applied by others	IFRS are mandatory for: -companies whose securities trade in a regulated market - credit institutions, insurance companies, financial holdings companies, investment firms. All other companies can apply IFRS or Estonian GAAP	
Are there any conditions/restrictions for dividend distribution for corporations	Payments shall not be made to the shareholders if the net assets are less than or would be less than the total of share capital and undistributable reserves.	
Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Calculation of dividends is based on the year's net profit and retained earnings from previous years from which losses of previous years have been deducted. Share premium cannot be distributed A company can buy its own shares and there is no mentions of any restriction on dividend distribution	Commercial Code § 157, 276, 278, 335 Commercial Code § 225
Is there any statutory/legal reserve? (if yes: details)	Yes, there is. This is obligatory under law or under articles of association. Legal reserve capital shall be formed from annual net profit. At least 1/20 of net profit is transferred to the legal reserve capital each year. The reserve capital shall not be less than one-tenth of the share capital. If the legal reserve reaches the amount prescribed the formation is terminated.	Commercial Code, § 160, 336
Is there any minimum dividend? (if yes: details)	No	
Are there restrictions to dividend distribution in line related to certain accounting choices	If a company capitalizes the development-related expenditure as intangible asset and the development expenditure has not completely depreciated, profit cannot be allocated unless the sum of the reserves which can be used for the distribution of profit and the retained profit from previous periods at least equals the unamortized development expenditure	Commercial Code § 157, 335
For countries where IFRS are or can be applied for individual accounts, are there any specific restrictions,	If a company capitalizes the development-related expenditure as intangible asset and the development expenditure has not completely depreciated, profit cannot be allocated.	Commercial Code § 157, 335

conditions for dividend?		
Can dividends per share be different depending on the types of shares?	For limited liability companies: a shareholder shall be paid dividends in proportion to the nominal value of the shareholder's share. But the articles of association may regulate this otherwise. For stock corporations: a shareholder shall be paid dividends in proportion to the nominal value of the shareholder's share. But the articles of association may regulate this differently. The articles of association may prescribe different rights attaching to different classes of shares with regard to distribution of profit.	Commercial Code, §157, 235, 238, 276
	A holder of a preferred share shall be paid a dividend prior to the payment of dividends to other shareholders. The holder of a preferred share may be paid a larger dividend than prescribed by the articles of association. If the stock corporation does not have distributable profit or if it is insufficient, the dividends to holders of preferred shares may be left unpaid in whole or in part. The unpaid part shall be added to the dividend to be paid the following year, including interest in the amount provided by law.	Commercial Code § 238, 276
Are interim dividends permitted?	For limited liabilities companies the advance payment is not allowed. For stock corporations, the advance payment of dividends is allowed only if this is regulated in the articles of association.	Commercial Code § 157, 277
If yes, what are the conditions to meet to allocate interim dividends?	For stock corporations, in accordance with the articles of association the management board has right to make advance payments to the shareholders before approval of the annual report with the consent of the supervisory board. Amount paid out is one half of the presumed distributable profit.	Commercial Code, §277

FINLAND

Main legal sources: Limited Liability Companies Act Finland (last amended 2011), Accounting Act (last amended 2015), Interest Act (last amended 2013)

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Limited Liability Companies Act Finland, Chap 13, Section 1
In shares	Yes (distribution of assets)	
In kind	Yes (distribution of assets)	
2. Dividend distribution decision: which instance decides on profit allocation?	-The General Meeting: it may decide to distribute assets in excess of what the Board of Directors has proposed or accepted only if it is under the obligation to do so under section 7 (minimum dividend, see below) or the Articles of Association. -The General Meeting may also authorise the Board of Directors to decide on the distribution of dividend or of assets from reserves of unrestricted equity, up to a maximum. The authorisation may remain in effect until the beginning of the next Ordinary General Meeting. -On the consent of all shareholders, unrestricted equity may also be distributed unless it is otherwise provided in the Articles of Association	Limited Liability Companies Act Finland, Chap 13, Section 6
3. What are the sanctions in case of unlawful distributions?	Yes: assets received from the company in contravention of the Limited Liability Companies Act or the Articles of Association shall be refunded, if the recipient knew or should have known that the distribution was in violation The amount to be refunded shall bear annual interest at the current reference rate provided in section 12 of the Interest Act (633/1982): the interest rate applied by the European Central Bank to its most recent main refinancing operation carried out before the first calendar day of each half-year rounded up to the nearest half percentage point.	Limited Liability Companies Act Finland, Chap 13, Section 4 Interest Act (633/1982), section 12.
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	

5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and can be applied by others	Yes: IFRS are required in the separate company financial statements of companies, other than insurance companies, whose securities trade in a public market. IFRS are permitted in both the consolidated and separate financial statements of all companies whose securities do not trade in a public market provided that they have an independent audit.	IFRS.org
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	According to the Limited Liability Companies Act, dividends refer to the distribution of profit, but the distribution of assets from reserves or unrestricted equity is also possible The Limited Liability act mentions this single condition: Assets shall not be distributed, if it is known or should be known at the time of the distribution decision that the company is insolvent or that the distribution will cause the insolvency of the company.	Limited Liability Companies Act Finland, Chap 13, Section 1 Limited Liability Companies Act, Chapitre 13, section 2
b. Is there any statutory/legal reserve? (if yes: details)	Not mentioned	
c. Is there any minimum dividend? (if yes: details)	Yes: at least one half of the profits of the financial period, less the amounts not to be distributed under the Articles of Association, shall be distributed as dividend, if a demand to this effect is made at the Ordinary General Meeting by shareholders with at least one tenth (1/10) of all shares before the decision on the use of the profits has been made (called "minority dividend"). The Act also mentions that a shareholder shall not demand the distribution of profits in excess of the amount that can be distributed under this chapter of the law in the absence of consent by the creditors, nor in excess of eight per cent (8%) of the equity of the company.	Limited Liability Companies Act Finland, Chap 13, Section 7 (Minority Dividend)
d. Are there restrictions to dividend distribution in line related to	Yes: When development expenditure has been capitalised, the capitalised amount of	Accounting Act, section 8

certain accounting choices (under local GAAP)?	expenditure not yet recognised as an expense may not be distributed from the profit for the financial year, retained earnings or other distributable funds. When assets are measured at fair value or revalued (lands, some financial assets), the revaluation reserve and the fair value reserve cannot be distributed	Accounting Act, section 2a, section 17 Limited Liability Companies Act Finland, Chap 8, Section 1
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: When development expenditure has been capitalised, the capitalised amount of expenditure not yet recognised as an expense may not be distributed from the profit for the financial year, retained earnings or other distributable funds. When assets are measured at fair value or revalued the revaluation reserve and the fair value reserve cannot be distributed No specifications for other OCI.	Accounting Act, section 8 Accounting Act, section 2a, section 17 Limited Liability Companies Act Finland, Chap 8, Section 1
7. Can dividends per share be different depending on the types of shares?	Yes, the articles of association shall allow different kinds of shares. The different classes of shares may have different right in terms voting right or dividend	Limited Liability Companies Act Finland, Chap 3, Section 1
8. Are interim dividends permitted?	Yes : it is implied, as according to the Liability Companies Act the possible distributions of profits during the financial period and before the Ordinary General Meeting shall be subtracted from the amount to be distributed	Limited Liability Companies Act Finland, Chap 13, Section 7
If yes, what are the conditions to meet to distribute interim dividends?	The companies act implies that an interim report is required	Limited Liability Companies Act Finland, Chap 5, Section 21

FRANCE

Main legal sources: Commerce Code (Code de Commerce) herefater CC, General Accounting Plan (Plan Comptable Général), hereafter PCG

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	CC art. L232-13
In shares	Yes if the company by-laws provide so, it may be proposed to each shareholder to receive all or part of the dividend in shares. The issue price of the shares: - listed companies: may not be less than 90% of the average of the last 20 trading days, less the amount of the dividend (or interim dividend) - non-listed companies: it is determined as desired: Either from the net assets of the most recent balance sheet, or by an expert appointed by the court at the request of the board of directors. In all cases, the issue price is the subject of a special report by the Statutory Auditors (it is verified by the legal auditors)	CC art. L232.18 CC art. L232.19
In kind	Possible even if not expressly provided for by the French Commercial Code but must be provided for in the company by-laws	
2. Dividend distribution decision: which instance decides on profit allocation?	The general shareholder meeting decides on profit allocation. Usually, the board of directors will ask shareholders to adopt a resolution on profit allocation (adopted by simple majority)	CC art. L232.12
3. What are the sanctions in case of unlawful distributions?	Any dividend distributed in violation of the rules mentioned in the Commercial Code is a fictitious dividend.	CC. art. L232.12
	Criminal penalties in case of unlawful distributions: The penalty is five years' imprisonment and a fine of 375,000 euros for: the president, directors or general managers of a public limited company to distribute fictitious dividends among shareholders, in the absence of an	CC. art. L242.6

	inventory, or by means of fraudulent inventories	
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	On individual financial statements only.	CC.Art L.232.12
5. Which GAAP can be used for individual accounts:		
-Local GAAP are mandatory for all companies	Yes	PCG. Art.111-1
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Distributable profit = profit for the financial year less previous losses and amounts to be transferred to reserves due to legal or statutory obligations. The GM may also decide to distribute reserves, including share premium. Following a dividend distribution, shareholders' equity must remain at least equal to the share capital plus undistributable reserves according to law or the articles of the association. The company must have reserves, other than the legal reserve, in an amount at least equal to the value of all the shares it owns.	CC. Art. L.232.11 CC. Art. L.225-210
b. Is there any statutory/legal reserve? (if yes: details)	Yes: each year at least 5% of the net profit less previous losses. This obligation ceases when the legal reserve on the balance sheet reaches 1/10th of the share capital. The legal reserve cannot be distributed to shareholders.	CC. Art L.232.10
c. Is there any minimum dividend? (if yes: details)	No, unless the company by-laws so provide: they may provide for the payment of a first dividend equal to interest calculated on the paid-up share capital, and paid only if the distributable profit is sufficient.	CC. Art. L.232.16
d. Are there restrictions to dividend distribution in line related to certain accounting choices?	-When the entity chooses to recognise start-up costs as intangible assets as permitted by the French Commercial Code, no dividend may be distributed until these expenses have been fully amortized (amortized over a maximum of 5 years, unless otherwise specified). -When the entity chooses to recognise the costs of a capital increase as intangible assets, as permitted by the French Commercial Code, no dividend	CC. Art. L.123-186 CC. Art. R.123-187

	may be distributed until these costs have been fully amortized or unless there are distributable reserves in an amount at least equivalent to the carrying value of the costs of capital increase. The same applies when the company capitalizes development costs as in accordance with the PCG. -When a company uses the equity method to measure its investment in a subsidiary, the revaluation reserve cannot be distributed -When a company decides to revalue its tangible and financial assets, on an ad-hoc basis as permitted by the PCG, the revaluation reserve cannot be distributed -The French National Accounting Plan does not prohibit the recognition of deferred taxes even if almost all companies only recognise tax payable in the income statement. However, some very rare companies recognise deferred taxes in their individual financial statements, like Société Générale[4] in 2018. The Commerce Code does not mention any restriction on dividend distribution arising from the recognition from deferred tax assets. Still, it seems from the example of Société Générale that there is none, even if it cannot be formally asserted.	PCG. Art. L.212-3 CC.Art.L.232-5 CC. Art L232-11
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	NA	
7. Can dividends per share be different depending on the types of shares?	Yes: it is possible to issue preference shares without voting rights but which benefit from a preferred dividend. In this case, the preferred dividend may be different from that paid to ordinary shares In addition, the company by-laws may provide for a dividend increase of up to 10% for registered shares held for at least 2 years. In listed companies, the number of shares eligible for this increase may not exceed 0.5% of the share	CC. Art. L.232-13

[4] Société Générale. Registration Document 2018: p.493, 494, 497
https://www.societegenerale.com/sites/default/files/documents/Document%20de%20r%C3%A9f%C3%A9rence/2018/rd-2018-societe-generale-amf-d18-0112-eng.pdf

	capital for any one shareholder.	
8. Are interim dividends permitted?	Yes	
If yes, what are the conditions to meet to distribute interim dividends?	An interim dividend may be distributed, before the end of the financial year and/or before the General Meeting, if a provisional balance sheet, certified by a legal auditor shows a distributable profit. An interim dividend cannot be taken from distributable reserves	CC. Art. L23-12

GERMANY

Main legal sources: AktG: Aktiengesetz: Stock Corporation Act of 1965 (last amendment January 2018), GmbHG: GmbH Gesetz: Limited Liability Companies Act of 1892 (last amendment July 2017), HGB: Commercial Code?

German Limited Liability Companies (LLCs) have to follow in general the rules for stock corporations (in particular if the GmbHG contains no rules regarding an issue) but, regarding dividends, there are less restrictions for LLCs, and there is a greater freedom to set up company specific rules in the by-laws (indicated * in the following table).
In the following table, everything applies to LLCs UNLESS OTHERWISE INDICATED.

	Answer	**Legal source**
		AktG: Stock Corporation Act GmbHG: Limited Liability Companies Act HGB: Commercial Code
1. What are the different types of dividend distribution?		
In cash	Yes	
In shares	Yes (= dividend in kind) (Deutsche Telekom proposed this for the first time in Germany in 2013 for the financial year 2012)[5]	
In kind	Yes if possibility provided by the by-laws of the company	§ 58 para. 5 AktG; § 174 para. 2 no. 2 AktG
2. Dividend distribution decision: which instance decides on profit allocation?		
	Officially the Shareholder meeting, but management and supervisory board have far reaching prerogatives Normal case: The management and the supervisory board[6] establish and	§ 174 para. 1 AktG § 58 para. 2 AktG

[5] DT Annual report 2013, p50: "By granting shareholders the option of drawing their dividend in the form of shares instead of cash, Deutsche Telekom entered new territory in the DAX 30. The acceptance rate of almost 38 percent exceeded our own expectations. The exercising of the option resulted in an increase in the number of shares issued by 129.9 million.
p59: "For the first time, Deutsche Telekom AG's shareholders had the option of having their dividend entitlement for the 2012 financial year converted into shares instead of having it paid out in cash (dividend in kind). The option of the dividend in kind was well received by our shareholders: This option was chosen for around 1.62 billion shares. As a result, around 130 million new shares were issued. This corresponds to a capital increase of 3 percent."

	approve the annual accounts (§ 172 AktG). They can decide to allocate up to 50% of net income (even more, although with restrictions, if stated in the by-laws) to retained earnings. In this case the shareholders decide only about the remaining "distributable profit". Also, there are some other, legal "retaining" requirements (see point 6d) Also possible: The management and the supervisory board can decide to let the shareholder meeting approve the annual accounts (§ 173 para. 1 AktG). In this case, the shareholder meeting can only retain profits as required by the law or the by-laws (no discretionary retained earnings). The by-laws can fix an amount to be mandatorily retained, up to a maximum of 50% of net income. The (remaining) distributable profit has to be distributed. LLC: shareholders*	§ 172 AktG § 173 para. 1 AktG § 58 para. 1 § 46 GmbHG
3. What are the sanctions in case of unlawful distributions?	Reimburse dividends unless shareholders acted in "good faith" (+ potential criminal law sanctions) "(1) The stockholders are to **return to the company** any performance they may have received from it in contravention of the regulations of the present Act. Where they have received amounts constituting a **participation in the profits**, this duty shall be given **only if they were aware, or negligently unaware, that they were not entitled to receive such performance**	§ 62 para. 1 AktG (also § 256 AktG nullity of FS)
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Entity level (individual FS)	§ 158 para. 1 AktG
5. Which GAAP can be used for individual accounts:		
-Local GAAP are mandatory for all companies	Yes for the purpose of capital maintenance, profit calculation and appropriation	

[6] In Germany there is a two-tier governance system: the management board (executives) and the supervisory board (supervising the management board). Members of one board cannot be members of the other board.

	But corporations can for information purposes only ALSO publish IFRS individual financial statement	§ 325 para. 2a HGB
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	"Distributable profits" The following information has to be provided at the end of the income statement or in the notes: Profit/loss for the year +/- Profit/loss carried forward from the preceding year + Transfers from the capital reserve (share premium/APIC) + Transfers from profit reserves (retained earnings) From the legal reserves From the reserves for the ownership interest held in a controlling enterprise or in an enterprise holding a majority of the ownership interest From the statutory reserves set out in the by-laws From the other profit reserves - Transfers to profit reserves (retained earnings) To the legal reserve To the reserves for the ownership interest held in a controlling enterprise or in an enterprise holding a majority of the ownership interest To the statutory reserves set out in the by-laws To the other profit reserves = Distributable profit LLC: No legal or other reserve requirement* Profit/loss for the year +/- Profit/loss carried forward from the preceding year = Distributable profit The "distributable profits" can be distributed unless the amount is excluded from distribution amongst the shareholders by law or the articles of association, by the shareholder decision to retain earnings or in case decision	§ 158 para.1 AktG § 158 para. 3 AktG: § 158 para. 1 AktG is not applicable to small stock corporations if they choose to present an abbreviated income statement as allowed by § 275 para. 5 HGB

	concerning the appropriation of earnings. would generate additional expenses (for example, income tax) The share premium cannot be distributes Own shares: the nominal value of the repurchased shares is deducted from the share capital, the difference between the repurchase price and the nominal value is deducted from the "distributable" reserves (including reserves and share premiums).	§ 29 para. 1 GmbHG § 150 GmbHG
b. Is there any statutory/legal reserve? (if yes: details)	Yes 5% of the net income for the year, reduced by any loss carried forward from the preceding year, is to be allocated to the legal reserves, until the aggregated legal reserves and the capital reserves (share premium) are at least equivalent to 10% of the share capital, or whichever greater part of the share capital is specified in the by-laws. No reserve requirements for LLCs*	§ 150 para. 2 AktG
c. Is there any minimum dividend? (if yes: details)	Not really but the profit appropriation decision can be legally challenged (under conditions) if dividends are lower than **4%** of the share capital "(1) An action for avoidance may be brought against a resolution adopted as to the appropriation of the net income on the grounds of the <u>general meeting allocating amounts from the net income to retained income</u> or carrying amounts forward as profits that are not, according to the law or the by-laws, precluded from being distributed among the stockholders, <u>in spite of the fact that so allocating the amounts or carrying them forward is not necessary</u>, when the matter is assessed while applying prudent business judgment, <u>to secure the viability and resilience of the company</u> for a foreseeable period of time in terms of economic and financial requirements, <u>meaning that no profits can be distributed among the stockholders in the amount of at least four (4) percent of the share capital</u> reduced by the contributions not yet called in. No minimum dividends for LLCs LLCs: Court decisions and legal experts: Retaining distributable profits is not allowed if not necessary <u>to secure the viability and resilience of the company</u> for a foreseeable period of time; 4% rule of stock corporations does NOT apply	§ 254 para. 1 AktG Comment: for example, in 2017 Deutsche Bank was condemned by a regional court to pay the 4% dividend (relating to 2016) despite high consolidated loss See comment literature on § 29 GmbHG

d. Are there restrictions to dividend distribution in line related to certain accounting choices?	Yes - in case of internally generated intangible assets: no dividend may be distributed until these costs have been fully amortized or unless there are distributable reserves in an amount at least equivalent to the carrying value of the intangible assets. -in case of deferred tax assets (a company can opt to recognise them or not, while deferred tax liabilities must be recognised): no dividend may be distributed unless there are distributable reserves in an amount at least equivalent to the positive difference between deferred tax assets and deferred tax liabilities. - in case of investments in an ownership interest in a controlling enterprise or in an enterprise holding a majority of the ownership interest: an amount equal to the investment has to be allocated to a specific reserve - in case of "dividend" claims from investments exceeding dividends received (rule from EU law; lit. says that these cases do not exist in German law; therefore, this restriction has no practical relevance) <u>Optional</u> - the management and supervisory board can transfer to profit reserves (retained earnings) the after tax profits related to gains on impairment reversals for non-current or current assets - same for LLC: management choice with the approval of shareholders or supervisory board (if the latter exists)	268 para. 8 HGB 272 para. 4 HGB 272 para. 5 HGB § 58 para. 2a AktG § 29 para. 4 GmbHG
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	NA	

7. Can dividends per share be different depending on the types of shares?	Yes: "The shares of stock may confer different rights, namely as concerns the distribution of profits" Also: (non-voting) preferred shares can receive an "advanced (priority)" or "increased" dividends LLC: yes by-laws can require different rules	§ 11 AktG § 139 AktG § 29 para. 3 GmbHG

8. Are interim dividends permitted?	Yes if in the by-laws but only <u>once the financial year is over</u> and limited to two 50% limits LLC: yes even in the current year; no specific requirements (for example, interim FS not necessary) except that interim dividends have to be "reasonable" and that capital maintenance has to be respected	59 AktG LLC: no legal basis but commonly admitted
If yes, what are the conditions to meet to distribute interim dividends?	(1) The **by-laws** may grant authority to the management board to make an interim payment to the stockholders out of the prospective net income **once the financial year has expired**. (2) The management board may make an interim payment only if the preliminary accounts drawn up for the expired financial year result in a surplus for the year. At a maximum, the interim payment may consist of **half of the amount that remains after those amounts have been deducted from the surplus for the year that, by law or according to the by-laws, are to be allocated to retained income**. Furthermore, the **interim payment may not exceed half of the net income** for the preceding year. (3) Where an interim payment is planned to be made, this shall require the consent of the supervisory board.	59 AktG

GREECE

Main legal documents: Law 4548/2018 (Reform of the law of Sociétés Anonymes).

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Law 4548/2018, Art. 160 (Reform of the law of Sociétés Anonymes") applicable since 1/01/2019
In shares	Following a decision made by the General meeting of the shareholders, it is possible for profit that is distributable in the form of the minimum dividend (*see below)* to be capitalised and distributed to all shareholders in the form of shares, measured at their nominal value.	Law 4548/2018, Art. 161
In kind	Following a decision made by the General meeting, it is also possible that profit that is distributable in the form of the minimum dividend to be distributed in the form of shares of domestic or foreign companies, or of own shares that the firm possesses itself, which should be listed in a regulated market in every case. It is possible to distribute assets other than shares, under the conditions specified above, only following a unanimous decision made by all shareholders.	Law 4548/2018, Art. 161
2. Dividend distribution decision: which instance decides on profit allocation?	The General Meeting of shareholders.	Law 4548/2018, Art. 117,Art.160
3. What are the sanctions in case of unlawful distributions?	Any amount unlawfully distributed to shareholders must be returned by the receiving parties, if the firm can prove that the shareholders knew, or should have known (based on the individual circumstances of this occasion) that the distributions made to them were unlawful.	Law 4548/2018, Art.163
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Dividend distribution is based on individual financial statements	Law 4848/2018

5. Which GAAP can be used for individual accounts:		
-Both Local GAAP or IFRS can be applied	Yes	Law 4308/2014
-IFRS are mandatory for some specific companies and can be applied by others	IFRS are mandatory for individual financial statements of: - listed companies - banks and financial institutions which are not listed - non-listed subsidiaries of listed entities and financial institutions that, in total, represent more than 5% of the consolidated turnover or the consolidated assets or the average number of employees of the parent company. Non-listed companies can apply IFRS if they have an independent audit by a Certified Public Accountant. In this case, the adopting company has to apply IFRS for at least 5 consecutive years from the year of the first adoption.	Law 4308/2014
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	After dividend distribution, the total amount of Shareholders' Equity must be at least equal to the amount of: • share capital (the amount of capital is reduced by the amount of capital that has been subscribed but not called up when the effect of the latter does not appear among the assets on the balance sheet) • + reserves whose distribution is prohibited by law or by the articles of association • + the amounts of credit balances of income statement accounts, which do not represent realised profit. As for the way the net profits are distributed, the deduction of the sums of the credits of the statement of profits or loss, not constituting realised profits, precede, then follows the formation of the statutory reserve and finally the deductions for the minimum dividend takes place.	Law 4548/2018 Law 4548/2018, Art.160
b. Is there any statutory/legal reserve?	Every at least 1/20 of net profit is allocated to a statutory reserve. This allocation becomes no longer compulsory, once this statutory reserve amount has reached at least 1/3 of the share capital. This statutory reserve is used exclusively before any dividend distribution, to be settled against an eventual	Law 4548/2018, Art.158

	debit balance result from the income statement (this in essence refers to a loss, or negative result in the income statement).	
c. Is there any minimum dividend? (if yes: details)	Yes. The minimum dividend is defined as 35% of distributable net profit and is delivered in cash. In some cases, this minimum dividend can be reduced or cancelled: - Following a decision made by the General meeting of the above amount can be reduced, but never below 10% of net profit. - Non-distribution of the minimum dividend is permitted only after a relevant decision of the General shareholder meeting, taken under a majority of 80% of shareholder capital represented in the general meeting.	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	The law specifies that unrealised profits and losses cannot be distributed but there aren't any examples of unrealised profits under Greek GAAP.	Law 4548/2018,Art.159, Art.160
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: not specific mentions about IFRS in the law but as said above, unrealised profits and losses cannot be distributed. It should concern the following items: - Assets revaluation (IAS 16, IAS 38, IAS 40) - fair value accounting for financial instruments (IFRS 9) -Foreign exchanges profits and losses (IAS 23) -Employee share schemes (IFRS 2) -Post-employment benefits (IAS 19) -Deferred taxes (IAS 12)	
7. Can dividends per share be different depending on the types of shares?	Article 38 of law 4548/2018 makes explicit reference to the issuance of preference shares, which are entitled to preferential dividend distribution based on explicit rules included in the company's statute.	4548/2018, Art.38
8. Are interim dividends permitted?	Yes (called « temporary dividends »)	4548/2018, Art.162
If yes, what are the conditions to meet to distribute interim dividends?	Interim dividends can be distributed following a decision of the Board of Directors (made within the accounting year of reference) if the following conditions apply: - The company prepares financial statements that show that the necessary amounts for this distribution exist. - These financial statements are published 2 months before distribution	

HUNGARY

Main legal sources: Act V of 2013 of Civil Code, Act C of 2000 on accounting

	Answer	**Legal source**
1. What are the different types of dividend distribution?		
In cash	Yes	Act V of 2013 Civil Code, Art.3:262
In shares	Yes, if permitted by the articles of the association	
In kind	Yes, if permitted by the articles of the association	
2. Dividend distribution decision: which instance decides on profit allocation?	The General Meeting of shareholders	Act V of 2013 Civil Code, Art.3:185
3. What are the sanctions in case of unlawful distributions?	Unlawful distribution shall be repaid to the company if the shareholder was aware of should have been aware that the conditions for distribution were not met.	Act V of 2013 Civil Code, Art 3.261 (5)
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	
5. Which GAAP can be used for individual accounts:		

-Local GAAP are mandatory for all companies	Hungarian statutory standards are required in the separate company financial statements of all companies, publicly traded and private. Companies are permitted to prepare separate company financial statements using IFRS Standards as adopted by the EU as supplemental financial statements in addition to their separate company financial statements using Hungarian statutory standards.	IFRS.org
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Net income + available reserves The Civil Code specifies that “No distribution shall be made if the company’s adjusted equity is below its initial capital or it would be reduced to drop below the initial capital if the distribution was made, or if the distribution would jeopardize the company’s solvency”. With adjusted equity equals equity reduced by tied-up reserves (see below) and revaluation reserves. However, solvency is not defined in the Civil Code. Art 3.270 mentions “the limited company is on the brink of insolvency or has stopped making payments; or the limited company’s assets do not cover its debts” which implies that no distribution can be made if after the distribution assets would not exceed debts. The face value of own shares must be transferred to tied-up reserves that are not distributable. The amount of corporate tax payable due to the appreciation of assets held by the successor company following transformation must be transferred to tied-up reserves that are not distributable.	Act V of 2013 Civil Code, Art.3:184 (1) Act V of 2013 Civil Code, Art.3:270 Act C of 2 000 on Accounting , Section 38

b. Is there any statutory/legal reserve? (if yes: details)	No	
c. Is there any minimum dividend? (if yes: details)	No, except for dividend preference shares and interest-bearing shares (see below).	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: When the entity chooses to recognise the start-up costs as intangible assets, no dividend may be distributed until these costs have been fully amortized unless there are distributable reserves which cover the related amount The same applies when the company capitalizes development costs	
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Not applicable	
7. Can dividends per share be different depending on the types of shares?	Yes **Dividend Preference shares** can be issued: they entitle the holders to a priority dividend **Interest-bearing shares**: they entitle the holders to interest based on the nominal value of the shares, in addition to other rights attached to the shares. However, no interest may be paid to shareholders if, in consequence, the equity capital of the company would drop below the share capital of the limited company.	Act V of 2013 Civil Code, Art.3:231, 238
8. Are interim dividends permitted?	Yes: on the decision of the General Meeting or on the decision of the management if permitted by the articles of the association.	Act V of 2013 Civil Code, Art.3:263

a. If yes, what are the conditions to meet to distribute interim dividends?	a) according to the interim balance sheet, the company has funds sufficient to cover such interim dividends; b) the amount distributed does not exceed the amount of profits earned after the closing of the books of the financial year to which the last financial report pertains, and/or the amount supplemented with the available profit reserves c) the payment of such interim dividends may not result in the company's adjusted equity capital to drop below its share capital. If according to the annual account prepared after the distribution of interim dividends there was no justification for the payment of dividends, such distribution must be returned by shareholders when so requested by the company.	Act V of 2013 Civil Code, Art.3:263

IRELAND

Main legal sources: Company Act of 2014

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Company Act of 2014, Chapter 7, Art. 117.
In shares	Yes: A General Meeting of shareholders of a company declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and, in particular, paid up shares, debentures or debenture stock of any other company or in any one or more of such ways.	Company Act of 2014, Chapter 7, Art. 125.
In kind	Yes (see above)	Company Act of 2014, Chapter 7, Art. 125.
2. Dividend distribution decision: which instance decides on profit allocation?	The general assembly but no dividend shall exceed the amount recommended by the directors of the company.	Company Act of 2014, Chapter 7, Art. 125.
3. What are the sanctions in case of unlawful distributions?	In case of unlawful distribution, the shareholder is liable to repay the dividend or a part of it if he/she knew that it was an unlawful distribution or has reasonable grounds for believing that it was the case	Company Act of 2014, Chapter 7, Art. 122
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements (not explicitly specified in the Company Act of 2014 but it is implicit as the Act always refers to the company).	2015-2016 EU dividend questionnaire
5. Which GAAP can be used for individual accounts:		
-Both Local GAAP or IFRS can be applied	Yes: IFRS are permitted in separate company financial statements of companies whose securities trade in a public market and for all companies whose securities do not trade in a public market other than for non-profitable companies	

6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Profits available for distribution are: Accumulated, realised net profits, so far as not previously utilised by distribution or capitalisation. Any provision or value adjustment recognised under Irish GAAP shall be treated as a realised loss except losses recognised in diminution of a fixed asset value when the company decided to use the revaluation model to measure fixed assets When the company prepares IFRS entity financial statements, a provision of any kind shall be treated as a realised loss. When the entity chooses to capitalize development costs they have to be treated as realised losses for the purpose of dividend distribution When a company holds its own shares the profits of the company available for distribution shall be restricted by the amount of the consideration paid for such shares	Company Act of 2014, Chapter 7, Art. 117. Company Act of 2014, Chapter 7, Art. 120 Company Act of 2014, Art. 320
b. Is there any statutory/legal reserve?	Not mentioned	
c. Is there any minimum dividend?	Not mentioned	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: unrealised profits cannot be distributed (see below) Under Irish GAAP, it is possible to use the equity method to measure investment in subsidiaries, but the revaluation surplus cannot be distributed since it has not been realised (except the part corresponding to dividends received).	Company Act of 2014, Art. 315
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	The unrealised following profits (recognised either in OCI or in net profit) cannot be distributed: - Assets revaluation (IAS 16, IAS 38, IAS 40) - Unrealised gains on financial instruments recognised in OCI (IFRS 9) - Unrealised gains on financial instruments recognised in net income when	

	fair value is not based on observable market data (IFRS 9, IFRS 13) -Foreign exchanges profits and losses (IAS 23) -Employee share schemes (IFRS 2) -Post-employment benefits (IAS 19) -Deferred taxes (IAS 12)	
7. Can dividends per share be different depending on the types of shares?	No such explicit reference observed	
8. Are interim dividends permitted?	Yes : the directors may decide to pay interim dividends	Company Act of 2014, Chapter 7, Art. 124
If yes, what are the conditions to meet to distribute interim dividends?	Interim dividend have to be justified by the profits of the company, following the same conditions as for annual dividends	

ITALY

Main legal sources: Civil code

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Art 2433 Civil Code
In shares	Yes if the company by-laws provide so, it may be proposed to each shareholder to receive all or part of the dividend in shares. The issue price of the shares could be discounted according to the following rules: 1. for listed companies, the share price may not be less than 90% of the average of the last 20 trading days of the fiscal year to which dividends are referring to; 2. for non-listed companies, it is determined as desired;	Art. 2328, 2468 Civil Code
In kind	Yes if allowed in the articles of association since the topic is totally neglected by any Italian law	
2. Dividend distribution decision: which instance decides on profit allocation?	The decision about profit allocation (including both determination and extent of dividends) is adopted by the annual general meeting of the shareholders. Only in firms adopting the dualistic governance system the decision is proposed by the Supervisory Board and then approved by the general meeting.	Art. 2364 and 2364-bis Civil Code
3. What are the sanctions in case of unlawful distributions?	Any dividends distributed in violation of the law or company by laws rules must be repaid by percipients except in the cases when it has been received in good faith and the last financial statements have been regularly approved (in this case the percipient can decide to payback the dividends or not)	Art. 2433 Civil code
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Entity level, individual financial statements	There is no a precise reference, it should be concluded reading jointly the rationale of the civil code framework for limited liability companies

5. Which GAAP can be used for individual accounts:		
- IFRS are mandatory for some specific companies, are optional for some others and cannot be applied for others	Yes: listed firms are obliged to adopt IFRS for consolidated and for individual financial statements; on a voluntary basis for non-listed subsidiaries of IFRS adopters and for all other non-listed companies except for small and micro firms (based on a definition of Directive 2013/34/UE) to which the application of IFRS is denied	Joint reading of Italian Civil Code (art 2435-bis and 2435-ter, European Regulation 1606/2002 and European Directive 34/2013
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	There is no a specific formula provided by the law for the calculation of dividend but the net profit of the year, the free accumulated retained earnings (which mean profits of previous years not flown in specific account reserves) and distributable reserves are distributable. The share premium can be distributed when the legal reserve reaches 20% of the share capital (see below) A company can buy its own shares for an amount not higher than distributable profits and reserves	Civil Code: Art.328, 2433, 2431, 2439, 2481-bis, 2537
b. Is there any statutory/legal reserve? (if yes: details)	Yes. Overall there are three main types of reserves: legal, statutory and extraordinary reserves. The first is established by law and it is fed each year assigning at least the 5% of the net profit until the reserve become the 20% of the share capital. Statutory and Extraordinary reserves can be establish by the company by laws but they do not have particular thresholds or features to respect	Civil Code: Art. 2430
c. Is there any minimum dividend? (if yes: details)	No, except for what is specified later (point 7) for profit shares.	Civil Code: Art. 2353
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	When the entity chooses to recognise the costs of capital increase as intangible assets, as permitted by the Civil Code, no dividend may be distributed until these costs have been fully amortized unless there are distributable reserves which cover the related amount The same applies when the company capitalizes development costs When an entity uses the equity method to measure investments in subsidiaries, the revaluation reserve cannot be distributed. The revaluation of tangible or intangible assets is not permitted.	Civil Code: Art. 2423, 2426

e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Generally, all non-realised profit (use of fair value) cannot be distributed and must be segregate in non-distributable reserves. In general, any credit balances of income statement accounts that do not represent realised profit cannot be distributed and a correspondent reserve account must be created in the equity section of the statement of financial position. However, the definition of realised is not provided by the law is not very detailed on the definition of realised. It can be concluded that the following items cannot be distributed: -OCI/net profit regarding the revaluation surplus (IAS 16, IAS 38 and IAS 40) -OCI/net profit regarding gains and losses on financial instruments (IFRS 9) -OCI regarding remeasurements of defined benefit plans (IAS 19) -OCI regarding the changes in foreign exchange rates (IAS 21)	Legislative decree 38/2005 Civil Code Art.2427
7. Can dividends per share be different depending on the types of shares?	There are different types of shares beyond the ordinary ones. Preferred shares do not have voting rights but, generally they are remunerated by dividends before ordinary shares. In any case the company by laws can establish different rules respecting the prohibition to not distributing dividends at all. The profit shares are those having the right of a legal interest dividend after ordinary shares. A particular type is represented by shares for employees that can be created using net profits giving particular rights except the voting right.	Civil Code art. 2262, 2348, 2350. 2353
8. Are interim dividends permitted?	Yes, only for firms whose Financial Statements must be certified by an external auditor by Law	Civil code art.2433 bis
If yes what are the conditions to meet to distribute interim dividends?	Before assessing the possibility to distribute an interim dividends some conditions must be verified. They are: 1. the audit opinion of the last fiscal year must be in the form “clean opinion”; 2. The absence of any losses in the last approved FS; 3 .Interim dividends may be distributed for the fiscal year in progress if a provisional statement of financial position, certified by the legal auditor gives guarantee regarding the “profit in progress”. In any case the interim dividends cannot exceed the smallest amount between net profit of the last fiscal year and the amount of the profit which must be allocated in reserves because the law or the company by-laws. In case of unlawful distribution the same rules of afore disclosed point 3 are applied	Civil code art. 2433

LATVIA

Main legal sources: The Company Law (2000, last amended 2017)
Law on the Annual Financial Statements and Consolidated Financial Statements (2017)

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	
In shares	No (Section 160 (5) specifies that « dividends shall be paid out only in money »	Company Law, Section 161 (5)
In kind	No	
2. Dividend distribution decision: which instance decides on profit allocation?	The general meeting (the commercial Code only mentions "dividends shall be determined by a decision of shareholders	Company Law, Section 161 (1)
3. What are the sanctions in case of unlawful/unjustified distributions?	In case of unlawful distribution, the shareholder is liable to repay the dividend or a part of it if he/she knew or should have known that it was an unlawful distribution. Other unjustified paid amounts acquired by a shareholder in good faith have to be repaid to the company when the shareholder knows that it was an unjustified amount. If the shareholder acquired unjustified amounts in bad faith or by gross negligence, he/she shall compensate the losses incurred as a result of this unjustified payment.	Company Law, Section 161 (1)
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some	IFRS are mandatory for:	IFRS.org

specific companies and cannot be applied by others (local -GAAP)	- Companies whose securities trade on a regulated market on the official list - Banks, Insurance commercial insurance and other supervised financial institutions (listed and non-listed) IFRS are permitted for companies whose securities trade on a regulated market on the secondary and free lists. IFRS are not authorized in other cases	
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Not specified in details but Company Act mentions that dividends cannot be distributed when own funds (shareholders'equity) of the company are below the share capital. - "Revaluation reserves of long-term investment" cannot be distributed in dividends. Long-term investments are assets which are intended for long use (more than 12 months). The Fair Value Reserves for financial instruments cannot be distributed (depending on the type of financial assets, the change in fair value is recognised in net income or in "Fair Value Reserves"). A company can hold its own shares but there nothing is mentioned about any restriction on dividend, implied by this situation. The existence of a share premium is not mentioned.	Company Law, Section 161 (4) Law on the Annual Financial Statements and Consolidated Financial Statements, Section 34,38 and 39
b. Is there any statutory/legal reserve?	No	
c. Is there any minimum dividend? (if yes: details)	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under	Yes -When the entity chooses to recognise development costs as intangible assets, no dividend may be distributed until these	Law on the Annual Financial Statements and Consolidated Financial Statements, Section 30

local GAAP)?	costs have been fully amortized or unless there are distributable reserves in an amount at least equivalent to the carrying value of capitalized development costs. - When the entity chooses to revalue long-term assets, the increase in value recognised in the balance sheet as "Revaluation reserves of long-term investment" cannot be distributed.	
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	No mention of any restriction in addition of those already mentioned for Local-GAAP (capitalized research development, revaluation reserves and fair value reserves for financial instruments)	
7. Can dividends per share be different depending on the types of shares?	Yes, if provided for by the articles of the association, the company can issue preference shares that give a special rights in relation to dividends	Company Law , Section 231
8. Are interim dividends permitted?	Interim dividends are not mentioned but the Company Act mentions "Extraordinary dividends" that are close to interim dividends	Company Law, Section 161
If yes, what are the conditions to meet to distribute interim dividends?	The Board of directors submits a proposal to the General meeting regarding the period for which extraordinary dividends are determined (since the end of the previous accounting year) and the amount of extraordinary dividend, based on a report economic activity. The General meeting that decided on extraordinary dividends cannot take place: - earlier than three months after the previous decision of the meeting of shareholders to determine dividends has been taken - not later than three months after the end of the reporting period regarding which the report of economic activity of the company has been drawn up. In the General Meeting, board of directors shall attest that paying out of extraordinary dividends does not cause any risk to the fulfilment of the obligations of the company during the remaining months of the accounting year.	

	Extraordinary dividend cannot exceed 85% of the net income gained within the time period. Extraordinary dividends cannot be paid if on the day of taking the decision: - The company has tax debts - The company has tax payments deferred - The tax advance to be paid by the company has been reduced.	

LITHUANIA

Main legal sources: REPUBLIC OF LITHUANIA LAW ON COMPANIES- 13 July 2000 No VIII-1835 (As last amended on 14 October 2014 – No XII-1224)

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Law on Companies-Art 60 (6)
In shares	No : Law on Companies explicitly mention that dividends have to paid in cash	
In kind	No	
2. Dividend distribution decision: which instance decides on profit allocation?	The Board submits a proposal to the Supervisory Board and to the General Meeting of Shareholders. The Supervisory Board submits its comments on the proposal to the General Meeting of Shareholders and the latter makes the decision.	Law on Companies-Art 20 (10), Art 34 (9), Art
3. What are the sanctions in case of unlawful distributions?	The shareholder must repay the company the dividend it was paid out in violation of the mandatory norms of this Law and if the company proves that the shareholder was aware or should have been aware thereof.	Law on Companies-Art 14 (6)
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and can be applied by others	IFRS are required in the individual financial statements of banks and other credit institutions and insurance companies whose securities trade in a regulated market. IFRS are permitted in the individual financial statements of all other companies	IFRS.org
6. Are there any		

conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Dividend distribution is based on the aggregate amount of profit for the financial year and retained earnings minus: - previous losses - amounts to be transferred to reserves due to legal or statutory obligations (legal reserves, reevaluation reserves, reserves for the acquisition of own shares) No distribution shall be made if the company shareholder's equity is lower or would become lower after the distribution, than the aggregate amount of the share capital, the legal reserves, the revaluation reserve for the acquisition of own shares. If a company fails to pay the taxes prescribed by laws within the established time limits, it may not pay the dividend. The share premium cannot be distributed	Law on Companies-Art 59 (2) Law on Companies-Art 59 (6) Law on Companies-Art 59 (8) Law on Companies-Art 39
b. Is there any statutory/legal reserve? (if yes: details)	Yes: each year at least 5% of the net profit less previous losses is allocated to legal reserve. This obligation ceases when the legal reserve on the balance sheet reaches 1/10th of the share capital. The legal reserve cannot be distributed to shareholders.	Law on Companies-Art 59 (5)
c. Is there any minimum dividend? (if yes: details)	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: When an entity proceeds to the revaluation of tangible or intangible assets, the increase in value is allocated to a revaluation reserve that cannot be distributed	Law on Companies-Art 39 (7)
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: When an entity proceeds to the revaluation of tangible or intangible assets, the increase in value is allocated to a revaluation reserve that cannot be distributed	Law on Companies-Art 39 (7)
7. Can dividends per share be different depending on the types of shares?	Yes: Preference shares with a preferred dividend can be issued: the articles of the association may stipulate a specific amount of dividend as a % of nominal value for those shares. They can have cumulative or non-cumulative dividend	Law on Companies-Art 42

	and have a voting right or not. If a share is not fully paid-up and the time limit for the payment has not expired yet, the dividend of the shareholder shall be reduced in proportion to the amount of the unpaid share price. If the share is not fully paid-up and the time limit for the payment has expired, no dividend shall be paid.	Law on Companies-Art 60
8. Are interim dividends permitted?	Yes.	Law on Companies- Art 60 “Allocation of Dividends for a period shorter than the financial year”.
If yes, what are the conditions to meet to distribute interim dividends?	-A set a set of interim financial statements for the period shorter than the financial year has been approved; - the aggregate amount of profit/loss for the period shorter than the financial year is positive (no losses have been incurred); - the amount allocated for the payment of dividends does not exceed the aggregate amount of profit/loss of a period shorter than the financial year and retained profit/loss of the preceding financial years upon deduction of compulsory allocation to legal reserve and other reserves according to the articles of the association	Law on Companies- Art 60 “Allocation of Dividends for a period shorter than the financial year” (5)

LUXEMBOURG

Main legal sources: L1915 (Loi du 10 Août 1915 concernant les sociétés commerciales)) amended by the 5 December 2017 regulation)
(Règlement grand-ducal du 5 décembre 2017 portant coordination de la loi modifiée du 10 août 1915

L2002 : Loi du 19 décembre 2002 concernant le registre de commerce et des sociétés ainsi que la comptabilité et les comptes annuels des entreprises (version coordonnée)
L2010 : Loi du 10 décembre relative à l'introduction des normes internationales

	Answer	**Legal source**
1. What are the different types of dividend distribution?		
In cash	Yes	
In shares	Yes: not specified in the Law (L1915) but seems possible according to the jurisprudence.	*A.STEICHEN, Précis de droit des sociétés, Luxembourg, Editions Saint Paul, 6e ed., 2018, p. 216*
In kind	Yes : : not specified in the Law (L1915) but seems possible according to the jurisprudence	*A.STEICHEN, Précis de droit des sociétés, Luxembourg, Editions Saint Paul, 6e ed., 2018, p. 216*
2. Dividend distribution decision: which instance decides on profit allocation?	The general shareholder meeting decides on profit allocation. Usually, the board of directors will ask shareholders to adopt a resolution on profit allocation	L1915 Art. 461-1
3. What are the sanctions in case of unlawful distributions?	***Criminal law***: directors may be fined from 5 000 euros to 125 000 euros and may also be punished by imprisonment of one year. ***Civil law***: The civil liability of the directors can be engaged if the payment of fictitious dividends has caused damage to the company. In case of unlawful distribution, the shareholder is liable to repay the dividend if he/she knew that it was an unlawful distribution or has reasonable grounds for believing that it was the case.	L1915 Art. 1500-6 Civil Code, Art. 1382 L1915. Art. 461-5

4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	L1915. Art.461-1
5. Which GAAP can be used for individual accounts:		
-Both Local GAAP or IFRS can be applied	Yes: IFRS or Lux GAAP can be applied for individual accounts Companies applying Lux GAAP can choose to apply specific Lux GAAP named "Lux GAAP + Fair value option)	L2010. Art 72bis
6. Are there any conditions/restrictions for dividend distribution for corporations	Yes	
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Distributable profit = profit for the financial year less previous losses and amounts to be transferred to reserves due to legal or statutory obligations. The GM may also decide to distribute reserves. Following a dividend distribution, shareholders' equity must remain at least equal to the share capital plus undistributable reserves according to law or the articles of the association. The reserve for own shares cannot be distributed	L1915. Art. 461-2 (3) L1915. Art. 49 (5)
b. Is there any statutory/legal reserve? (if yes: details)	Yes: each year at least 5% of the net profit less previous losses. This obligation ceases when this reserve on the balance sheet reaches 1/10th of the share capital.	L1915. Art. 461-1
c. Is there any minimum dividend?	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)	-When the entity chooses to recognise start-up costs as intangible assets as permitted the law, no dividend may be distributed until these expenses have been fully amortized (amortized over a maximum of 5 years, unless otherwise specified, except if distributable reserves equal or exceed the amount of unamortized start-up costs. - The same rule applies to development costs. - When a company uses the equity method to measure its investment in a	L2002. Art.53 L2002. Art.59

	subsidiary, the revaluation reserve cannot be distributed -When the entity chooses the fair value option for financial instruments and some other specific assets as accepted under LUX GAAP, unrealised gains or losses recognised in equity or in net income cannot be distributed, except for unrealised gains relating to instruments financial assets held as part of the trading portfolio as well as to exchange rate variations and variations within the context of a system of fair value hedging/ This restriction does not apply to investment companies	L2002. Art 58 (6) L2002. Art 68 sexies, Art.72 ter
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	-When development costs have been capitalized, no dividend may be distributed until these expenses have been fully amortized, except if distributable reserves equal or exceed the amount of unamortized development costs - most unrealised gains and losses recognised either in net income or in OCI cannot be distributed: Assets revaluation (IAS 16, IAS 38, IAS 40) - fair value accounting for financial instruments (IFRS 9), except in the case of financial instruments held for trading or for hedging purposes -Post-employment benefits (IAS 19) -Deferred taxes (IAS 12) -OCI regarding the changes in foreign exchange rates (IAS 21)	L2002. Art.59 L2002. Art 68 sexies, Art.77.
7. Can dividends per share be different depending on the types of shares?	Yes: it is possible to issue preference shares without voting rights but which benefit from a preferred dividend. In this case, the preferred dividend may be different from that paid to ordinary shares	L1915.Art 430.9
8. Are interim dividends permitted?	Yes if the articles of the association he Board of Directors or the Management Board, to do so.	L1915 Art. 461-3
If yes, what are the conditions to meet to distribute interim dividends?	An interim dividend may be distributed, before the end of the financial year and/or before the General Meeting, if a provisional balance sheet, certified by a legal auditor shows a distributable profit and or distributable reserves. When the interim dividend exceeds the amount of the dividend approved subsequently, it is considered as an interim dividend to be credited against the following dividend	L1915 Art. 461-3

MALTA

Main legal sources: Companies Act, Chapter 386 (1996, last amended 2019)

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Companies Act, Art. 192
In shares	No	Companies Act, Art. 192
In kind	Yes	Companies Act, Art. 192
2. Dividend distribution decision: which instance decides on profit allocation?	The General Meeting of shareholders decides on dividend distribution but no dividend shall exceed the amount recommended by the Board of Directors	Companies Act, Art. 73
3. What are the sanctions in case of unlawful distributions?	Unlawful distribution shall be repaid to the company if the shareholder was aware of should have been aware that the conditions for distribution were not met.	Companies Act, Art.204
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	Companies Act, Art. 197 (3)
5. Which GAAP can be used for individual accounts:		
IFRS are mandatory for some specific companies and can be applied by others	IFRS are mandatory for banks, insurance companies, supervise financial institutions and large companies. Large companies are those that meet one of the following criteria: - Total assets more than €17,500,000. - Total revenue more than €35,000,000. - Average number of employees more than 250. - A shareholder owning 20% or more of the outstanding shares requests use of full IFRS Standards as adopted by the EU. All other companies can apply either IFRS or Maltese GAAP (GAPSME).	IFRS.org

6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	**For all companies except Investment companies:** Accumulated realised profit less accumulated realised losses. A distribution can only be made if after the distribution net assets equal at least the sum of share capital and undistributable reserves. **For Investment companies**: accumulated realised profits less accumulated realised and unrealised losses. A distribution can only be made if after the distribution, net assets equal at least to 1,5 times the aggregate of its liabilities. ***A investment company complies with*** the following requirements: -its business consists of investing in funds mainly in securities with the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds; - none of the company investments in other companies is more than 15% of the total of investments - distribution of the company's capital profits is prohibited by its memorandum or articles; and - the company has not retained more than fifteen per cent of the income it derives from securities. **For all companies** Undistributable reserves include: - Share premium, - Unrealised profits - Capital redemption reserves (when a company has issued redeemable shares) - the difference between the recognised income in the income statement and the dividend received from the subsidiary/affiliate, when the company applies the equity method - reserves for own shares	Companies Act, Art. 192 (3), 193, 194, 109

b. Is there any statutory/legal reserve?	No	
c. Is there any minimum dividend?	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: - capitalised development costs must be considered as realised losses, which means that dividend distribution is not authorized accumulated profit does not exceed capitalised development costs. - Only realised profits can be distributed. However, the definition of "realised" is not really given in the Company Act	Companies Act, Art. 196
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: - capitalised development costs must be considered as realised losses, which means that dividend distribution is not authorised accumulated profit does not exceed capitalised development costs. - Only realised profits can be distributed. However, the definition of "realised" is not really given in the Company Act - As a consequence of the previous point, it can be concludes that OCI cannot be distributed but it is not explicitly mentioned in the company act.	
7. Can dividends per share be different depending on the types of shares?	Preference shares with different rights in terms of dividend or voting rights are mentioned but without any further details	Companies Act, First Schedule, Art.1
8. Are interim dividends permitted?	Interim dividends are mentioned : « *The directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the company*."	Companies Act, First Schedule, Art.74.

NETHERLANDS

Main legal sources: *Civil Code (In the Dutch Civil code, there are differences between public corporations (Title 4) and closed corporations (Title 5)*

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Civil Code, Book 2, Title 4, Art 2-105
In shares	Not explicitly specified but it seems be possible if the articles of the association permit it (following the analysis of the annual report of Dutch companies that mention it).	
In kind	Not specified	
2. Dividend distribution decision: which instance decides on profit allocation?	**Limited liability companies:** the General Meeting of shareholders decides on profits distribution but it as to be approved by the board of directors. The Board of directors shall deny its approval if it knows or reasonably ought to foresee that the company, after the distribution, shall no longer be able to continue the payment of its due and collectable debts. The articles of the association may assign the power of deciding on profits distribution to another body. **Stock corporations:** not explicitly mentioned, but Civil Code specifies that" profits are distributed after the annual accounts, from which shows that such a distribution is permitted, have been adopted". It may imply that the General Meeting decides on profits distribution	Civil Code, Book 2, Title 5, Art 2-216, §1, 2. Civil Code, Book 2, Title 4, Art 2-105, §3.
3. What are the sanctions in case of unlawful distributions?	**Limited liability companies** If the company, after a distribution, is not able to continue the payment of its due and collectable debts, then the Directors who knew that result at the moment of the distribution or who reasonably ought to have foreseen that result at that moment, are joint and several liable towards the company for compensation of the deficit which has arisen on account of the distribution, in addition, that he has not been negligent in taking measures to avert the consequences thereof. The shareholder who acquired the distribution while he knew or reasonably	Civil Code, Book 2, Title 4, Art 2-105, §8

	ought to have foreseen that the company would no longer be able to continue the payment of its due and collectable debts after the distribution, is towards the company liable for compensation of the deficit which has arisen on account of the distribution, to at the most the amount or value of the distribution he received. When the Directors have paid the deb, then the compensation is made to them in proportion to the part that each Director has paid. **Stock corporations**: Unlawful dividend must be reimbursed by the shareholder or other person entitled to the Corporation's profits, but only if he knew or ought to have known that this distribution was not permitted.	
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	
5. Which GAAP can be used for individual accounts:		
-Both Local GAAP or IFRS can be applied	Yes. The Civil Code does not explicitly refer to Dutch GAAP but the standards written by the Dutch Accounting Standards Board are considered to be the authoritative guidance (Brouwer and Hoogendoorn, 2017). The civil code explicitly mention the possible use of IFRS for all companies (public or not) in their individual financial statements	Civil Code, Book 2, Title 9, art.382-8
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	**All corporations**: a profits distribution can be made if equity (Assets minus liabilities) exceeds the sum of the share capital and the reserves that have to be maintained according to the law or the articles of the association (legal and statutory reserves) **Stock corporations** A company may acquire fully paid up own shares only the Corporation's	Civil Code, Book 2, Title 5, Art 2-216, §1 Civil Code, Book 2, Title 4, Art 2-105, §2 Civil Code, Book 2, Title 4,

	equity (total assets minus liabilities), reduced with the acquisition price of the to be acquired shares, is not less than the paid and called up part of its share capital plus the reserves which must be maintained pursuant to law or the articles of incorporation. It means de facto that the amount of own shares cannot be distributed even if there is no requirement to form a reserve for own shares.	Art 2-98, §2
b. Is there any statutory/legal reserve?	**All corporations:** there is no legal reserve per se. However, statutory/legal reserves have to be kept depending on some accounting choices of the company (see question d.)	Civil Code, Book 2, Title 4, Art 2-204 Civil Code, Book 2, Title 5, Art 2-215
c. Is there any minimum dividend?	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: -when the start-up costs and/or the costs connected to the issuance of shares and/or development costs have been capitalized, a legal reserve of the capitalized amount must be kept. -when equity method is used to measure participating interests, the increase in value is recorded as a legal reserve (undistributable). This reserve is reduced by dividends received from the investee and by direct equity reduction. - currency translation reserve coming from participating interests cannot be distributed -revaluation reserve coming from increase in value of intangible assets, tangible assets and inventories cannot be distributed - fair value reserve coming from the measurement of financial assets that is not include in net income Indeed, under Dutch GAAP it is accepted to recognise change in fair value in net income for those assets for which frequent market quotations are available: some financial assets, agricultural inventories….	Civil Code, Book 2, Title 9, Art-2-365, §1 Civil Code, Book 2, Title 9, Art-2-389, §6 Civil Code, Book 2, Title 9, Art-2-389, §8 Civil Code, Book 2, Title 9, Art-2-390, §1 Civil Code, Book 2, Title 9, Art-2-390, §1 Civil Code, Book 2, Title 9, Art-2-384, §7
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: - OCI regarding the revaluation surplus (IAS 16 and IAS 38, IFRS 9/IAS 39) - revaluation surplus arising from the measurement of investment properties at fair value (IAS 40). Unrealised gains arising from the measurement at fair value financial assets/debts recognised in net income can be distributed.	

	- limitation when development costs are capitalized (see beyond) - Limitation when the equity method is used in the individual financial statements under IFRS (see beyond) Other OCI are not specified	
7. Can dividends per share be different depending on the types of shares?	Yes: the articles of the association may provide for the distribution of statutory interest to priority shares and preference shares. **Limited Liability companies** **Stock corporations**	Civil Code, Book 2, Title 5, Art 2-201, §3. Civil Code, Book 2, Title 4, Art 2-92, §3.
8. Are interim dividends permitted?	**Stock corporations**: yes **Limited Liability companies:** not mentioned	Civil Code, Book 2, Title 5, Art 2-201, §3.
If yes, what are the conditions to meet to distribute interim dividends?	**Stock corporations**: if the articles of the association permit it. The company must produce an interim statement of assets and liabilities that proves the existence of a distributable profit.	Civil Code, Book 2, Title 5, Art 2-201, §3.

POLAND

Main: Legal source: *Kodeks spółek handlowych (KSH)* / Polish Commercial Companies Code (*CCC*).

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	
In shares	Not explicitly mentioned in the Commercial Companies Code by seems to be accepted in practice.	
In kind	Not explicitly mentioned in the Commercial Companies Code by seems to be accepted in practice.	
2. Dividend distribution decision: which instance decides on profit allocation?	The General Assembly of shareholders	
3. What are the sanctions in case of unlawful distributions?	Shareholders who received dividends in breach of the law or the provisions of the statutes shall return them. The members of the management board or the supervisory board responsible for such undue dividends shall be jointly and severally liable with the recipient of the performance. The claims referred above shall be barred by limitation after three years from the date of the payment, except for claims against the recipient who knew of the illegality of the dividend distribution	KSH. Art.198, Art.350
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Not specified in the law but implicitly it seems that individual financial statements are the basis of dividend distribution, confirmed by EU 2015_2016-dividend distribution	EU 2015_2016-dividend distribution
5. Which GAAP can be used for individual accounts:		
-Local GAAP are mandatory for some companies and IFRS can be applied for some specific entities	Local GAAP are mandatory for all companies, except for the following which can apply IFRS to their individual financial statements: - Listed company	IFRS.org

	- Subsidiary of companies that prepare consolidated financial statements under IFRS	
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	The sums to be divided among the shareholders may not exceed net income of the year, increased by the undivided profits from previous years and by the sums drawn from the supplementary and reserves which may be distributed. That amount shall be reduced by uncovered losses, own shares and by the sums which according to the law or the articles of association should be allocated to the supplementary reserves. The premium share can be distributed	KSH. Art.192 KSH. Art.396
b. Is there any statutory/legal reserve? (if yes: details)	Yes : at least 8% of the annual profit shall be transferred to a reserve capital until such reserve reaches 1/3 of the share capital	KSH. Art.396
c. Is there any minimum dividend? (if yes: details)	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: -When the entity chooses to capitalize development costs as intangible assets, no dividend may be distributed until these costs have been fully amortized unless there are distributable reserves which cover the related amount - Revaluation reserves cannot be distributed - Reserves for own shares cannot be distributed	KSH. Art.347 (4)
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	- Yes, according to EU 2015_2016-dividend distribution, OCI cannot be distributed (they are allocated to an undistributable revaluation reserve) • OCI regarding the revaluation surplus (IAS 16 and IAS 38) • OCI regarding gains and losses on financial instruments (IFRS 9) • OCI regarding remeasurements of defined benefit plans (IAS 19) • OCI regarding Foreign Currency exchange (IAS 21) It seems that unrealised gains recognised in net income can be distributed (IFRS 9 and IAS 40). This information has been confirmed by the analysis of the individual	EU 2015_2016-dividend distribution

	accounts of a listed Polish company that applies IFRS (Santander Bank Polska). - When development costs are capitalized as intangible assets, no dividend may be distributed until these costs have been fully amortized unless there are distributable reserves which cover the related amount	
7. Can dividends per share be different depending on the types of shares?	Yes: preferred shares are created by the modification of the general shareholder rights attached to ordinary shares. The company's articles of association can modify the statutory profit distribution rule so that certain shares are preferred in terms of dividends up to 150% of dividend distributed to holders of ordinary, "un-preferred" shares.	KSH Art. 328 cont
8. Are interim dividends permitted?	Yes, the articles of association may authorise the management board to pay the shareholders an advance on the expected dividends for the financial year.	KSH. Art.194
If yes, what are the conditions to meet to distribute interim dividends?	-The company must have sufficient funds for such payment. -The approved financial report for the previous financial year shows profits. The advance may amount to not more than half of the profits earned from the end of the previous financial year, increased by the distributable reserve.	KSH. Art.195

PORTUGAL

Main legal sources: Portugal Commercial Company (1986)

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	
In shares	Not specified	
In kind	Not specified but the Commercial Company Act refers to "determination of distribution of goods" which seems to imply that distribution in kind are authorized.	Portugal Commercial Company Act, Art 31
2. Dividend distribution decision: which instance decides on profit allocation?	The General Meeting	Portugal Commercial Company Act, Art 376
3. What are the sanctions in case of unlawful distributions?	Unlawful distribution shall be repaid to the company if the shareholder was aware of should have been aware that the conditions for distribution were not met.	Portugal Commercial Company Act, Art 34
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	2015-2016 EU dividend questionnaire
5. Which GAAP can be used for individual accounts:		

IFRS are mandatory for some specific companies and cannot be applied by others (local -GAAP)	-IFRS are required for companies whose securities trade in a regulated market and that do not prepare consolidated financial statements under IFRS because they do not have subsidiaries. IFRS are permitted: - for companies whose securities trade in a regulated market and that prepare consolidated financial statements . If such a company chooses to apply Portuguese GAAP, it is required to provide additional disclosures about the effect of applying IFRS. - For companies included in the scope of consolidation of a group that applies IFRS for its consolidated financial statements - Insurance undertakings Portuguese GAAP are required in other cases (The requirement of Portuguese GAAP are different depending on the size of the companies)	IFRS.org
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	The Company act mentions profits and reserves that are non-distributable: profit of the financial year which are required to cover any losses brought forward or to form or reconstitute reserves required by law or by the articles of association Dividend distribution is not authorized when shareholders 'equity is (or would become after the distribution) less that the total of share capital and reserves that cannot legally be distributed Revaluation reserves and Share premium cannot be distributed Reserves for ow shares: reserve of an equal amount to the amount for which the shares are accounted becomes unavailable.	Portugal Commercial Company Act, Art 32 &33 Portugal Commercial Company Act, Art 285, Art 324
b. Is there any statutory/legal reserve? (if yes: details)	Yes: each year at least 5% of the net profit less previous losses. This obligation ceases when the legal reserve on the balance sheet reaches 1/5 th of the share capital. The legal reserve cannot be distributed to shareholders.	Portugal Commercial Company Act, Art 295 & 296
c. Is there any minimum dividend? (if yes: details)	Yes: half of distributable net income of the year shall be distributed unless stated otherwise in the articles of the association or in a resolution adopted by ¾ of the voting rights	Portugal Commercial Company Act, Art 294

d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	-When the entity chooses to capitalize start-up or development costs as intangible assets, no dividend may be distributed until these costs have been fully amortized or unless there are distributable reserves in an amount at least equivalent to the carrying value of the capitalised costs -When the entity chooses the equity method to value investments, the difference between the recognised income in the income statement and the dividend received from the subsidiary must be transferred to a non-distributable reserves account -The revaluation reserve cannot be distributed (it is considered as a statutory reserve)	Portugal Commercial Company Act, Art 33 Decree-Law No.218/2015, Art.3 Portugal Commercial Company Act, Art 295
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	- The 2015-2016 EU dividend questionnaire mention that those unrealised gains are partially distributable but we could not find further legal information. Following the analysis of the annual reports of 2 Portuguese companies that apply IFRS to their individual accounts (EDP and Sonaecom), it appears that OCI cannot be distributed while gains and losses recorded in net income under IFRS can be. -When development costs are capitalized as intangible assets, no dividend may be distributed until these costs have been fully amortized or unless there are distributable reserves in an amount at least equivalent to the carrying value of the costs of capital increase. -When the entity chooses the equity method to value investments, the difference between the recognised income in the income statement and the dividend received from the subsidiary must be transferred to a non-distributable reserves account	2015-2016 EU dividend questionnaire
7. Can dividends per share be different depending on the types of shares?	Yes: the articles of the association may authorize the issue of non-voting preferred shares (up to half of the share capital). These non-voting preferred shares confer the right to a priority dividend, of not less than 5% of the respective par value, to be taken from the distributable profits. The non-voting preferred shares shall, apart from this priority dividend, confer all rights inherent to common shares, except the right to	Portugal Commercial Company Act, Art 341

	vote.	
8. Are interim dividends permitted?	Yes if the articles of the association permit it.	Portugal Commercial Company Act, Art 297
If yes, what are the conditions to meet to distribute interim dividends?	The decision to pay interim dividends is made by the Board of directors, If a provisional balance sheet, certified by a legal auditor shows a distributable profit. Interim dividends must not exceed half of the distributable profit shown in the provisional balance sheet. Only one advance may be made in each financial year, and only in the second half of the financial year.	Portugal Commercial Company Act, Art 297

ROMANIA

Main legal sources: Company Law No.31/1990 amended by different laws

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	In cash	Company Law, Art.67
In shares	No mentioned in the specified law	
In kind	Not specified in the Company law but seems to be accepted according to the Tax Code and the case law	Tax Code- Law 227/2015, Article 67, alin. 1 (indice 1.1) of Company law no. 31/1990 as amended by the Law No 16
2. Dividend distribution decision: which instance decides on profit allocation?	The General meeting of shareholders decides on profit allocation	Company Law, Art. 111, alin. 2
3. What are the sanctions in case of unlawful distributions?	The dividends paid in violation of the provisions of the law shall be refunded, if the company proves that the associates were aware of the irregularity concerning the distribution or, under the existing circumstances, they had to be aware of it. "The founder, the administrator, the general director, , the member of the supervisory board or the director or the legal representative of the company is punishable by one year to five years imprisonment if: 'he receives or pays dividends in any form from fictitious profits or which could not be distributed in the absence of the annual financial statements or contrary to the results thereof.'	Company Law, Art 67 (4) Company Law, Art. 272
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Dividends are calculated based on the entity level - individual Financial Statement.	

5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and cannot be applied by others (local -GAAP)	-IFRS are mandatory for: -companies whose securities trade in public markets -all credit institutions and insurance companies (even those whose securities do no trade in public markets) Other companies must apply Romanian GAAP	Minister of Finance Order no. 1286 of 1 October 2012 for the approval of accounting regulations in line with International Standards financial reporting, applicable to companies whose securities are admitted to trading on a regulated market, published in the Official Gazette no. 687 of 4 October 2012
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Distributable profit is not specifically defined. The company Law just mentions limitations regarding share premium, own shares (see below) . The share premium (included in the reserve fund) cannot be distributed There is no requirement to form a reserves for own shares but Company Law mentions that "the payment of the shares thus purchased shall be done only out of the distributable profits or of the available reserves of the company, as registered in the last approved annual financial statement, except for the legal reserves".	Company Law, Art.183 Company Law, Art.103
b. Is there any statutory/legal reserve? (if yes: details)	Yes: "The company shall take over at least 5% of the profits every year, in order to form the reserve fund until it amounts to a minimum of a fifth part of the registered capital.	Company Law, Art.183
c. Is there any minimum dividend? (if yes: details)	No	
d. Are there restrictions to dividend distribution in line related to	Yes: If tangible assets are revalued as permitted by Romanian GAAP, no part of the reserve revaluation may be distributed unless it represents an	Order of the Minister of Finance No. 1802 of 29

certain accounting choices?	actual gain - If development costs were not fully depreciated, nothing is done for distribution from profits, unless the amount of reserves available for distribution and retained earnings is at least equal to unamortized expenditure. The same rule applies to start-up costs.	December 2014 - Part I for the approval of the Accounting Regulations on the annual and individual financial statements and the consolidated annual financial statements, Art 112, 184, 185
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: when development costs are capitalised (see above) When tangible are revalued no part of the reserve revaluation may be distributed unless it represents an actual gain. Consequently, it can be assumed that the following gains recorded under IFRS cannot be distributed: - Unrealised gains arising from assets revaluation (IAS 16, IAS 38, IAS 40) - Unrealised gains on financial instruments recognised in OCI (IFRS 9) - Unrealised gains on financial instruments recognised in net income (IFRS 9) -Foreign exchanges profits and losses (IAS 23) -Employee share schemes (IFRS 2) -Post-employment benefits (IAS 19) -Deferred taxes (IAS 12)	Order of the Minister of Finance No. 1802 of 29 December 2014 - Part I for the approval of the Accounting Regulations on the annual and individual financial statements and the consolidated annual financial statements, Art 112, 184
7. Can dividends per share be different depending on the types of shares?	Yes	
	(1) Preferential shares with priority dividend without voting right may be issued, which confer on the holder: a) the right to a dividend received on the distributable profit of the financial year, before any other leases, b) the rights granted to shareholders with ordinary shares, including the right to participate in the general meeting, except for the right to vote. (2) The shares with priority dividend, without the right to vote, may not exceed one fourth of the share capital and shall have the same nominal value as ordinary shares. (3) The administrators, the directors, respectively the directors and the supervisory board, as well as censors of the company cannot be shareholders with priority dividend without voting rights. (4) In the event of a delay in the payment of dividends, the preferential shares shall be acquired by the voting right from the due date of the obligation to	Article 95 of Company law no. 31/1990

	pay the dividends to be distributed during the following year or if the following year the general meeting decides not to be distributed dividends, starting from the date of publication of that decision of the general meeting, until the actual payment of outstanding dividends.	
8. Are interim dividends permitted?	Yes, companies can opt for quarterly distribution	Article 67, alin. 2 of Company law no. 31/1990 as amended by the Law No 163/2018
If yes, what are the conditions to meet to distribute interim dividends?	Companies that opt for quarterly distribution must prepare interim financial statements approved by the General Meeting of Shareholders or Associates (AGA), audited if the persons who prepare them opt for auditing or are required to audit the annual financial statement; The quarterly distribution of profits to shareholders may be made within the quarterly net profit, plus any retained earnings and withdrawn amounts of the reserves available at that stop, from which the retained losses and amounts deposited in reserves must be deducted. The amounts relating to interim dividend distributions must be recorded in the accounts as receivables from shareholders or associates. The dividends that are distributed and paid in addition during the financial year shall be returned within 60 days from the date of approval of the annual financial statement. Restitution is mandatory for individuals who have received dividends on a quarterly basis.	Article 67, alin. 2 of Company law no. 31/1990 as amended by the Law No 163/2018

SLOVAKIA

Main legal sources: Commercial Code Act 513/1991, Act No. 431/2002 Coll. On Accounting

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	
In shares	Not specified	
In kind	Not specified	
2. Dividend distribution decision: which instance decides on profit allocation?	The executive directors shall submit to the General Meeting of Shareholders a proposal of profits distribution. The GM decides on profit allocation.	
3. What are the sanctions in case of unlawful distributions?	According to Commercial Code "A shareholder is not bound to refund to the company any dividend accepted in good faith. In case if doubt, good faith is presumed". It is also specified that any payment made to shareholders in contrast with Commercial Code or the Articles of the association shall be refund to the company by shareholders. The executive directors who have approved such payments shall bear joint and several liabilities for the refund.	Commercial Code, Section 179 Commercial Code, Section 123
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and cannot be applied by others (local -GAAP)	IFRS required for the individual financial statements of public interest entities (PIEs), but cannot be applied by private companies in their individual financial statements (Slovakian GAAP apply). IFRS can be applied for all companies whose securities are traded in a	Act No. 431/2002 Coll. On Accounting

	regulated market and that are not PIEs. PIEs include: include banks, financial institutions, insurance companies, the stock exchange, and accounting entities that prepare consolidated financial statements of central administration or accounting entities that are municipalities, towns, or town districts that meet the following conditions: (i) total sum of assets exceeded EUR 100,000,000; and (ii) number of inhabitants exceeded 50,000. Slovakian GAAP are required in other cases.	Act No 423/2015 on Statutory Audit, Art.16
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Distributable profit = profit for the financial year less previous losses and amounts to be transferred to reserves due to legal or statutory obligations. The GM may also decide to distribute reserves. If the company holds its own shares among the assets in the balance sheet, it is required to establish a special reserve fund for the same amount, that cannot be distributed to shareholders Following a dividend distribution, shareholders' equity must remain at least equal to the share capital plus undistributable reserves according to law or the articles of the association.	Commercial Code, Section 179 Commercial Code, Section 161d
b. Is there any statutory/legal reserve? (if yes: details)	Yes: each year at least 5% of the net profit. This obligation ceases when the legal reserve on the balance sheet reaches 1/10th of the share capital. The legal reserve cannot be distributed to shareholders.	Commercial Code, Sections 67 and 124
c. Is there any minimum dividend? (if yes: details)	Not specified	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes: limitations for capitalised development costs	2015-2016 EU dividend questionnaire
e. For countries where IFRS are or can be applied for individual	- The following unrealised gains and losses recognised either in net income or in OCI cannot be distributed:	2015-2016 EU dividend questionnaire

accounts are there any specific restrictions, conditions for dividend distribution?	• Unrealised gains arising from assets revaluation (IAS 16, IAS 38, IAS 40) • fair value accounting for financial instruments (IFRS 9) • OCI regarding the gains and losses arising from translating the financial statements of a foreign operation (IAS 21) - limitations for capitalised development costs	
7. Can dividends per share be different depending on the types of shares?	Yes: it is possible to issue preference shares (maximum 50% of the total shares) without voting rights but which benefit from a preferred dividend. In this case, the preferred dividend may be different from that paid to ordinary shares	Commercial Code, Section 159
8. Are interim dividends permitted?		
If yes, what are the conditions to meet to distribute interim dividends?	No: "the company shall no pay to shareholders any advances for the account of dividend".	Commercial Code, Section 179

SLOVENIA

Main legal sources: Companies Act (ZGD-1)

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	
In shares	Not specified	
In kind	Not specified	
2. Dividend distribution decision: which instance decides on profit allocation?	The General Meeting of shareholders	Companies Act, Art.230
3. What are the sanctions in case of unlawful distributions?	In case of unlawful distribution, the shareholder is liable to repay the dividend he/she knew that it was an unlawful distribution	Companies Act, Art.233
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Individual financial statements	
5. Which GAAP can be used for individual accounts:		
-IFRS are mandatory for some specific companies and can be applied by others	Public interest entities, defined as listed companies, banks and insurances companies, are required to apply EU-endorsed IFRS in their individual financial statements. All other companies have the option to apply either IFRS or Slovenian Accounting Standards (SAS)	Companies Act, Art.54
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of	Distributable profit = profit for the financial year less previous losses and	Companies Act, Art.230

dividend distribution (net income, net income after allocation to some specific reserves…,)	amounts to be transferred to reserves due to legal or statutory obligations and amounts to be transferred to own shares reserves (if a company buys own shares during the year, it shall create own shares reserves in its balance sheet for that financial year in the amount of the sums paid to acquire own shares. The premium share (capital surplus) cannot be distributed	Companies Act, Art.64
b. Is there any statutory/legal reserve? (if yes: details)	Yes: each year at least 5% of the net profit less previous losses. This obligation ceases when the legal reserve on the balance sheet reaches 1/10th of the share capital. The legal reserve cannot be distributed to shareholders.	Companies Act, Art.64
c. Is there any minimum dividend?	No	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	If development costs are capitalised, the amount corresponding cannot be distributed. Revaluation reserves (in case of revaluation of fixed assets) cannot not distributed (except when the asset is not recognised on the balance sheet anymore)	Companies Act, Art.66, Art 67
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	The following unrealised gains and losses recognised either in net income or in OCI cannot be distributed: - unrealised gains arising from assets revaluation (IAS 16, IAS 38, IAS 40) - fair value accounting for financial instruments (IFRS 9) - IAS 19 Pensions benefits - OCI regarding the gains and losses arising from translating the financial statements of a foreign operation (IAS 21) Reserves for own shares cannot be distributed	2015-2016 EU dividend questionnaire
7. Can dividends per share be different depending on the types of shares?	Yes: preference shares can confer the right to receive priority dividends (predetermined sums or percentages of the nominal value pf the shares).	Companies Act, Art.176
8. Are interim dividends permitted?	Yes	Companies Act, Art.232
If yes, what are the conditions to meet to distribute interim dividends?	- the interim accounts show a net profit for the financial year - Interim dividend cannot exceed maximum of one half of the amount remaining from the anticipated net profit after the creation of revenue reserves in accordance with the law or the articles of association -the amount of interim dividends shall not exceed one half of the distributable profit for the previous year. If a company pays dividend in contravention of these provision, it could be fined (between 6 000 and 40 000 €)	

SPAIN

Main Legal sources: Real Decreto Legislativo 1/2010, 2 julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital (Ref. Boletín Oficial del Estado (BOE)-A-2010-10544), Last 2 modifications: November 25, 2017, December 29, 2018, hereafter LSC.

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	LSC. Art. 273, 276
In shares	Yes	LSC. Art. 303
In kind	Yes: the company can agree to distribute dividends using an asset or group of assets other than cash.	LSC Art. 276 Art. 28.7 Resolution of 3 March 2019 by the Spanish Institute of Chartered Accountants (ICAC) *In force: 1 January 2020.*
2. Dividend distribution decision: which instance decides on profit allocation?	The General Meeting of shareholders.	LSC. Art. 273.1
3. What are the sanctions in case of unlawful distributions?	Dividend reimbursement. Any distribution of dividends or interim dividends that breaches the provisions of this act (LSC) must be reimbursed by the recipient shareholders, including any legal interest as appropriate, when the company proves that such recipients were aware, or under the circumstances could not have been unaware, of the undue distribution of the dividends.	LSC. Art. 278
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Not explicitly mentioned in the LSC but it can be implicitly understood that dividend distribution is based on individual financial statements	
5. Which GAAP can be used for individual accounts:		

	-Local GAAP are mandatory for all companies	Yes	**Plan General de Contabilidad-2007** RD 1514/2007 16th November 2007 Subsequent Modifications: **Plan General de Contabilidad-2010** RD 1159/2010 17th September 2010 **Plan General de Contabilidad-2016** RD 602/2016 2nd December 2016.
	6. Are there any conditions/restrictions for dividend distribution for corporations	Yes	
a.	Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	Dividends may only be drawn on the year's profits or freely available reserves after meeting the requirements laid down by law and in the by-laws, and if the value of the corporate equity is not, or as a result of such distribution would not be, less than the company's capital. (In the event of losses in preceding years that reduce the corporate equity to less than the company's capital, profits shall be used to offset such losses). **For non-listed companies only**: Right of exit due to failure to distribute dividends. After the fifth year from the date of the company's registration on the Companies Register, any partner who voted in favour of distributing the corporate dividends shall have the right to exit, in the event that the general meeting does not agree to distribute at least one third of the legally distributable profits arising from the company's main business activities during the previous financial year.	LSC. Art. 273.2 LSC. Art. 348Bis
b.	Is there any statutory/legal reserve? (if yes: details)	Yes: an amount equal to 10% of the profit for the year shall in any event be earmarked for the legal reserve until such reserve represents at least 20% of	LSC. Art. 274

	the capital. Voluntary reserves (made by the company at its own discretion). Special reserves (appropriated to comply with any mandatory legal requirement, other than the reserves recognised in other reserve accounts; i.e.: reserves for parent company shares or equity holdings, statutory reserves, redeemed capital reserves, goodwill reserve, or reserves for own shares accepted as collateral).	 Plan General de Contabilidad-2016
c. Is there any minimum dividend? (if yes: details)	No, but for non-listed companies, Art.348Bis could imply a minimum dividend.	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	Yes Profit distribution shall likewise be prohibited if the amount of the distributable reserves comes to less than the sum of the research and development expenses shown as assets on the balance sheet. Profit distribution. Once the requirements provided by the laws or bylaws have been covered, dividends may only be distributed with charge to the distributable profit if the value of the net assets is not or, as a result of the distribution, does not turn out to be less than the capital. The profits directly attributable to equity (adjustments for positive changes in value and grants, donations and legacies recognised directly in equity), may not be directly or indirectly distributed and, therefore, will be reduced from the amount of equity.	LSC. Art. 273.3 Art. 28.2 Resolution of 3 March 2019 by the Spanish Institute of Chartered Accountants (ICAC) *In force: 1 January 2020.*
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Not applicable.	
7. Can dividends per share be different depending on the types of shares?	Yes: **Preference dividends:** Holders of non-voting stakes or shares shall be entitles to receive the minimum yearly dividend, whether fixed or variable, established in the by-laws. Once the minimum dividend has been approved, the holders of non-voting stakes or shares shall be entitled to the same dividend as paid for ordinary stakes or shares.	 LSC. Art. 99, Art 499

8. Are interim dividends permitted?	Yes	
If yes, what are the conditions to meet to distribute interim dividends?	The distribution of interim dividends among shareholders shall only be approved by the general meeting or by the directors when the following conditions are met: a) The directors shall prepare a statement of accounts confirming the existence of sufficient cash to pay the interim dividend. This statement must be subsequently included in the notes to the financial statements. b) The amount to be distributed shall not exceed the amount resulting from deducting from the earnings booked since the end of the last year, the sum of previous years' losses, the amounts earmarked for the reserves required by law or the articles of association, and the estimated tax due on the aforesaid earnings.	LSC. Art. 277

SWEDEN

Main legal sources: *ABL (Sw. AktieBolagsLagen, Eng. Companies Act) is the law that regulates profit distribution from limited liability companies.
**ÅRL (Sw. ÅrsRedovisningsLagen, Eng. Financial Reporting Act) is the law that regulates the preparation and presentation of financial statements.

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Legally allowed	ABL*, Ch. 17, §§ 1-2
In shares	Legally allowed	ABL, Ch. 17, §§ 1-2
In kind	Legally allowed	ABL, Ch. 17, §§ 1-2
2. Dividend distribution decision: which instance decides on profit allocation?	Only the General Meeting of shareholders can decide on profit allocation	ABL, Ch. 18, § 1
3. What are the sanctions in case of unlawful distributions?	In the case of illegal distributions, the amounts distributed must be paid back to the company. The recipient is obliged to pay back, if he or she did know, or should reasonably have known, that the distribution was illegal. If the amount is not paid back in full by recipients, those that are part of the decision and execution of the distribution are responsible for covering the loss. This includes board members, CEO, auditors and owners.	ABL, Ch. 17, §§ 6-7
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Primarily, dividends are limited by equity in the individual FS. There is regulation that quantitatively specifies which parts of equity in individual FS that is restricted and which parts can be distributed as dividends (see question 6 below). In addition, there is principles-based regulation stating that the amounts of dividends should be "reasonable" given the operations of the company. The principles-based regulation also applies to the entire group for parent company dividends.	ABL, Ch. 17, § 3
5. Which GAAP can be used for individual accounts:		

-Local GAAP are mandatory for all companies	Local GAAP is mandatory for all individual FS. This is due to the strong link between FS and taxation in Sweden.	ÅRL**, Ch. 7, §§ 32-33
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	The main rule states that everything but the share capital is distributable as dividends. Consequently, all of net income (and additional paid-in capital) is distributable (with some restrictions, see below). A company can hold its own shares and the Company Act does not mention any restriction in terms of dividend.	ABL, Ch. 17, § 3 ÅRL, Ch. 3, § 10a
b. Is there any statutory/legal reserve? (if yes: details)	Before 2006, there was a mandatory requirement to allocate 10% of net income to a non-distributable legal reserve. There is no longer any such requirement, but legal reserves created before 2006 could remain, and are still non-distributable.	ÅRL, Ch. 3, § 10a
c. Is there any minimum dividend? (if yes: details)	No.	
d. Are there restrictions to dividend distribution in line related to certain accounting choices (under local GAAP)?	There are three such restrictions: • Swedish local GAAP allows for the revaluation of fixed assets. However, the revalued amount must be entered into restricted equity, and is therefore not distributable. • Swedish local GAAP allows for the capitalisation of research and development costs. The capitalised amount is part of restricted equity, and not distributable. • Companies have an option to apply the equity method to investments in associates in individual FS. Any increase in value of such investments is taken to restricted equity, and cannot be distributed	ÅRL, Ch. 3, § 10a ÅRL, Ch. 4, §§ 2 and 6 ÅRL, Ch. 4, § 13a ÅRL, Ch. 7, §§ 26 and 28
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Not applicable.	

7. Can dividends per share be different depending on the types of shares?		
	Yes, as long as it is stated in the company's articles of association.	ABL, Ch. 4, § 2
8. Are interim dividends permitted?		
If yes, what are the conditions to meet to distribute interim dividends?	Yes, but it cannot exceed distributable equity at the latest year-end, and any changes in non-distributable equity after year –end must be considered.	ABL, Ch. 17, § 4

UNITED KINGDOM

Main legal sources: Companies Act 2006,

	Answer	Legal source
1. What are the different types of dividend distribution?		
In cash	Yes	Companies Act 2006, Art.829
In shares	Yes: the Companies Act does not precisely mention this case but specifies that distribution" means every description of distribution of a company's assets to its members, whether in cash or otherwise, subject to some exceptions e.g. an issue of shares as fully or partly paid bonus shares, or the reduction of share capital.	Companies Act 2006, Art.829
In kind	Yes (see below)	Companies Act 2006, Art.829
2. Dividend distribution decision: which instance decides on profit allocation?	The Directors recommend dividend payments: the Directors' report must state the amount (if any) that the directors recommend should be paid by way of dividend, implying that the general meeting of the shareholders ultimately makes the decision.	Companies Act 2006, Art.416
3. What are the sanctions in case of unlawful distributions?	If at the time of the distribution the member knows or has reasonable grounds for believing that it is so made, he is liable: (a) to repay it to the company, or (b) in the case of a distribution made otherwise than in cash, to pay the company a sum equal to the value of the distribution at that time. Directors may, in some circumstances, become personally liable if they authorise an unlawful distribution which cannot be recovered.	Companies Act 2006, Art.847
4. From a legal point of view, are dividends calculated based on the entity level (individual FS) or at the group level (consolidated FS)?	Dividend distribution is made with reference to a company making this act, so, relevant understanding of this phrasing implies that dividends should be calculated at the entity level (individual financial statements)	
5. Which GAAP can be used for individual accounts:		
-Both Local GAAP or IFRS can be	Yes	IFRS.org

applied		
6. Are there any conditions/restrictions for dividend distribution for corporations		
a. Basis for the calculation of dividend distribution (net income, net income after allocation to some specific reserves…,)	A company's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made. **For stock corporations**: there can be made a distribution only if the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves, and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate. When a stock corporation holds its own shares shown in the assets on the balance sheet, an amount equal to the value of the shares must be transferred to a reserve fund that cannot be distributed **Specific rules for investment companies**: An investment company may make a distribution out of its accumulated, realised revenue profits if the following conditions are met: -its accumulated, realised revenue profits, so far as not previously utilised by a distribution or capitalisation, exceed its accumulated revenue losses (whether realised or unrealised). -After the distribution, the amount of its assets is at least equal to one and a half times the aggregate of its liabilities to creditors.	Companies Act 2006, Art.830 Companies Act 2006, Art 831 Companies Act 2006, Art 669 Companies Act 2006, Art 832
b. Is there any statutory/legal reserve? (if yes: details)	No but there are undistributable reserves: -Share premium account - Capital redemption reserve (when a public company buybacks its shares below the nominal value and cancels them, the difference is recorded as a capital redemption reserve) -Accumulated unrealised profits	Companies Act 2006, Art 831
c. Is there any minimum dividend? (if yes: details)	No	
d. Are there restrictions to dividend distribution in line related to	Yes: only realised profits can be distributed. As a consequence unrealised profits that may be accounted for under UK GAAP cannot be distributed. The	Companies Act 2006, Art.830 ICAEW: "TECH 02/10

certain accounting choices (under local GAAP)?	underlying principle is that profits are treated as realised only when realised in the form of cash or other assets the ultimate cash realisation of which can be assessed with reasonable certainty. In this context, 'realised' may encompass profits relating to assets that are readily realisable. Another important principle is that in assessing whether a company has a realised profit, transactions and arrangements should not be looked at in isolation. A realised profit will arise only when the overall commercial effect on the company is such that the definition of a realised profit is met. TECH 02/10 gives examples of realised profits and realised losses Profits and losses that not meet the underlying principle are considered as unrealised. When development costs are capitalised they are regarded as realised losses, implying a limitation on dividend distribution. When tangible and intangible assets are measured at fair value, the change in fair value (gain) is regarded as non-realised. The same applies to investment properties When financial assets are measured at fair value, the change in fair value (gain) is considered as realised when the financial asset is "readily convertible to cash" implying that: the financial instrument is traded in an active market or hat it is valued using a valuation technique whose variables include only data from observable markets. The recognition of a deferred tax asset is considered as an unrealised profit. Unrealised accumulated profits that cannot be distributed have to be reported separately	Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006" Companies Act 2006, Art.844
e. For countries where IFRS are or can be applied for individual accounts are there any specific restrictions, conditions for dividend distribution?	Yes: like for companies applying UK GAAP, only realised profits can be distributed. For all cases when IFRS enable or require unrealised gains or losses to be accounted for, the underlying principle quoted above applies: -Assets revaluation (IAS 16, IAS 38, IAS 40) - fair value accounting for some financial instruments (IFRS 9) -Foreign exchanges profits and losses (IAS 23) in most cases -Employee share schemes (IFRS 2) -Post-employment benefits (IAS 19) -Deferred taxes (IAS 12)	ICAEW: "TECH 02/10 Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006

	Unrealised accumulated profits that cannot be distributed have to be reported separately	
7. Can dividends per share be different depending on the types of shares?	Preference shares are not mentioned in the Companies Act 2006. However Art.629 mentions different classes of shares that could be decided in the company's articles. TECH 02/10 explicitly mentions preference shares with specific rights to dividend.	Companies Act 2006, Art.629 ICAEW: "TECH 02/10 Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006"
8. Are interim dividends permitted?	Yes	Companies Act 2006, Art.838
If yes, what are the conditions to meet to distribute interim dividends?	Existence of interim accounts. A public company must comply with the following requirements: -The accounts must have been properly prepared - The balance sheet comprised in the accounts must have been signed by on behalf of the board by one of the director of the company - A copy of the interim accounts must have been delivered to the registrar of companies	Companies Act 2006, Art.838