

## ***Voting of Special Contribution for Defence law amendment for the exemption of profits from Deemed Dividend Distribution in the case of reorganisations***

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### ***In brief***

On 16 December 2015 the House of Representatives voted a law amendment which clarifies that profits generated within the scope of a reorganisation are exempt from the Deemed Dividend Distribution provisions.

Such profits will be included in the profits which are subject to Deemed Dividend Distribution at a subsequent stage in cases of direct or indirect sale of assets which were transferred to the receiving company during the reorganisation.

### ***In detail***

#### ***Enacted law amendment***

##### ***Special contribution for Defence***

In accordance with the amendment, the deemed distribution provisions will not be applied on profits generated as a result of a reorganisation which falls within the provisions of the Income Tax Law.

Profits which are exempt on the basis of the above provision will be included in the profits which are subject to the deemed distribution provisions at a subsequent stage to the extent they become

realised as a result of a disposal by the receiving company of the assets which were transferred during the reorganisation, direct (and, subject to conditions, indirect) disposal of the shares in the receiving company that were acquired during the reorganisation, or reduction of capital issued during the reorganisation.

The above provision will be effective from the date of its publication in the Official Gazette of the Republic.

##### ***PwC Observation***

Based on the wider tax framework, a deferral of taxation applies on reorganisations.

The above amendment clarifies that the deferral of taxation applies in relation to the deemed distribution provisions as well.

##### ***The takeaway***

The legislation with regards to reorganisations is clarified.

**Let's talk**

For an in-depth discussion of how these proposals might affect you or your business, please contact:

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