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HUNGARY

LEGAL NEWS

OVERVIEW OF RECENT LEGAL AMENDMENTS, NEW LAWS AND REGULATIONS

New digital signature required for company representatives in 2025

Until the end of December 2024, Act CXXX of 2016 on the Code of Civil Procedure (the "**CCP**") included the "document authentication service traced back to identification", which made it possible to create electronic private documents with full probative value by having them digitally signed by the parties to the contract or making a statement.

As of 1 January 2025, the legislator repealed the provisions of the CCP relating to the above-mentioned service. Based on the new regulatory concept, private individuals can create private electronic documents with full probative value with a new electronic signature promised to be available soon in the Digital Citizenship Program (DÁP) application, but the use of the signature in the representation of legal entities is not allowed.

For this reason, if a business enterprise wishes to establish its written representation by means of an electronic signature in the future, it will be necessary to conclude a contract with one of the authorised service providers for the creation of an electronic signature in accordance with the EU Regulation on Electronic Identification and Trust Services (EIDAS).

Changes in the code numbers assigned to the activities of business associations

The uniform sectoral classification of economic activities has changed as of 1 January 2025. As part of the change, the categories were expanded, from the previous 21 branches to 22 branches. A further change is that some sectors have been split into two, others have ceased to exist, and in the future the statistical classification will not be based on the form/channel of sale, but on the product sold and the intermediary activities will be listed under a separate code within each of the sectors concerned.

At the same time as the classification system changes, the related nomenclatures also change. The legal basis for the change is set out in Regulation (EC) No 1893/2006 of the European Parliament and of the Council establishing the NACE Revision 2 statistical classification of economic activities, as amended by European Commission Delegated Regulation (EU) 2023/137 (the so-called NACE Regulation).

In order to reduce the administrative burden of organizations/self-employed persons, the Hungarian Central Statistical Office (the "HCSO") set a main activity code for each organization/self-employed person in accordance with the new classification system. In addition, the HCSO has transferred the new main activity codes of private individuals with tax numbers, sole proprietors, organisations subject to or not subject to company registration, and civil society organisations to the National Tax and Customs Administration, while the new main activity codes of budgetary bodies have been transferred to the Hungarian State Treasury, which organisations will pass them on to other public official registers after entering the relevant codes in their own registers.

From 31 January 2025, all registers contain the main activity codes according to the new classification system. Of the other activity codes, the codes of private individuals with tax numbers, sole proprietors, organisations subject to or not subject to company registration, and civil society organisations that can be clearly reclassified into the new system were translated by the tax authority on the basis of the official translation key until 31 January 2025. However, if other activities are separated into several codes according to the new classification, organisations/self-employed persons are obliged to notify the registration authority of the change by 1 July 2025.

If the organisation/self-employed person does not amend or modify its codes by 1 July 2025, it means that it has formally accepted its codes established according to the new classification system.

New labour rules

From January 2025, the Labour Code has been amended as follows:

Paternity leave

Until now, paternity leave could be taken within 2 months, but this period will now be changed to 4 months after childbirth. During the 4-month period, fathers can continue to take leave in a maximum of two instalments, and they still do not have to notify their employer thereof at least 15 days in advance of the start of paternity leave. From now on, the employment contract of managers cannot be terminated by notice during the period of paternity leave.

Working on election days and on public holiday

From 2025, employees whose working hours – including possible overtime – exceed 8 hours on election days will be exempt from the obligation to work for a maximum of two hours. An absence pay is payable for the two-hour period of exemption.

Another exceptional case is regulated by the new norm for working on a public holiday. If employees work overtime on this day, they will only be entitled to the 100% extraordinary work wage supplement in addition to the public holiday bonus, and the rules of extraordinary work performed on rest days cannot be applied in the future, so the amount of the supplement cannot be reduced, especially by providing another rest day.

Occupational safety

From 2025, employers will be obliged to store the documents prepared by occupational safety professionals in paper form or in electronic form up to date so that employees and their representatives can access them. Occupational safety documents must not only be stored and made available but must also be periodically reviewed. In the future, inspections will be carried out not only by persons with specialized qualifications and occupational safety qualifications, but also by specialized occupational safety experts.

Furthermore, from 2025, employers may initiate the payment of the imposed occupational safety and health fine in instalments within the deadline for the payment of the fine, with appropriate justification.

Increasing the VAT exemption threshold

The threshold entitling to opt for tax exemption for VAT has been increased from HUF 12 million (approx. EUR 29,400) to HUF 18 million (approx. EUR 44,000). The higher threshold can be applied retroactively from 1 January 2025.

One of the important consequences of a taxpayer's retroactive choice of tax exemption is that it loses its right to deduct input tax retroactively for the period in question. Thus, if the taxpayer has filed a VAT return in which it exercised the right to deduct tax until the retroactive opt-out of the tax-exemption, it must also correct the tax deducted.

In addition, taxpayers who have opted for cash flow accounting until the end of 2025 and then exercise the option to opt for the tax exemption retrospectively, given that cash flow accounting is not applicable in the case of tax exemption, will lose their right to cash flow accounting retroactively for the year 2025.

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ROMANIA

LEGAL NEWS

OVERVIEW OF RECENT LEGAL AMENDMENTS, NEW LAWS AND REGULATIONS

New FDI screening guidelines

The Romanian Competition Council has made a significant stride toward enhancing clarity in foreign direct investment (FDI) screening by publishing a new set of guidelines. The formal codification of existing practices marks a step toward greater transparency and predictability.

Investments under Romania's FDI regime

The Romanian FDI regime covers a broad spectrum of investments:

- acquisitions of control or decisive influence;
- minority interests acquisitions that allow effective participation in management, such as appointing board members, executives, or even observers with access to commercially sensitive information;
- expansion of capacities or production, entry into new business lines for existing investors;
- certain internal restructurings.

Key highlights of the Guidelines

1. Investment value calculation

The Guidelines now clarify that the investment value must account for all funds made available by the investor in the context of a transaction. This includes both cash and non-cash considerations (e.g., assets, shares, debt conversions, relief, services, or other in-kind contributions), all valued at fair market price, as follows:

- Share deals: total price paid for shares and any additional capital brought to the target company.
- Share capital increases, contributions, or debt-to-capital conversions: full value of the contribution.
- In-kind (non-cash) investments: fair market value as determined by the investor.
- Loans or financing provided by the investor: includes both principal and interest.
- Multi-step transactions: cumulative value of prior acquisitions or contributions until a filing is triggered.
- Multi-jurisdictional deals: if no specific local valuation is assigned to the Romanian entity or assets, the valuation provided by the parties will be used; otherwise, the global deal value will apply.
- Publicly traded securities: investment value determined based on the stock exchange price on the day before filing (or the latest publicly traded price).

2. Filing based on preliminary agreements

The Guidelines confirm that investors may file based on preliminary agreements, such as a Memorandum of Understanding (MoU) or Letter of Intent (LoI), rather than waiting for a signed Sale and Purchase Agreement (SPA). To qualify, the document must outline key details, including the parties involved, transaction scope, pricing, and financing structure.

3. Definition of control

The Guidelines reaffirm that the concept of "control" aligns with merger control rules, meaning that acquiring negative control also constitutes a trigger.

New obligations for employers regarding the hiring of disabled workers

Starting 28 January 2025, a new regulation introduces additional compliance and reporting obligations for Romanian companies with at least 50 employees regarding the employment of persons with disabilities.

Under the existing Law No. 448/2006, businesses of this size were already required to ensure that at least 4% of their workforce consisted of disabled individuals or, alternatively, make monthly contributions to the national Disability Fund. However, the legal framework has been updated through Emergency Ordinance No. 127/2024, bringing stricter measures, and implemented through Order No. 28/2025.

Mandatory recruitment efforts

Employers must actively seek to hire disabled individuals by reaching out to at least three nongovernmental organizations (NGOs) that specialize in services for people with disabilities. A standardized request form, provided in Annex 1 of Order No. 28/2025, must be submitted to these NGOs within 10 days of reaching the 50-employee threshold.

Companies must also provide evidence of this request to both the National Authority for the Protection of the Rights of Persons with Disabilities (ANPDPD) and the appropriate employment agency—either a county-level agency (AJOFM) or the Bucharest employment office, depending on their headquarters' location.

Once notified, the selected NGOs are responsible for informing individuals with disabilities about job openings, job requirements, working conditions, and employer contact details to facilitate recruitment.

Annual reporting requirements

Each year, by 31 January, companies with at least 50 employees must submit an annual report to ANPDPD and the relevant employment agency, in the format provided by Annex 2 of Order No. 28/2025. This report must include:

- the total number of approved and existing positions in the previous year;
- the number of vacant positions over the past year;
- job titles occupied by employees with disabilities;
- the total number of disabled employees ;

- employment criteria for each of these roles.

Compliance and penalties

Although the new regulation does not specify penalties for failing to meet the reporting requirements, companies must still comply with the general legal framework regarding the employment of persons with disabilities. Businesses that fail to meet the 4% employment quota must:

- make monthly payments to the state budget equal to the gross minimum national salary multiplied by the number of unfilled positions designated for disabled individuals, or
- allocate at least 50% of this amount to the state budget while using the remainder to purchase goods or services from authorized protected units that employ persons with disabilities.

Online procedure for the sale of agricultural land located extra muro

Until 1 March 2025, data in the Sole National Register Application for the registration of the transfer and destination of agricultural land located extra muros (the "Sole Register") was recorded electronically while simultaneously completing offline procedures at the competent territorial administrative units. Starting from 1 March 2025, only electronic registrations through the Sole Register application will be permitted.

Implementation of NIS2 Directive

To strengthen cybersecurity across key sectors, Romania has transposed Directive (EU) 2022/2555 (NIS2) into national legislation through Government Emergency Ordinance no. 155/2024 (GEO 155/2024) adopted on 31 December 2024.

Scope of application

GEO 155/2024 classifies entities into two main categories—essential and important—each subject to specific obligations:

(i) Essential entities include those operating in energy (electricity, district heating and cooling, oil, gas, hydrogen), transport (air, rail, water, road), banking, financial markets, healthcare, drinking water, wastewater, public administration, and space. Entities involved in digital infrastructure and ICT service management face even stricter obligations.

(ii) Important entities span a range of industries, such as postal and courier services, waste management, chemicals, food production and distribution, medical devices, manufacturing of electronics, electrical equipment, transport equipment, and digital services, including online marketplaces, search engines, and social media platforms.

While NIS2 and GEO 155/2024 primarily apply to medium and large enterprises, smaller entities with a critical role in their sector may also be subject to compliance requirements.

Compliance requirements

Entities falling under the scope of NIS2 and GEO 155/2024 must comply with several obligations, including:

- Implementing robust technical, operational, and organizational measures to manage cybersecurity risks and mitigate potential incidents;

- Registering with the Romanian National Cybersecurity Directorate (DNSC), the designated regulatory authority;
- Conducting regular cybersecurity audits and submitting findings to the DNSC;
- Reporting cybersecurity incidents within 6 to 24 hours and notifying affected individuals or partners when required;
- Ensuring management undergoes cybersecurity training and that cybersecurity decision-makers operate independently from IT operations.

Sanctions for non-compliance

Failure to meet the requirements of GEO 155/2024 can result in significant financial penalties. Essential entities may face fines of up to EUR 10 million or 2% of their annual global turnover if it is higher. Important entities could be fined up to EUR 7 million or 1.4% of their annual global turnover if it is higher.

Additionally, NIS2 and GEO 155/2024 introduce personal liability for management-level individuals in cases of non-compliance.

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CROATIA

LEGAL NEWS

OVERVIEW OF RECENT LEGAL AMENDMENTS, NEW LAWS AND REGULATIONS

Facilitated representation for patent and trademark representatives from the European Economic Area

The latest amendment to the Act on Representation in the Intellectual Property Rights Field which entered into force on 11 February 2025 introduces the possibility for individuals from the European Economic Area (EEA) to perform patent and trademark representative activities in Croatia. Under the new provisions, a foreign natural person from an EEA country can now apply to the Croatian State Intellectual Property Office for recognition of their professional qualifications, eliminating the need to take a local professional examination in Croatia.

To qualify, applicants must meet several key requirements: they must have a residence either in Croatia or another EEA member state, and they must present proof of professional competence issued by the relevant authorities in their home country, demonstrating that they meet the necessary qualifications for practicing as a patent or trademark representative.

Furthermore, the amendment introduces a new provision allowing EEA patent and trademark representatives to work temporarily in Croatia. Before starting their activities, these representatives must notify the Croatian State Intellectual Property Office in writing. The notification should include proof of EEA citizenship and residence, confirmation of the acquired professional qualification, and a statement affirming that they are authorized to practice as a representative in their home country without restrictions.

Introduction of instant credit transfers

New amendments of the Electronic Money Act and Payment System Act entered into force on 17 January 2025, introducing novelties needed to align their provisions with the Regulation (EU) 2024/886 of 13 March 2024 (Instant Payments Regulation).

The amendments ensure the execution of so-called instant credit transfers, i.e. fast payments in euro that are carried out within 10 seconds, 24 hours a day, on any calendar day. Namely, instant credit transfers in euro enable the approval of funds to the payee's account in a few seconds at any day of the year.

Act on the implementation of Regulation (EU) 2022/2554 on digital operational resilience for the financial sector

New Act on the implementation of Regulation (EU) 2022/2554 on digital operational resilience act (DORA), entered into force on 17 January 2025. Under the Act, the competent authorities responsible for implementation and supervision of DORA in Croatia will be the Croatian Financial Services Supervision Agency ("HANFA") and the Croatian National Bank ("HNB"). HNB will be responsible for the

supervision of credit institutions (banks), and HANFA will provide supervision for other subjects from the financial sector, such as investment fund management companies, crypto-asset related service providers, insurance and reinsurance companies, insurance and reinsurance intermediaries, unless they are micro, small or medium-sized enterprises.

According to the Act, the competent authorities may impose a fine on legal entities under their supervision for violating the provisions of DORA which cannot exceed 3% of their total annual revenue, based on their most recent financial statements. Additionally, a fine up to EUR 15,000 may be imposed on the responsible person in the legal entity for the same non-compliance.

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SERBIA

LEGAL NEWS
OVERVIEW OF RECENT LEGAL AMENDMENTS, NEW LAWS AND REGULATIONS

Proposed changes to the Company Law

As part of the ongoing process of harmonizing with the legal framework of the European Union, the Serbian Ministry has proposed extensive amendments to the Company Law, with a particular focus on cross-border mergers and acquisitions. These changes mark a step toward integrating domestic companies into the EU single market.

The proposed amendments aim to align Serbia's corporate legislation with EU directives, particularly in cross-border corporate transformations, the European Company (Societas Europea – SE), and the European Economic Interest Grouping (EEIG). If adopted, the new provisions would come into effect on 1 January 2027.

This legislative shift is of strategic importance for Serbia's economy, as it creates a more robust legal framework to facilitate easier operations, partnerships, and expansion of Serbian companies across EU markets. It also fulfils an obligation to incorporate EU corporate law into the national legal system, where current domestic legislation has not yet been aligned.

Cross-border mergers

Cross-border mergers are now more precisely defined as structural transformations involving at least two companies—one registered in Serbia and the other as a capital company established in an EU member state or a signatory of the European Economic Area Agreement. A similar approach applies to cross-border amalgamations, in which two or more companies merge by forming a *new entity* that absorbs all assets and liabilities, with the original companies ceasing to exist without undergoing liquidation.

The new law strengthens legal certainty for businesses and investors, offering a clearer and safer path for cross-border growth and cooperation. However, certain restrictions are in place—cooperatives, even if legally treated as capital companies under the laws of other member states, cannot participate in cross-border mergers. The same applies to investment fund management companies and investment funds themselves.

European Company (SE)

The draft law also introduces the possibility to establish a European Company (Societas Europea – SE) through mergers or by forming a holding company. SE is a legal structure recognized across the EU that allows companies to operate under a unified framework in multiple member states. The minimum share capital required to establish an SE is EUR 120,000 (in dinar equivalent).

Following the establishment, deletion, or transfer of the registered office of a European Company, Serbia's Business Registers Agency must notify the Office for Official Publications of the European

Communities within one month for publication in the EU's Official Journal. This increases transparency and facilitates access to relevant corporate data at the European level.

European Economic Interest Grouping (EEIG)

The amendments also regulate the establishment of a European Economic Interest Grouping (EEIG), a legal entity founded by at least two companies, entrepreneurs, or other legal/natural persons engaged in business or agricultural activities. At least one member must be registered in Serbia and another in an EU member state.

The primary purpose of the EEIG is to support, coordinate, and represent the economic interests and activities of its members. It does not carry out independent economic activities, nor is profit-making its goal. All operations performed by the EEIG are intended to be ancillary to the activities of its members.

The law also clearly outlines what an EEIG cannot do—it may not manage or supervise the business operations of its members or other companies, particularly in areas such as employee relations, finances, or investments.

These proposed amendments modernize Serbia's corporate legal landscape and lay the groundwork for deeper integration with the European Union. By enabling cross-border corporate transformations and recognizing European legal entities such as SE and EEIG, Serbia becomes a more attractive and competitive environment for investment and regional cooperation.

If adopted, the new provisions are set to enter into force on 1 January 2027.

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MONTENEGRO

LEGAL NEWS

OVERVIEW OF RECENT LEGAL AMENDMENTS, NEW LAWS AND REGULATIONS

Crypto regulation

In February 2025, the Montenegrin Parliament passed key amendments to its Anti-Money Laundering (AML) legislation, moving to align the country's legal framework with guidance from the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and the OECD.

A major highlight of the new provisions is the introduction of Montenegro's first formal regulation of crypto assets and related activities. This step follows recommendations issued by MONEYVAL and corresponds with the Financial Action Task Force (FATF) Recommendation No. 15, which deals with virtual assets and service providers. The updated law is intended to provide legal clarity and reduce ambiguities, thereby encouraging innovation and greater market stability.

The amendments introduce a clear definition of crypto assets, describing them as digital representations of value or rights, transferable and storable through distributed ledger technology (DLT) or similar platforms. This includes assets such as electronic money tokens.

Alongside the definition, the law outlines various services related to crypto assets, such as: safekeeping and administration of crypto assets for clients, operating crypto asset trading platforms, converting crypto assets into fiat currency, exchanging one type of crypto asset for another and executing orders involving crypto assets on behalf of clients.

The Capital Market Commission will oversee a digital registry of all service providers in the crypto space.

To promote broader engagement, both domestic and international individuals and legal entities are eligible to offer these services. Rather than requiring licenses or permits, the new framework imposes only a registration requirement, simplifying entry into the sector. This registration process is intended to be largely procedural and non-restrictive.

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BOSNIA AND HERZEGOVINA

LEGAL NEWS

OVERVIEW OF RECENT LEGAL AMENDMENTS, NEW LAWS AND REGULATIONS

Temporary amendments to the Income Tax Law

The Government of Bosnia and Herzegovina has proposed amendments to the Income Tax Law, proposing to add an item which reads: " Income that is not included in income from dependent activity and is not subject to taxation includes: *monetary compensation to an employee as part of the salary for work performance, in accordance with applicable labour regulations, up to 200.00 KM per month, for the period from the date of entry into force of this law until 31 December 2025*."

According to the amendment, the goal is to mitigate economic pressures on both workers and businesses. However, despite its positive intent, the proposal intersects uneasily with current labour regulations.

Under Article 75 of the FBiH Labor Law, employee compensation consists of a base salary, a performance-based component, and additional statutory allowances. Importantly, performance-based pay must be defined through collective agreements, general acts, or internal workplace rules. But with the general collective agreement no longer in force in FBiH, many employers are left to rely on internal rules — which aren't legally required for companies with fewer than 30 employees.

This creates a legal gray zone: small employers, who are not obliged to formalize salary structures, may struggle to define or isolate "performance bonuses" in a way that meets the requirements for tax exemption.

Even for larger employers with established workplace rules, the absence of uniform definitions and enforcement mechanisms makes consistent application difficult.

Critics have pointed out that there is no clear legal rationale for exempting bonuses while continuing to tax base salaries — especially when bonuses are often paid as part of regular compensation.

Introduction of mandatory E-invoicing

Bosnia and Herzegovina is taking a major step toward modernizing its tax system through the introduction of a new legislative proposal focused on combating tax evasion and enhancing business transparency. The new bill mandates the use of electronic invoicing and real-time reporting across all business transactions — including business-to-business (B2B), business-to-government (B2G), and business-to-consumer (B2C) dealings.

At the heart of the legislation is the creation of a legal and technical framework to support the digitization of the invoicing process. By doing so, authorities intend to improve oversight and close loopholes that allow for tax fraud. Although the law sets a strong foundation, specific implementation details — such as deadlines and technical specifications — are still pending and will be addressed in forthcoming secondary legislation.

One of the cornerstones of this reform is the standardization of what constitutes an electronic invoice. Under the proposed law, an e-invoice is defined as a digitally structured document that is issued and received in a format that enables automated processing without the need for manual handling. To align with EU practices, all electronic invoices must conform to current European standards and include a digital signature to ensure their authenticity and integrity.

In addition, each invoice will be required to carry a unique identifier — such as a verification number or QR code — enabling instant verification through a centralized system. This centralized platform will allow taxpayers, auditors, and tax authorities to easily access and confirm the legitimacy of issued invoices. Furthermore, businesses will be obligated to store these electronic documents for a minimum of 11 years to ensure availability for audits and inspections.

The law differentiates between types of business transactions, introducing specific platforms to handle each category:

1. **For B2B and B2G transactions**, businesses must utilize the *Central Platform for Fiscalisation (CPF),* which will handle invoice issuance, data transmission, payment management, and enable end-users to review transaction details.
2. **For B2C transactions**, companies will rely on certified *Electronic Fiscal Systems (EFS)*, which include devices and software such as *Electronic Transaction Recording Tools (ESET)* designed to issue and report consumer invoices.

To encourage compliance, the law also introduces a tiered penalty system. Companies that fail to issue e-invoices in accordance with the regulation may face sanctions ranging from fines to limitations on conducting business. The severity of the punishment will depend on the extent and nature of the violation.

This legislative shift represents a major overhaul in how Bosnia and Herzegovina oversees tax reporting and collection. By embracing digital invoicing, the country aims to foster a more efficient, transparent, and fair business environment while strengthening the capacity of its tax authorities to detect and prevent financial irregularities.

Minimum wage change

As a part of broader efforts to improve living conditions and align with the country's economic progress, Bosnia and Herzegovina has confirmed that the national minimum wage will rise to KM 1,000 (approx. EUR 511) in 2025.

Several factors are influencing the direction of minimum wage policy in Bosnia and Herzegovina. Economic growth is a central element in determining wage levels. According to current projections, GDP growth is expected to reach 3.5% by 2025, driven primarily by the IT sector, tourism, and manufacturing. Secondly, foreign direct investment is also anticipated to rise by 15% annually, providing additional momentum for wage reform.

Wage policy is also shaped by national and international political contexts. The government has reiterated its commitment to raising living standards. EU accession negotiations bring pressure to align with European labour standards.

As Bosnia and Herzegovina moves closer to EU membership, convergence with European labour laws is becoming more likely. The accession process is expected to drive changes in the country's wage system through harmonization with EU directives, greater emphasis on worker rights and fair pay, and increased pressure to raise living standards in line with EU averages.

Taken together, these elements suggest that the minimum wage in Bosnia and Herzegovina is on a steady upward path, although the final pace and structure will depend on ongoing economic trends and political decisions.

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FRANCE

LEGAL NEWS
OVERVIEW OF RECENT LEGAL AMENDMENTS, NEW LAWS AND REGULATIONS

Two major decisions by the French Court of Cassation on dividend distribution

On 12 February 2025, the Commercial chamber of the French Court of Cassation issued two significant decisions regarding dividend distribution.

1. Limitation on the distribution of retained earnings

In the first decision, the Court of Cassation adopted a strict position, holding that any General Meeting other than the Ordinary Annual General Meeting (*Assemblée Générale ordinaire annuelle, AGOA*) cannot decide on the distribution of retained earnings, under penalty of nullity.

In this case, during the AGOA, a simplified joint-stock company (*Société par actions simplifiée, SAS*) decided not to immediately distribute its profit and instead allocated it to retained earnings. A few months later, after a preliminary undertaking for the sale of the company was signed, another General Meeting decided to distribute these retained earnings before the completion of the sale. However, the former shareholders, who did not receive the expected dividends after the sale, initiated a legal action for payment against the company.

Based on Article L.232-11, paragraph 1, and Article L.232-12, paragraph 1 of the Commercial Code, the Court of Cassation concluded that "the retained earnings of a given financial year are included in the distributable profit of the following financial year and that, consequently, only the General Meeting approving the accounts of that financial year may decide on its allocation and, where applicable, its distribution.".

This decision overturns the ruling of the Paris Court of Appeal issued on 30 January 2025, and calls into question a widely adopted corporate practice.

Consequently, some companies may need to adopt a remedial resolution for any distribution of retained earnings made outside the AGOA to mitigate the risk of invalidation of such decisions.

2. Reaffirmation of shareholders equality in profit distribution

In the second decision, the Court of Cassation reaffirmed a fundamental principle: unless otherwise provided, all shares of the same company with an identical nominal value entitle their holders to the same dividend amount.".

The case concerned a corporate shareholder that had acquired shares resulting from the exercise of stock options by employees.

During a mixed General Meeting, it was decided to distribute a dividend of EUR 1.87 per share, financed notably through retained earnings and share premiums. However, the company holding these shares did

not receive any dividend on the grounds that its securities were listed under a separate trading line with a distinct International Securities Identification Number (ISIN).

The Court of Cassation, overturning the ruling of the Versailles Court of Appeal, reaffirmed that Article 1844-1 of the French Civil Code establishes a general principle stating that "unless otherwise provided by law or contract, each share with an identical nominal value entitles its holder to the same dividend amount.".

Thus, differentiated treatment can only be justified by an explicit statutory or contractual provision.

French Finance Act (FFA) for 2025

Approved by the Constitutional Council on 13 February 2025, the French Finance Act for 2025 was published in the Official Journal on 15 February 2025.

1. Exceptional contribution on corporate income tax applicable to the largest companies

Article 48 of the Finance Act for 2025 introduces an exceptional and temporary contribution targeting large corporations, effective from the first fiscal year ending after 31 December 2025.

Scope and tax base

This contribution applies to companies with annual revenue equal to or exceeding EUR 1 billion in the fiscal year the contribution is due or the preceding fiscal year.

The tax base for this exceptional contribution is the average corporate income tax (CIT) due for the current and previous fiscal years, calculated before applying tax credits and other fiscal reliefs.

Applicable rates

The contribution rate is determined on the company's annual revenue:

- 20.6% for companies with revenue between EUR 1 billion and EUR 3 billion
- 41.2% for companies with revenue exceeding EUR 3 billion

Additionally, a smoothing mechanism is provided to mitigate threshold effects for companies whose revenue slightly exceeds EUR 1 billion and EUR 3 billion thresholds by less than EUR 100 million:

- For revenue between EUR 1 billion and EUR 1.1 billion: Rate = 20.6% x (higher revenue of the two fiscal years – EUR 1 billion) / EUR 100 million
- For revenue between EUR 3 billion and EUR 3.1 billion: Rate = 20.6% + (41.2% - 20.6%) x (higher revenue of the two fiscal years - EUR 3 billion) / EUR 100 million

Mandatory advance payment

The legislation provides that the exceptional contribution requires a mandatory advance payment, set at 98% of the estimated amount of the exceptional contribution.

A late payment interest of 0.2% per month and a 5% surcharge are applicable if the difference between 98% of the actual contribution due and 98% of the estimated contribution paid in advance exceeds either: (i) 20% of the total contribution due, or (ii) EUR 1.2 million.

2. Adaptation of the special merger regime

Article 65 of the Finance Act for 2025 adjusts the tax regime applicable to mergers and demergers to incorporate the changes introduced by the ordinance of 24 May 2023, which transposed into domestic law the European directive of 27 November1 2019.

As a result, the preferential CIT regime applicable to mergers and demergers is expanded to include:

- Mergers and demergers without share or securities exchanges: These transactions involve companies owned by the same shareholders, provided that the proportion of share held in each entity remains unchanged after the transaction.
- Partial demergers: This measure applies not only to domestic transactions but also to cross-border restructurings.

3. Clarification on the tax regime for management packages

Article 98 of the Finance Act for 2025 reforms the taxation of management packages to clarify their tax treatment and limit abusive reclassifications.

Management packages are instruments commonly used in leverages buyouts (LBOs), where executives co-invest alongside investment funds to align their interests with those of the company. However, their tax treatment has long been a source of reassessments, with the tax authorities often considering these gains as a form of disguised remuneration. This situation has led to legal uncertainty, with sometimes divergent judicial decisions regarding their tax qualification.

The new legislation provides that gains attributed in consideration for functions performed will be taxed as employment income, subject to social security contributions and a specific 10% contribution. However, a portion of the gains may qualify for the capital gains tax regime, provided that the beneficiary assumes a real financial risk and maintains ownership for at least two years.

4. Introduction of a tax on the share buybacks by large companies

Article 95 of the Finance Act for 2025 introduces a tax on capital reductions through the cancellation of shares following a share buyback, applicable from 1 March 2025.

This 8% tax applies to companies whose individual or consolidated revenue exceeds €1 billion. It is calculated based on the total amount of the capital reduction and on a portion of the share premium.

5. Modification of scope of withholding tax on dividends

Article 96 of the Finance Act for 2025 reinforces the withholding tax on dividends to counter tax avoidance practices, notably "Cumcum" schemes, which allow certain foreign investors to avoid taxation in France.

It introduces the notion of beneficial owner: henceforth, a withholding tax exemption can only be granted if the dividend recipient proves that they are the actual and definitive beneficiary of these revenues.

Furthermore, the article extends the withholding tax to dividends paid to residents of countries that have signed a tax treaty with France excluding this taxation. In such cases, the foreign investor must demonstrate that they are the beneficial owner of the distributed income to prevent any challenge to the exemption.

Finally, a refund mechanism is provided for affected beneficiaries, on the condition that they establish that they are not mere intermediaries but the actual recipients of the dividends.

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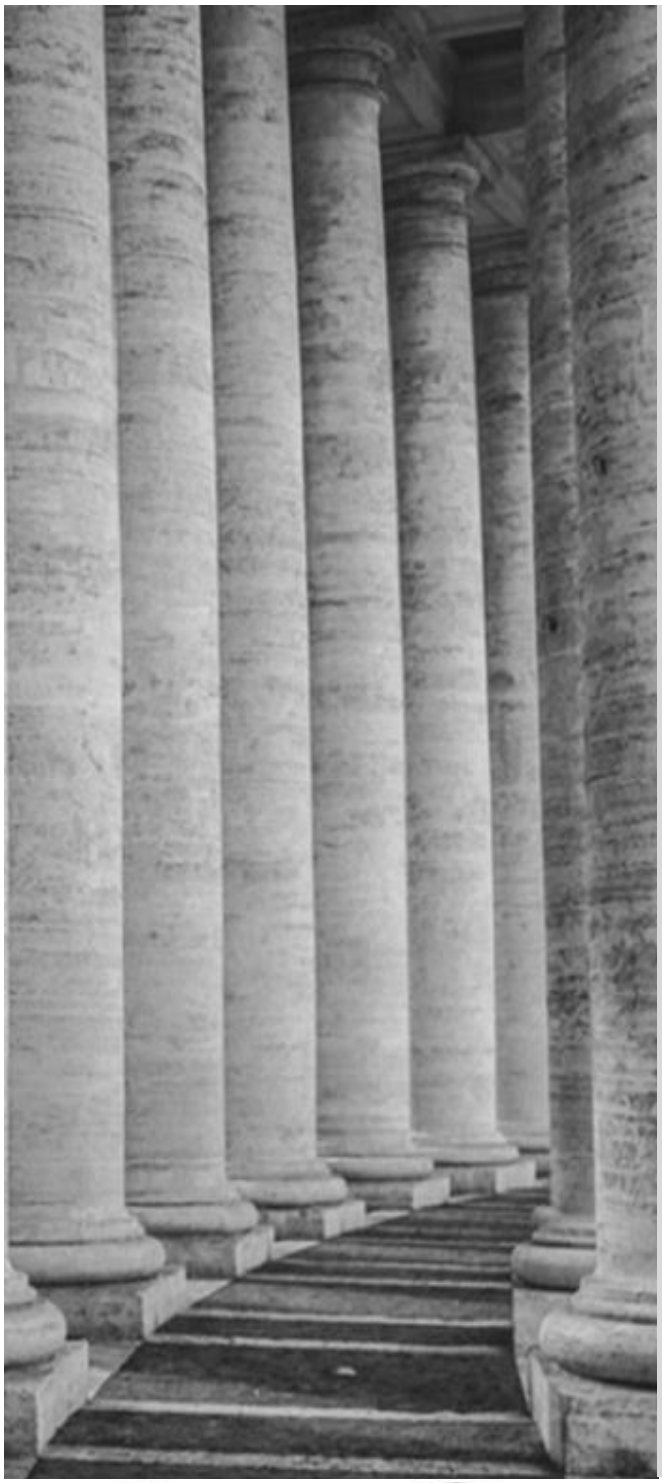

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