

Examples of taxation of the surplus borrowing cost

EXAMPLE 1

The company's profit before depreciation is 20 million euros, surplus borrowing cost is 10 million euros, and the company's net loss is 5 million euros.

The surplus borrowing cost exceeds the threshold of 3 million euros by 7 million and is 4 million euros higher than 30% of the company's profit before depreciation.

Since 4 million euros does not exceed the company's net loss (5 million euros), the company does not have a tax liability.

EXAMPLE 2

The company's profit before depreciation is 20 million euros, interest expense is 10 million euros, depreciation is 15 million euros, and the company's net loss is 3 million euros.

The interest expense exceeds the threshold of 3 million euros by 7 million and is 4 million euros higher than 30% of the company's profit before depreciation.

Since 4 million euros exceeds the net loss (3 million euros) by 1 million euros, the obligation to pay income tax on 1 million euros arises.

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