AmCham Tax Conference

Interest Limitation Rule

Panel discussion – Bank view

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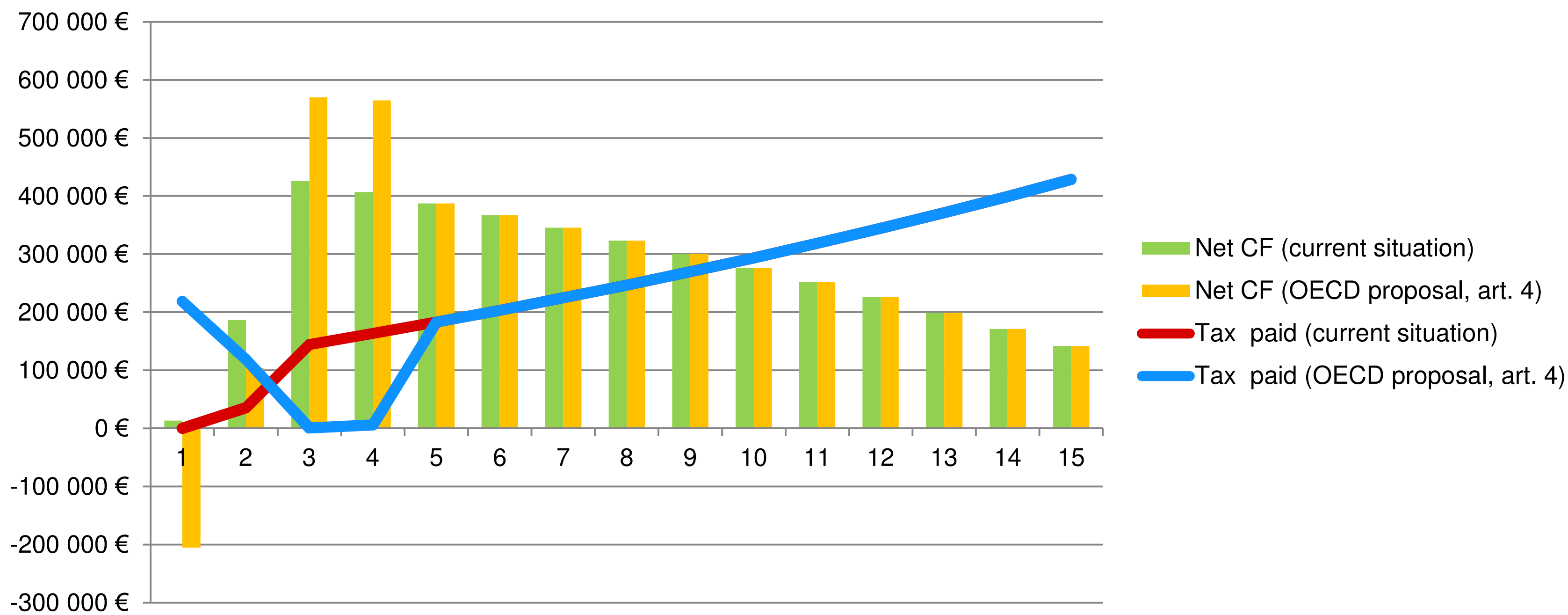
SLOVENSKÁ
sporiteľňa

Bank perspective comments

- **“30% of EBITDA interest cap“ is insufficient** for a number of sectors/segments financing
- Such financings would share following **features**:
  - high leverage due to natural economic reasons (e.g. due to perceived sector stability/long-term character),
  - long-term loans/long term usable life of assets,
  - higher interest rates on loans due to perceived risk/longer tenor,
  - start-up phase with interest-only financing and subsequent growth phase with accelerated debt reduction or annuity repayment character
- **Examples**: utilities, PPPs, real-estate, other long-term project financing, leveraged buy-outs/recaps, mezzanine loans

Bank perspective comments

– Art. 4 provides tax neutrality over the long-term; however **tax non-deductibility of interest may cause higher tax burden in start-up phase** causing untimely pressure



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Bank perspective comments

- There is limited applicability for third-party financing to be used solely for tax optimizing reasons.
- In Slovakia it is difficult to imagine that bank would **approve financing structure solely due to tax optimizing** reasons (SLSP always verifies the underlying cash-flow)
- Added **bureaucratic complexity** for market participants

Due to above reasons, proposed interest rate limitation seems impractical in case of independent third party financing.

From bank perspective, independent third party financing should be exempted.

Contact

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