

Finance Ministry Breaks Link Between Dividends and Profit

By [The Moscow Times](#)

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The Finance Ministry may strike down a legal provision that states that only a company's profit can be the source of dividends, freeing up the flow of revenues into the budget.

The ministry has published a proposal to amend the law on joint stock companies, Vedomosti reported.

A company may have a loss on paper due to the re-evaluation of assets and could still be capable of paying dividends, a memo to the amendments said.

The proposal will increase budget revenues from the dividends it receives from state entities, many of which are structured as open stock companies, by at least 20 percent, the ministry said. These revenues are expected to reach 203 billion rubles (\$6.3 billion) in 2014.

The ministry's memo did not specify which indicators would be used by companies to

calculate dividend if they were in the red or how the payouts would be made.

Rostislav Kokorev, an Economic Development Ministry official, said a company could use its liquid assets, such as cash, to pay the dividends. His ministry has backed the proposal.

One condition, he added, is that a dividend payout should not make the company bankrupt.

While the measure is not the first attempt by the Finance Ministry to force state companies to pay bigger dividends, the latest proposal also affects private business.

If the amendments are passed, they will enable shareholders to demand dividends from previous years' undistributed profits if their company posts a loss, Mikhail Makhotin, a partner at consultant Ernst and Young said.

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