

Recent tax developments in Greece

The new “omnibus law” ratified by the Greek Parliament on 22 May 2016 introduces a set of rules aiming to increase tax revenues and meet budgetary targets, in the context of Greece’s obligations towards its creditors under the country’s third bail-out program. The present newsletter summarises the new tax rules that have been adopted.

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Income taxation

Cars as a benefit in kind; increase of taxable value

According to the Income Tax Code, a car granted to an employee, a partner or a shareholder of a company, being a benefit in kind, is classified as taxable salary income for the individual.

The new law increases the taxable basis for the calculation of salary tax to 80% of the car’s cost, as reflected in the employer’s accounting books (depreciation, rental fee etc.), instead of the previously applicable 30%. The new rule is effective from 1 January 2016.

Increase of tax rate on dividends postponed until 2017

An increase of the currently applicable income tax rate on dividends and other profit distributions from 10% to 15% had recently been introduced by virtue of Law 4387/2016, applicable for income earned from 2016 onwards (see our 25 April 2016 Tax Newsletter).

The new law postponed the increase of the above tax rate, which will now apply for income earned from 1 January 2017 onwards.

Amendments in taxation of Portfolio Investment Companies, REICs, Real Estate Investment Funds and UCITS

Portfolio Investment Companies (PICs), Real Estate Investment Companies (REICs), Real Estate Investment Funds and Undertakings for Collective Investment in Transferable Securities (UCITS) established in Greece are exempt from income tax, but they are subject to a flat tax that is payable on a six-month basis and computed as a percentage on their net assets or on their investment compartments (and for some of these entities plus available cash). Such percentage is calculated by reference to the rate of the Main Refinancing Operations ("MRO") / reference rate defined by the European Central Bank, increased by a certain fixed coefficient.

The new law adopts a minimum tax per semester, effective from 1 June 2016, which will significantly increase the taxation of relevant entities, in light of the gradual reduction of the ECB MRO rate (currently to 0%). In particular, the minimum tax rate per semester is set as follows:

- Regarding PICs and REICs: 0.375% of their average investments of that semester increased by available cash, computed at market value. In the case of REICs, market values can be found in special tables published every 6 months;
- Regarding Real Estate Investment Funds: 0.375% of their average net asset value of that semester;
- Regarding UCITS: depending on the type of investments thereof, between 0.025% (money market UCITS), and 0.375% of their average net asset value of that semester.

Tax treatment of benefit gained from waiver of debt claims by credit or financial institutions

According to the new law, the benefit gained by a legal person or entity or individual from the full or partial write-off of a debt claim towards a credit or financial institution, a credit or financial institution under special resolution or a company licensed under Law 4354/2015 (i.e. the law governing the sale and management of non-performing loans - see our 2 March 2016 Banking & Finance Newsletter) in the context of an extrajudicial settlement is subject neither to income nor gift taxation. This is under the condition that the relevant debt was in arrears or disputed before Court or restructured as at 31

March 2016, or that the extrajudicial settlement is reached by the end of 2017, and in the case of legal persons or entities and individuals earning business income not earlier than 1 January 2016.

Regarding legal persons or entities and individuals earning business income, this equally applies to write-offs of debt claims towards the parties referred to in the previous paragraph, occurring as a result of implementation of a court decision, provided that as at 31 March 2016 the debt was either disputed before Court or restructured by way of a judicial decision issued as of 1 January 2016, or that the debt was in arrears as at 31 March 2016 and a relevant application will be filed before court by 31 December 2017.

Real estate taxation

Increase of Annual Property Tax (“ENFIA”) for individuals and legal entities

The new law introduces several changes to the Annual Property Tax (“ENFIA”) regime, which are anticipated to increase significantly the overall ENFIA payable both by individuals and legal entities. A key change affecting legal entities is the imposition of ENFIA on self-used properties. As per the Preamble of the Law, relevant changes are required in order for the budgeted ENFIA revenues not to be impacted, notwithstanding the reduction of the statutory values of properties. The ENFIA collection target remains at the amount of Euro 2.65 billion for 2016. Changes are applicable from 1 January 2016 and impact both ENFIA components (main tax & supplementary tax).

Changes impacting individuals

- Increase of the rates and coefficients for the calculation of the main ENFIA for plots within city limits, in the range of 20%.
- Abolition of the exemption from taxation of fields (plots beyond city limits). Such properties are now subject both to main and supplementary tax.
- Reduction of the supplementary tax free bracket from Euro 300.000 to Euro 200.000, abolition of the 20% reduction applicable to vacant buildings not connected to the electricity grid and increase of the applicable supplementary tax rates as follows:

Previous regime		New regime	
Value bracket (Euro)	Tax rate	Value bracket (Euro)	Tax rate
0.01 - 300,000	0.00%	0.01 - 200,000	0.00%
300,000.01 - 400,000	0.10%	200,000.01 - 250,000	0.10%
400,000.01 - 500,000	0.20%	250,000.01 - 300,000	0.15%
500,000.01 - 600,000	0.30%	300,000.01 - 400,000	0.30%
600,000.01 - 700,000	0.60%	400,000.01 - 500,000	0.50%
700,000.01 - 800,000	0.70%	500,000.01 - 600,000	0.60%
800,000.01 - 900,000	0.80%	600,000.01 - 700,000	0.80%
900,000.01 - 1,000,000	0.90%	700,000.01 - 800,000	0.90%
Excess	1.00%	800,000.01 - 900,000	1.00%
		900,000.01 - 1,000,000	1.05%
		1,000,000.01 - 2,000,000	1.10%
		Above 2,000,000	1.15%

Changes impacting legal entities

- Increase of the rates and coefficients for the calculation of the main ENFIA for plots within the city limits in the range of 20%.
- Increase of the supplementary tax rate applicable to legal entities from 0.50% to 0.55%.
- Increase of the supplementary tax rate applicable to non-profit legal entities and Real Estate Investment Companies for real estate that is not self-used from 0.25% to 0.35%.
- Abolition of the exemption applicable to buildings and plots self-used by legal entities for business purposes. Such real estate will now be taxed at 0.1%.

Reduction by 50% of late filing penalty for delayed real estate reporting until 29 July 2016

The new law grants a 50% reduction on the one-off penalty imposed on taxpayers for late filing of the E9 form (i.e. the special form maintained with the General Secretariat of Information Systems, where taxpayers report the details of their real estate assets). Such reduction is applicable to E9 forms concerning years 2010 and onwards, to be filed until 29 July 2016. The reduction also applies retroactively, concerning E9 forms that have been filed with delay, since 31 December 2014.

The reduction is introduced as an incentive to taxpayers to amend their E9 forms, given that ENFIA is assessed on the basis of the details of the real estate assets, as reported in the E9 forms.

VAT, customs and other indirect taxes

Changes in VAT rates

- From 1 June 2016, the standard VAT rate shall increase from 23% to 24%. Accordingly, for those Aegean islands where the 30% reduction on VAT rates applies, the standard VAT rate shall increase from 16% to 17%.
- Any invoices or credit notes issued after 1 June 2016 will bear the increased VAT rate, even if they refer to transactions that took place before that date.
- Following last year's legislation fully abolishing the 30% reduction on VAT rates for Aegean islands in three stages (i.e. on 1 October 2015, 1 June 2016 and 1 January 2017), the new law defines the group of islands for which the abolition applies from 1 June 2016: Syros, Thasos, Andros, Tinos, Karpathos, Milos, Skyros, Alonnisos, Kea, Antiparos and Sifnos.

Changes in car taxation

The main changes in car taxation introduced through the new law with effect from 01 June 2016 are summarised as follows:

Luxury tax

- Luxury tax that currently applies to the import and intra-Community acquisition of cars will be abolished. The rate of said tax ranges between 10% and 40%, depending on the car's wholesale price.

Car registration tax

- The taxable value for the calculation of car registration tax shall be determined on the basis of the retail sale price of the cars (excluding taxes), instead of their wholesale price, as is currently the case.
- The rates of the tax shall be reduced to a range between 4% and 32%, depending on the car's taxable value, instead of the currently applicable rates ranging between 5% and 50%. The cubic capacity of cars shall no longer be relevant for the determination of the tax rate, as is currently the case.
- The above rates may differ depending on the carbon dioxide emissions of the cars. Also, hybrid cars shall no longer be tax exempt, but will be granted a 50% discount on the applicable rates.

Introduction of new duties and consumption taxes

The new law has introduced for the first time the following duties and taxes:

- A 10% duty to be imposed on subscription TV bills, from 1 June 2016.
- A 5% duty to be imposed on fixed telephone line bills from 1 January 2017.
- A new consumption tax with features similar to excise duty to be imposed on: (i) e-liquids for electronic cigarettes (at an amount of Euro 0.10/ml) and (ii) coffee and preparations with a basis of extracts, essences or concentrates of coffee (at an amount ranging between Euro 2-Euro 4/kg). The new tax shall be effective from 1 January 2017.
- Accommodation tax to be imposed on hotels, rooms to let and touristic residences, ranging between Euro 0.25 and Euro 4 per day, depending on the type and category of accommodation; the new tax will be effective from 1 January 2018.

Abolition of tax on beer

The new law has abolished the 3% municipal tax that was applicable to imports and intra-community acquisitions of beer, as well as to domestic sales by local beer producers.

Increase of excise duty rates

Excise duty rates shall increase with respect to the following products:

- Cigarettes and fine-cut tobacco for the rolling of cigarettes (from 1 January 2017)
- Beer (from 1 June 2016)

- Gasoline, gas oil (Diesel), kerosene, LPG used as motor fuel and biodiesel used as motor fuel (from 1 January 2017)
- Diesel and kerosene used as heating fuel (from 15 October 2016)

In addition to the above, the application of reduced excise duty rates to ethyl alcohol that is released for consumption in the Dodecanese islands shall be abolished from 1 January 2018.

As from 1 January 2017, the applicable excise duty rate for natural gas used as heating fuel for domestic purposes shall be reduced, whereas rates applicable for natural gas used for purposes other than heating or as motor fuel will depend on consumption. Finally, from 1 June 2016, natural gas used for the production of electricity will be exempt from excise duty.

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