Greek Parliament ratifies new tax bill
How does it impact your business?

The Greek Parliament ratified the new tax bill providing for a number of changes in the tax treatment of enterprises doing business in Greece. This is the first set of tax rules introduced by the new government (in office since July 2019). Some of the rules implement announcements of the past few months, aiming to encourage investment and entrepreneurial activity in the Greek market.
This tax newsletter summarises key changes introduced by the new law, impacting enterprises doing business in Greece.

1. Tax rates and tax exemptions

- The nominal corporate income tax ("CIT") rate is reduced to 24% (from 28%) for fiscal years 2019 onwards.

    However for credit institutions subject to the regime regarding the voluntary conversion of deferred tax assets to deferred tax claims against the Greek State, the CIT rate remains at 29% for the tax years under such regime.

- CIT pre-payment which was assessed upon the filing of the CIT return for fiscal year 2018 is reduced to 95% (from 100%).
- Dividend withholding tax is reduced to 5% (from 10%) as of 01.01.2020.
- The provision extending the scope of application of the 0.6% contribution of article 1 of L. 128/1975 to credits granted by financial institutions including leasing and factoring companies is abolished.
- Interest payments effected as of 01.01.2020 towards legal entities that are non-Greek tax residents and do not maintain a Greek permanent establishment are exempt from interest withholding tax as regards:
    - corporate bonds traded on a trading venue within the EU or a regulated market outside the EU, regulated by an authority accredited by the International Organisation of Securities Commission,
    - bonds issued by credit cooperatives operating as credit institutions.

A Greek legal entity is exempt from tax on capital gains arising from the disposal of shares in a legal entity which is a tax resident of an EU Member-State, insofar as the trans-

ferring entity holds at least 10% participation for a minimum holding period of 24 months.

- The capital gain is not taxed upon distribution or capitalisation.
- Expenses related to the shareholding participation are not recognised as tax deductible.
- The provision shall apply for income generated as of 01.07.2020.

As per the transitional provision, losses arising from the transfer of shares shall be recognised for tax purposes after 01.01.2020 under the condition that

(i) a valuation will have taken place up until 31.12.2019 and they will have been recorded in the accounting books or will have been reflected in the financial statements audited by statutory auditors and (ii) they will become final up until 31.12.2022. If final losses are lower than those of the valuation the final losses will be recognised, however if they are higher, losses of the valuation will be recognised.

It is clarified that the applicable withholding tax exemption on interest and royalties paid between related parties shall also apply to payments effected between Greek entities.

2. Deductibility of business expenses incurred as of 01.01.2020

Corporate Social Responsibility (CSR) expenses

Expenses related to CSR activities are now explicitly classified as expenses incurred to the interest of the company and within its ordinary course of business. CSR expenses are tax deductible under the condition that the company has accounting profits in the tax year in which the expenses are incurred; while, this is not required for CSR actions undertaken upon the request of the Greek State.

130% super-deduction for the following expenses for employees and environmental protection

- Purchase of monthly or annual season tickets for public transportation.
- Leasing or depreciation of company cars of zero or low emission up to $50gCO_{2/Km}$, with Retail Price Before Taxes (RPBT) up to Euro 40,000.
- Purchase, installation and operation of publicly accessible charging points for electric vehicles of zero or low emission up to $50gCO_{2/Km}$.

Rentals not paid through electronic methods of payment or payment service providers are not recognised as tax deductible.

Depreciations

- The definition of financial leasing for tax purposes is aligned with IFRS standards for tax depreciation purposes, according to the accounting standards followed by each entity (be it IFRS or Greek GAAP).
- Increased depreciation rates are introduced for non-polluting means of transport:

Asset Category	Emissions	Depreciation rate per tax year
Means of passenger transportation	Zero emission	25%
	Low emission up to 50 $gCO_{2/km}$	20%
Means of cargo transportation	Zero emission	20%
	Low emission up to 50 $gCO_{2/km}$	15%
Means of public transportation	Zero emission	15%
	Low emission up to 50 $gCO_{2/km}$	10%

The loss arising from the write-off of receivables is recognised as tax deductible without the requirement to undertake legal actions to safeguard collection:

- Receivables of up to Euro 300 in total (including VAT) per counterparty and up to an overall annual limit of 5% over the company's total claims,
- Receivables written-off in the context of a mutual agreement or court settlement, not unilaterally, irrespective of whether a relevant provision has been recorded in the books of the company.

3. Benefit arising from write-off of liabilities

- The new law clarifies that a debtor's benefit arising upon the write-off of a liability pursuant to a mutual agreement or court settlement with the creditor is subject to CIT. Donation tax provisions do not apply.

4. Expenses paid to preferential tax regimes

As of 01.01.2019, preferential tax regimes are defined as jurisdictions applying corporate income tax rates equal to or lower than 14.4%.

5. Capitalisation of tax free reserves as of 01.01.2020

The incentives for capitalisation of tax-free reserves for listed and non-listed companies are maintained in force

- The provisions shall apply without any time limitation.
- The applicable tax rate is reduced to 5% (from 20% that would apply for capitalisations taking place from 01.01.2020 to 31.12.2020) exhausting the tax liability of the company and the shareholder.
- The period for which the capital should be maintained is reduced to 5 years (from 10 years) in order for

the incentive not to be overturned.

- The requirement for an equal share capital increase in cash, which applied to non-listed corporations and Limited Liability Companies (E.P.E.), is now repealed.

6. Taxation of employees

Stock options

- The employee is only taxed at 15% on the capital gains arising from the sale of shares acquired by exercising the stock option right, subject to a 2-year minimum holding period of the shares.
- Especially for stocks of non-listed startups, a reduced tax rate of 5% applies, provided that the shares are disposed of at least 3 years following granting of the option. It is also required that the stock option has been granted during the first five years of operation of the start-up, the company has not resulted from a merger.
- Taxable capital gains are defined: (i) for shares in listed companies, as the closing price for the shares in the stock market less the price upon granting of the option and (ii) for shares in non-listed companies, as their sale price less their acquisition price.

Company cars

- A new progressive scale calculation method is introduced concerning the taxable value of cars granted to employees (or partners or shareholders) while reductions of the taxable value based on vehicle age continue to apply. As a result of these measures, the taxable value of the benefit in kind is reduced.
- The threshold applicable for the exemption from employment tax on tool cars is increased to RPBT of Euro 17,000 (from 12,000).

Pension schemes

- Any payment made under a group pension scheme due to employee participation in a voluntary retirement plan shall not be considered as early contract redemption. Therefore, the applicable tax rates shall not be increased by 50% in this case.

The following benefits are not taken into account for the purposes of calculating employment income.

- Reimbursement for monthly or annual season tickets for public transportation.
- Car of zero or low emission up to 50gCO2/Km, with RPBT up to Euro 40,000 granted to the employee.

Tax rates on employment income, as well as the threshold of non-taxable income, are reduced.

- A new income bracket, spanning between Euro 0 and 10,000, is added, at a reduced rate of 9%. For the bracket of Euro 10,001 to 20,000 the tax rate remains at 22%, while rates are reduced by 1% at each higher bracket.
- At the same time, the tax reduction allowed for employees depending on the existence and number of dependent children, as well as on the amount of income in excess of Euro 12,000, is reduced.

7. Statute of limitation (SoL) of the State's right to impose taxes: shortened or extended?

- The 5-year SoL (starting from the end of the year during which the tax return is filed) is maintained as the principal rule and extension by 1 year is provided for cases where the initial or amending tax return is filed during the 5th year of the SoL.
- The 5-year SoL is also extended: by 1 year (i) in the event that the Tax Administration becomes aware of supplementary information during the 5th year and (ii) during the deadline for the submission of a Mutual Agreement Procedure (MAP) request and until the MAP is concluded in respect of the matter under examination, and by 1 year after issuance of the MAP decision.
- A 10-year SoL is introduced as of 01.01.2018 for cases of non-submission of a tax return or supplementary information coming to the attention of the Tax Administration after the lapse of the 5-year SoL.
- The 20-year SoL is reduced to 10 years for tax evasion cases of years 2012-2017. As of FY 2018, the 20-year SoL for tax evasion cases is abolished.

8. Main revisions concerning the joint and several liability of members of the management for tax debts of the legal entity

- The liability of any member of the management shall be limited to the tax liabilities related to his/her term of office.
- The right of the member of the management to prove lack of personal culpability in relation to the company's failure to pay or remit the tax (establishing subjective liability) is introduced.
- Joint and several liability of persons de facto exercising management in the legal entity is introduced.
- As clarified in the explanatory memorandum of the Law, liquidators of legal entities are now considered liable only for tax liabilities arising during the time of liquidation.

The new provisions shall apply to pending cases. Thus where the newly introduced conditions are not met for members of the management that have been charged as jointly and severally liable, they shall be clear of charges following the submission of a relevant application within three months as from the date of publication of the Law.

9. Disclosure obligations towards the Independent Authority of Public Revenues

- For administrators of any digital platform active in the sharing economy, within specified deadlines and with penalties provided for non-compliance for both the platform and third parties involved (Network Service Providers and users of the platform for the provision of services).
- For enterprises, to electronically transmit to the independent Authority of Public Revenues (IAPR) data of fiscal documents issued and accounting books maintained, electronic tax machines, tax memory data and files created by the electronic tax machines.
  - Details on the implementation of

this provision shall be provided under a joint decision to be issued by the Minister of Finance and the Governor of the IAPR.

- The electronic transmission of data to the IAPR sets out the framework for the implementation of the envisaged E-Books system through "My Data" electronic platform.

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