

Tax - Breaking News

December 2016



The most important tax amendments introduced by Law 4446/2016 (Government Gazette A 240/22.12.2016) on “Bankruptcy Code, Administrative Justice, Duties - Fees, Voluntary disclosure of undeclared income, Electronic transactions, Amendments of Law 4270/2014 and other provisions”.

Electronic transactions

- It is now mandatory for all companies operating in Greece to accept electronic means of payment for their transactions with customers.
- The value of cash transactions permitted is reduced to EUR 500 from EUR 1 500.

Income Tax Code (ITC)

Tax free amount

- As of 1 January 2017, tax free income is linked to a minimum value of expenses that must be incurred by individuals via electronic payment, depending on the individuals' level of income.
- A progressive scale applies for the determination of the income tax reduction related to electronic transactions. In particular, expenses that must be effected via electronic payment in order to secure the tax credit are as follows:
 - 10% of income for income up to EUR 10 000,
 - 15% of income for income from EUR 10 000.01 up to EUR 30 000
 - 20% of income for income exceeding EUR 30 000 with a maximum value (ceiling) of expenses of EUR 30 000, regardless of income level.
- A tax of 22% is imposed on the difference between the amount required and the amount declared, when the minimum amount of expenses is not effected via electronic payment.
- Medical expenses incurred via electronic payment are taken into account for the calculation of the tax credit.

- Since the law does not stipulate whether the minimum amount of expenses required to be effected via electronic payment is calculated on individual income or on family income, further clarification is expected.

Other amendments

- It is stipulated that as of 2017 onwards, the capitalization or distribution of profits that have not been taxed will be taxed as profits arising from business activity, regardless of the existence of tax losses at the time of capitalization or distribution.
- The imposition of capital gains tax for individuals arising from the sale of real estate is postponed for one more year until after 31 December 2017.
- Payroll expenses must be effected via electronic payment in order to be deductible for the employer.
- The calculation of the taxable benefit in kind relating to the use of company cars is amended for income earned in 2016 and onwards. In particular, the value of the use of a company car is calculated as a percentage of the car's Pre - Tax Retail Price (PTRP), and on the basis of its age as follows:

PTRP in EUR	Rate %
0 – 12 000	4%
12 001 – 17 000	7%
17 001 – 20 000	14%
20 001 – 25 000	18%
25 000 and higher	22%

Age of car	Rate %
0 – 2	0%
3 – 5	10%
6 – 9	25%
10 years and higher	50%

- Unemployed persons and persons working on an occasional basis who are not obliged to tax register as a freelancer / trader, will continue to be taxed in 2017 according to the scale applicable to employees if their total annual income and imputed income do not exceed EUR 6 000 and EUR 9 500, respectively.
- It is clarified that retroactively, as of 1 January 2014, it is possible to transfer and offset losses incurred abroad from business activity carried out through a permanent establishment in European Union/European Economic Area member states with which Greece has a Double Tax Treaty pursuant to which profits are not tax exempt.
- A public lottery is introduced where it takes into account all transactions effected via electronic payment. The total amount to be distributed will not exceed EUR 12 million annually.

Tax Procedure Code (TPC)

New procedural infringements

- Failure to transmit data on tax information for invoices issued between traders now constitutes a procedural infringement and carries a fine of EUR 100.
- Failure to report or the inaccurate reporting in the Registry System for Maintenance of Bank Accounts now constitutes a procedural infringement and carries a fine of EUR 2 500.

Transfer Pricing

- The system of penalties in force from 1 January 2012 up to 31 December 2013, now also applies for late or non-filing of the summary information sheet and for the non-filing of the TP documentation file with the tax authorities for inter-company transactions carried out before 1 January 2012, provided that the relevant case is pending before the tax or judicial authorities.
- In addition, the current penalties of the TPC for such infringements shall apply if they are more favorable for the taxpayer regardless of whether a case is pending and regardless of the timing of the transaction.

VAT Code

- The reduced (by 30%) VAT rates will continue to apply in the islands of the municipalities of Evros, Lesbos, Chios, Samos and Dodecanese (except for Rhodes and Karpathos) for 2017.
- The annual turnover threshold for the special VAT regime is increased from EUR 500 000 to EUR 2 million thus allowing more enterprises to be included in this regime. The procedures for inclusion in this regime are also simplified.

Special Real Estate Tax (SRET)

- A retroactive exemption from SRET for the years 2010 - 2016 is provided for companies with individual shareholders who have been residents in EU or EEA Member States and had a Tax Identification Number (TIN) in such countries during that period, provided that the above persons acquire a Greek TIN within 30 days from the publication of this Law.

Other provisions

Statute of limitation

- The statute of limitation for the State to issue a tax assessment which is due to expire on 31 December 2016 is extended for 1 year if the tax audit orders had already been issued (at the time of publication of this Law) or will be issued by 31 December 2016.

Registry System for Maintenance of Bank Accounts and Payment Accounts

- The Registry System for Maintenance of Bank Accounts, as it applies to date to financial institutions operating in Greece, is extended to also cover payment service providers established abroad who operate in Greece and accept payment by cards.

Real estate leasing through sharing economy

- The tax treatment of income arising from short-term lease of real estate is regulated in the context of "the sharing economy".
- It is stipulated that this type of income will be taxed under rental taxation provisions.
- Leasing of real estate in these circumstances is exempt from VAT.

Other provisions

- The obligation for issuing tax records and maintaining accounting books is introduced for the sale of certain alcoholic drinks (e.g. tsipouro and tsikoudia) by small distillers from 1 August 2017 onwards.

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