

Tax - Breaking News

June 2017



The most important amendments introduced by **Law 4472/2017** (Government Gazette A 74/19.05.2017) on “Implementation Measures for fiscal goals and reforms, medium-term Financial Strategy Framework 2018-2021 and other provisions” and **Law 4474/2017** (Government Gazette A 80/07.06.2017) regarding the “adoption of EU Directive 2015/2376 to the Greek legislation and other provisions”.

Law 4472/2017

Income Tax Code (ITC)

- As of 1 January 2017, a personal tax deduction for medical expenses is no longer applicable.
- As of 1 January 2018, 1.5% a reduction on tax withheld with respect to employment income and pensions is also no longer applicable.
- Financial institutions which made use of the deferred tax claim provisions of article 27A of L. 4172/2013, are required to pay an **annual commission** to the Greek State, to offset the increased guaranteed deferred tax claim payable by the Greek State caused by the increase of the tax rate from 26% to 29%.

Penalties

- VAT penalties for offenses involving the issuance of fictitious tax records, committed up to 13 May 2017 (date when the law was filed in Parliament) and for which no definitive penalties have been issued, are unified. In such cases, a reduced penalty equal to 50% of the tax deducted, or refunded or not paid is imposed, irrespective of whether or not a final amount of tax is due.

Tax Audits

- The Tax Administration's ability to select cases and schedule tax audits is expanded, and the selection and planning of audits can also be made on the basis of data obtained from internal and external sources of information in order to increase the effectiveness of the audit mechanism and collectability of amounts due.
- It is explicitly stipulated that as of 1 January 2018 the Independent Authority of Public Revenues (IAPR) will prioritize tax audits which will in principle cover the **previous three years**, with the possibility to extend to **five years** on the basis of the risk analysis criteria applied by law.

Residence Tax

- From 1 January 2018, the tax applicable on the daily use of rented furnished rooms apartments will be computed on a **unified rate** of EUR 0.50 per room/apartment irrespective of their class.

Real estate leasing through the sharing economy

- Provisions concerning **taxation** of income from short-term lease of real estate in the context of the sharing economy are amended.
- Income earned by **individuals** from the short-term lease of real estate, in the context of the sharing economy, will be taxed as income from **real estate** (rental income), taking into account the deduction of expenses provided by law.

- **Income** earned by **legal entities** from short-term lease of real estate, in the context of the sharing economy, will be taxed as **income from business activity**, taking into account the deduction of expenses provided by law. The following discrepancy is noted however; namely that the relevant provision classifies the income earned by legal entities as income from real estate contrary to the general provisions (article 47) of the Income Tax Code according to which all types of income of legal entities are considered to be income from business activity.
- In case of the **provision of additional services**, other than the provision of bed linen, the income earned by **individuals** is also considered to be **income from business activity**.
- In case of late, inaccurate or non-submission of a short-term residence return, **specific penalties** are provided and imposed.

The said provisions shall apply **retroactively** for income earned from tax years commencing 1 January 2017 onwards.

Electronic Transactions

- Mandatory acceptance of payments with cards must be adopted by all companies operating in the Greek territory for their transactions with clients within three years commencing from the publication of this Law.

Countermeasures

- Further amendments which will be in force from 2019 onwards will come in effect, provided that the specific medium-term fiscal objectives will be met.

Income Tax Code (ITC)

- As of 1 January 2019 onwards, the income tax rate for legal entities will be reduced from 29% to 26% except for credit institutions where the rate remains 29%.
- From 1 January 2020 onwards, the following are provided in respect of Income Tax:
 - The tax credit on pension and employment income up to EUR 20 000 will be as follows:
 - EUR 1 250 for tax payers with no children
 - EUR 1 300 for tax payers with one child
 - EUR 1 350 for tax payers with two children, and
 - EUR 1 450 for tax payers with three children.
 - The minimum tax rate will be reduced from 22% to 20% for zero income up to EUR 20 000 from employment and pensions.
 - The special solidarity contribution which will apply on total net income, will be calculated based on the following redefined progressive scale:

Income in EUR	Special solidarity contribution rate %
0 – 30 000	0%
30 001 – 40 000	2,00%
40 001 – 65 000	5,00%
65 001 – 220 000	9,00%
>220 000	10,00%

UREOT (Unified Real Estate Ownership Tax) / ENFIA

- As of 1 January 2020 onwards, ENFIA will be decreased at the rate of 30% and up to EUR 70 where the tax does not exceed EUR 700.

Law 4474/2017

Exchange of Information

- Greek legislation is aligned to the provisions of 2015/2376 Directive on mandatory automatic exchange of information regarding certain advance cross-border tax rulings and advance pricing agreements (“APAs”).

Tax Procedure Code (TPC)

- It is explicitly stipulated that a subsequent circular which amends the position of the Tax Administration does not apply retroactively if it results in a less beneficial position for the taxpayer.
- The Governor of the IAPR is authorized to determine categories of taxpayers who will be obliged to automatically provide information on their business activity.
- New penalties are introduced for non-issuance, issuance or receipt of inaccurate tax records for transactions which are not subject to VAT as well as for the non-issuance of a delivery note. In particular:
 - **EUR 500** penalty, per tax audit, for taxpayers maintaining single-entry books, and
 - **EUR 1 000** penalty, per tax audit, for taxpayers maintaining double-entry books.
- A penalty of **EUR 100** for each offense is imposed where the provision of goods or services with a total value of EUR 500 and above are not paid via card or other means of electronic payment.

UREOT (Unified Real Estate Ownership Tax) / ENFIA

- The exemption from the supplementary tax on plots (plots outside the city planning zones) owned by individuals is further extended including years 2017 and 2018.
- A bankrupt (individual/legal entity) may file for a certificate to transfer specific real estate, without being obliged to settle any past debts concerning ENFIA or Real Estate Tax (RET) for other real estate property, in order for the process of gradual sale of assets available for distribution to be facilitated.

- In the event of more than one heirs, each heir may separately pay the tax corresponding to his portion of inheritance or right, without requiring tax settlement for the remaining portions or property of the deceased.
- The possibility to transfer all real estate without prior settlement of any overdue ENFIA or RET debts is introduced, provided that the total amount due is remitted by the notary public within three working days of the deed on the condition of nullity of the deed.

The above amendments, concerning third party liabilities apply retroactively for tax years commencing 1 January 2017.

Income Tax Code (ITC)

- Legal entities which are tax residents of member states of the European Union (EU) or the European Economic Area (EEA) are taxed as those which are tax residents of Greece with regards to fees received for technical services, administration fees, consulting services and other fees for related/similar services and **are not subject to withholding tax**. The equivalent treatment above is provided in order for the Income Tax Code to be aligned with EU law and the jurisprudence of the Court of Justice of the European Union.

VAT

- In order to combat child poverty and nutrition of school age children, businesses/professionals who donate food to the competent bodies in order to address the above issues, are exempt from the obligation to pay VAT on such donations.

Inheritance Tax Code

- The tax exemption available to Greek residents and EU member states in the event of inherited property used as a main residence, is now also applicable to citizens of countries of the European Economic Area (EEA).

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This Newsletter aims to provide the reader with general information on the above-mentioned matters. No action should be taken without first obtaining professional advice specifically relating to the factual circumstances of each case.

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