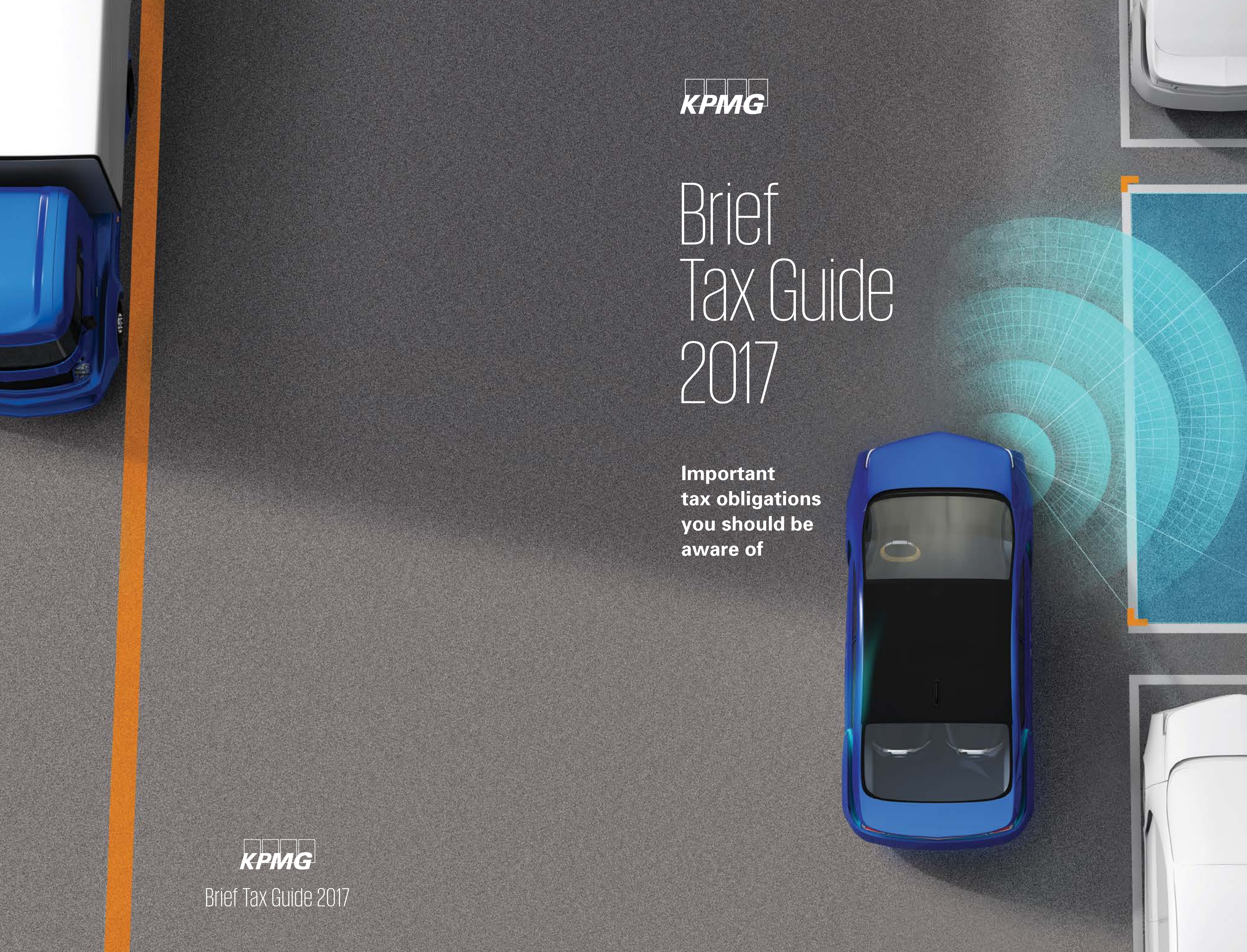

Brief Tax Guide 2017

Important tax obligations you should be aware of

Brief Tax Guide 2017

BRIEF TAX GUIDE 2017

KPMG

Contents

The Brief Tax Guide summarizes the most important tax obligations for individuals and legal entities in Greece pursuant to tax legislation effective as of 10 March 2017, intending to provide general information. No action should be taken without previously obtaining a professional opinion with regard to the actual facts examined on a case by case basis.

TAXATION OF INDIVIDUALS

01 TAXATION OF INDIVIDUALS

1.1 INCOME TAX

Who is obliged to file a Greek income tax return and what is the deadline?
Every taxpayer 18 years of age and older. Personal income tax returns are filed up to 30 April of the year following the year in which income arose.

Can I electronically submit a supplementary/amended income tax return (i.e. via internet)?
Only where the initial income tax return was submitted and assessed electronically (i.e. via internet).

What are the income tax rates for various sources of income (e.g. employment income, pension income, income from business activity, benefits in kind, rental income, interest, dividends, royalties, capital gains from the sale of securities, real estate leasing through the sharing economy)?

EMPLOYMENT AND PENSION INCOME & INCOME EARNED BY INDIVIDUALS FROM BUSINESS ACTIVITY

Income bracket in EUR	*Tax rate on income in bracket*
0.00 – 20 000.00	22%
20 000.01 – 30 000.00	29%
30 000.01 – 40 000.00	37%
≥ 40 000.01	45%

Profits arising from business activity for individuals are also taxed at the above tax scale. On this basis, where a taxpayer receives employment income and at the same time earns income from business activity, the total income from both sources is taxed based on the above tax scale.

BENEFITS IN KIND

The market value of any benefit in kind received by an individual or his relatives is added to the individual's taxable income, provided that the total amount of these benefits exceeds EUR 300 per tax year.

Furthermore, a special calculation of certain benefits in kind provided to an employee, partner or shareholder is stipulated as follows:

- **Company cars:** 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.
- **Loan:** A loan is considered as a benefit in kind and its taxable value is calculated differently depending on whether or not a written loan agreement exists. Advance payment of more than three (3) months salaries is considered a loan.
- **Stock option rights:** The market value of stock option rights is considered a taxable benefit in kind at the time of exercise or transfer regardless of whether an employment relationship is still in force.
- **Housing allowance:** The taxable value of a housing allowance, for any period of time within a tax year, is considered the amount of rent paid by the company or in case of a company owned apartment, 3% of the objective tax value of the property.

RENTAL INCOME

Income bracket in EUR [1]	Tax rate on income in bracket
0,00 - 12 000.00	15%
12 000.01 - 35 000.00	35%
≥ 35 000.01	45%

[1] In determining taxable rental income certain minimal permitted deemed and actual expenses are deducted from gross rents.

INTEREST/DIVIDENDS/ CAPITAL GAINS/ROYALTIES

Dividends are taxed at the rate of 15%, interest at the rate of 15%, royalties at the rate of 20%, while capital gains arising from the sale of securities are taxed at the rate of 15%.

TAX TREATMENT OF REAL ESTATE LEASING THROUGH THE SHARING ECONOMY

Income arising from real estate leasing through the sharing economy will be taxed under rental taxation provisions (rental income) whereas the leasing of real estate in this case is exempt from VAT. Furthermore, each real estate may not be leased for more than 90 days on an annual basis.

SPECIAL SOLIDARITY CONTRIBUTION

Total annual income (actual or imputed) is subject to the special solidarity contribution based on the below progressive scale:

Income bracket in EUR	Tax rate on income in bracket
0.00 - 12 000.00	0%
12 000.01 - 20 000.00	2.20%
20 000.01 - 30 000.00	5.00%
30 000.01 - 40 000.00	6.50%
40 000.01 – 65 000.00	7.50%
65 000.01 – 220 000.00	9.00%
≥ 220.000.01	10.00%

What amounts reduce the income tax liability?

10% of medical and hospital expenses provided that respective expenses exceed 5% of taxable income and are made via electronic payment. Furthermore, 10% of donations to organizations recognized by the respective decision issued by the Ministry of Finance provided that donations do not exceed 5% of taxable income.

Furthermore, the tax credit on employment/pension income up to EUR 20 000 is EUR 1 900 for taxpayers without children, EUR 1 950 for taxpayers with one child, EUR 2 000 for taxpayers with two children and EUR 2 100 for taxpayers with three or more children. The amount of respective tax credit is reduced by EUR 10 per EUR 1 000 of employment/pension taxable income.

As of 1 January 2017, the above tax credit is only available if a minimum value of expenses are incurred by individuals via electronic payment depending on the individual's income. In particular, expenses that must be effected via electronic payment in order to secure the tax credit are calculated based on the following progressive scale:

- 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.

What is the tax treatment of contributions made to a company group pension plan and the tax treatment of the benefit received at the end of the program?

Contributions to a company group pension plan are exempt from taxation as employment and pension income (i.e. they are deductible for payroll tax purposes).

At the end of the program, periodic payments are taxable at the rate of 15%, while a lump sum benefit is taxed at the rate of 10% for the first EUR 40 000 and 20% for amounts exceeding EUR 40 000. The above rates are increased by 50% in case of early redemption.

What is the tax on luxury living? When is it imposed and how is it calculated?

Tax on luxury living is imposed on the amount of annual imputed income arising from the ownership or use of private cars (cars of 1 929cc to 2 500cc at the rate of 5% and cars exceeding 2 500cc at the rate of 13%), airplanes, helicopters, gliders, swimming pools as well as private yachts/boats exceeding 5 meters (at the rate of 13%).

When is a taxpayer considered Greek tax resident and how he is taxed in Greece?

An individual is considered Greek tax resident in case he maintains his permanent or main residence or usual adobe or center of vital interests in Greece or he is a consular or diplomatic or public servant of Greek nationality and serves abroad as well as any individual who is present in Greece for a period exceeding 183 days.

A Greek tax resident is taxed on his worldwide income and is entitled to claim a tax credit in Greece for any foreign taxes paid on foreign source income, while a non-Greek tax resident is taxed only on income earned in Greece (within a certain tax year).

Are there any tax compliance requirements when a taxpayer permanently leaves Greece?

A taxpayer who wishes to transfer his tax residence abroad should submit no later than the last working day of the first ten days of March of the tax year following the tax year of departure the relevant application for the amendment of his tax residence (M0 form) together with forms M1 and M7, as well as an officially certified statutory declaration for the appointment of his tax representative (e.g. year of departure 2017 – submission of application by 9 March 2018).

1.2 ANTI - TAX AVOIDANCE MEASURES IN GREECE

1.2.1 ASSETS DECLARATION RETURN (POTHEN ESCHES)

Who is obliged to submit a Pothen Esches Return?

According to the amended provisions of Law 3213/2003 which are effective as of 1 January 2015, certain categories of individuals are obliged to submit an Assets Declaration Return (Article 1, L. 3213/2003), including the following:

– Executives (presidents, vice presidents, managing directors, governors, deputy governors, executive members of the Board of Directors, general managers) in credit institutions, financial institutions and investment companies (banks, insurance companies etc.).

– Executives (owners, partners, shareholders, executive members of the Board of Directors and managers) of Greek companies which conclude public contracts provided that: a) in case of public tenders the compensation received under the public contract exceeds the amount of EUR 150 000 per tender, or b) in case of public projects (technical/construction) the budget of each project exceeds the amount of EUR 300 000. Individuals whose permanent residence is in Greece and who are executives of foreign companies which conclude contracts with the Greek State could fall under this category. This category includes any type of company which concludes a contract with the Greek State (e.g. pharmaceutical companies, telecommunication companies, IT companies etc.).

– Executives (owners, shareholders, partners, presidents, managing directors, executive members of the Board of Directors, managers, general managers) in media companies.

– Judges and prosecutors and members of the Council of the State.

– The president and executive members of the Board of Directors of Hellenic Exchanges AE as well as individuals who hold a managerial position in this company.

In addition to the Assets Declaration Return, the above mentioned individuals are also obliged to submit a Declaration of Financial Interests indicating their and their spouse's personal business activities, participations in companies and other relevant information.

What is the filing deadline for the Assets Declaration Return?

Individuals who have such obligation must submit an initial Assets Declaration Return within 90 days from the commencement of their appointment (or relevant obligation due to a public contract arises). For subsequent years, the said Return should be submitted annually during all the years of their term of office/ relevant obligation exists and for one year after termination of their engagement/obligation. The annual Assets Declaration Return is submitted within three months after the deadline for submission of annual Greek income tax returns. The deadline is the same for the Declaration of Financial Interests.

How are the Assets Declaration Return and the Declaration of Financial Interests submitted?

As of year 2016 onwards, they are submitted electronically through the specific uniform software application "POTHEN".

1.2.2 WEALTH STATEMENT

What is applicable for the Wealth Statement in Greece? Who is obliged to submit it and what is the content of this statement?

The obligation for submission of the Wealth Statement has been ratified by the Greek Parliament since 2010 but is not yet in force. According to the provisions of the relevant law, the Wealth Statement includes in principle real estate, cars, yachts/boats, means of air transportation, shares, company units and mutual funds. However, it cannot be precluded that other assets will need to be reported as well. All individuals (Greek tax residents) should comply with such requirement (a decision of the Minister of Finance providing implementation and other details is expected in this respect).

1.2.3 ANTI-TAX AVOIDANCE RULES IN GREECE

Foreign Account Tax Compliance Act (FATCA)	► A bilateral agreement was signed between Greece and the U.S. in order to improve international tax compliance and the implementation of the law on FATCA, as well as the relevant memorandum. ► It concerns regulations on Tax Compliance (FATCA Law) enacted by the US tax authorities in order to target non-compliance by U.S. taxpayers (individuals / legal entities) who maintain accounts in foreign financial institutions.
Automatic Exchange of Information (AEOI)	► An international initiative of the OECD and the Council of Europe for the automatic exchange of tax related information at transnational level. ► It constitutes a global platform of exchanging information from the source country to the residence country concerning information for reportable accounts on an annual basis. ► The bodies responsible for sending tax-related information to the competent authorities of the source country are financial institutions of any kind. ► By September 2017 the first automatic exchange of information is expected to be effected. ► The measures further enhance cross-border cooperation in addressing international tax evasion and tax avoidance.
Voluntary Disclosure Program (VDP)	► New procedure allows taxpayers to file initial, or amended tax returns of previous years for all types of tax with their competent tax office by 31 May 2017 (or earlier by 31 March 2017) in order to secure lower additional tax for tax obligations whose deadline for the submission of the initial return had expired up to 30 September 2016.

CORPORATE
TAXATION

02 CORPORATE TAXATION

2.1 INCOME TAXATION

When is a legal entity subject to income tax in Greece?

A legal entity is subject to Greek income tax on its worldwide income if it is Greek tax resident. A tax credit is provided in Greece for tax paid abroad on foreign source income.

A legal entity that is not tax resident in Greece, is taxed in Greece only for Greek - sourced income. Greek - sourced income is income earned from business activities carried out through a Greek permanent establishment, as well as, inter alia, interest, dividends and royalties paid by Greek banks/lenders/companies/businesses as well as rental income from Greek real estate and gains on the sale of shares of a Greek enterprise and of real estate situated in Greece.

When is a legal entity considered to be Greek tax resident?

A legal entity is considered to be Greek tax resident when established pursuant to Greek legislation or when its place of effective management is in Greece.

In order to determine the place of effective management, the actual facts and circumstances are taken into consideration, including indicatively:

– where day-to-day management is exercised;

– where strategic decisions are made;

– residence of members of the executive management bodies etc.

► Irrespective of the country where a company has its registered seat, if on the basis of actual facts it results that its place of effective management is in Greece, it can (de facto) be considered a Greek tax resident, in which case its worldwide income may (also) be subject to Greek income tax.

What is a permanent establishment and how is it acquired?

A Greek “permanent establishment” consists of the fixed place of business through which the business of a foreign enterprise is wholly or partly carried out in Greece (e.g. place of management, branch, office, etc.). A permanent establishment is not an independent legal entity; rather, from a tax perspective it is treated as an "extension" of the foreign legal entity in Greece.

► The decision of a business to operate in Greece through either a permanent establishment or through a subsidiary can have an impact on the way it is taxed.

► Given that the place of management constitutes a significant criterion for the tax authorities, attention should be paid to the conditions under which it can be concluded that a foreign company de facto acquires a tax residence or a permanent establishment in Greece.

How is a Greek legal entity taxed?

All types of income of legal entities are considered income from carrying out business activities, and they are taxed after the deduction of qualifying business expenses, depreciation as well as tax losses carried forward from previous years.

DEDUCTION OF EXPENSES

All expenses serving the business purposes of a company are deductible.	Provided that certain criteria are met and such expenses are not included in a list explicitly determining non-deductible expenses.	By exception 130% of R&D expenses are deductible.

DEPRECIATION

Fixed assets are depreciated.	Depreciation is performed by the owner of the fixed assets or the lessee in case of a financial lease agreement. By exception, new enterprises are able to defer the depreciation of their fixed assets for the first 3 years of their operation.	Apart from certain exceptions (e.g. land, work of art, antiques, jewelry, etc.) depreciation is permitted and it is calculated based on fixed rates. By exception, the depreciation of necessary material and equipment used for carrying out scientific and technological research is calculated at an increased rate (40%).

TAX LOSSES CARRIED FORWARD

Tax losses carry forward.	Carried forward for 5 consecutive years in order to be offset against business profits.	The right to carry forward tax losses is lost in case the shareholding ownership status changes by more than 33%.[1]

[1] *Unless it can be proved that the shareholding ownership status changed exclusively for commercial or business reasons.*

What are the corporate income tax rates for legal entities?

Beneficiaries of income	Tax rate	Taxable amount *
Legal entities maintaining double - entry books.	29%	Regardless of the level of profits
Partnerships, cooperatives, joint ventures etc. maintaining single - entry books.		

** Any taxes withheld or paid in advance are deducted from the tax due. Moreover, tax paid abroad on foreign source income is deducted up to the tax obligation that would be due on the same income in Greece.*

Is there an obligation for an advance corporate income tax payment for the following year?

Entities liable to advance tax	Years	Rate	Calculation basis
All legal entities	As of 1.1.2016[1]	100%	On the tax obligation arising for the current tax year.

[1] *Société Anonymes (SA), Limited Liability Companies (Ltd), Private Capital Companies (IKE), banks, partnerships, cooperatives and joint ventures (which are not exclusively consisting of partnerships), were already subject to 100% tax advance payment for tax years commencing as from 1 January 2014.*

► *By exception, new entities are entitled to 50% reduction of their advance tax payment obligation for the first 3 years from the commencement of their business activities (this exception does not apply to legal entities resulting from a conversion or merger).*

Which types of income are subject to withholding tax?

The following tables summarize the types of income that are subject to withholding tax where the payer is established in Greece:

Beneficiaries of income	Type of income	Withholding tax rate	Taxed as income deriving from business activities	Offsetting ability
Greek legal entity or Greek permanent establishment of a foreign legal entity.	Dividend	15%[1]	YES	The tax withheld can be offset against income tax.
	Interest	15%	YES	
	Royalties	0%	YES	N/A

[1] *A withholding and income tax exemption applies for intra-group dividends distributed to a Greek tax resident legal entity from its EU subsidiary in the EU (including Greece), under specific conditions (e.g. at least 10% participation in the subsidiary for at least 24 months, etc.) and provided that such dividend distributions are not considered a deductible expense for the entity paying the dividend.*

Beneficiaries of income	Type of income	Withholding tax rate	Taxed as income deriving from business activities	Offsetting ability
Greek legal entity	Services	0%	YES	N/A
Greek permanent establishment of a foreign legal entity		0%[1] / 20%[2]	YES	Any tax withheld can be offset against income tax

[1] There is no withholding on fees for services provided in Greece by a Greek permanent establishment of an entity that is tax resident in the EU/EEA.
[2] Fees for services provided in Greece by a Greek permanent establishment of a foreign legal entity that is tax resident outside EU/EEA.

- *By exception, fees for technical projects are subject to 3% withholding tax.*
- *Capital gains are taxed as income from business activity.*

Which types of payments to foreign beneficiaries are subject to withholding tax?

Type of payment	Withholding tax rate	Imposition of withholding tax	Tax liability exhausted	Reduced rate based on DTT	Exemption pursuant to EU Directives[1]
Dividends	15%	YES			
Interest	15%	YES			
Royalties	0%[2]	N/A			
	20%[3]	YES			
Service fees	0%[4]	N/A			
	20%[5]	YES	NO	NO	N/A

[1] The exemption applies for payments from Greek subsidiaries to their parent companies within the EU (including Greece), under specific conditions.
[2] Where the recipient of such payments is a foreign legal entity with a permanent establishment in Greece.
[3] Provided that the recipient of such payments is a foreign legal entity with no permanent establishment in Greece.
[4] Provided that the recipient of such payments is a foreign legal entity that is not tax resident in Greece nor has a permanent establishment in Greece or the recipient of such payments is a foreign legal entity tax resident in the EU/EEA with a permanent establishment in Greece and the services are provided through such Greek permanent establishment.
[5] For fees received by a foreign legal entity which is tax resident outside the EU/EEA and which maintains a permanent establishment in Greece, where the services are provided in Greece through its Greek permanent establishment.

- *Profits distributed by a Greek branch (permanent establishment) to its foreign head office/registered seat are not subject to withholding tax.*

With which countries has Greece concluded a Double Tax Treaty (DTT) for the avoidance of double taxation?

Greece has concluded DTTs with respect to taxes on income (and on capital in most cases) with 57 countries, based on which a more favorable tax treatment can apply.

LIST OF THE COUNTRIES WITH WHICH GREECE HAS CONCLUDED A TREATY FOR THE AVOIDANCE OF DOUBLE TAXATION

Albania	Hungary	Qatar
Armenia	Island	Romania
Austria	India	Russia
Azerbaijan	Ireland	San Marino
Belgium	Israel	Saudi Arabia
Bosnia and Herzegovina	Italy	Serbia
Bulgaria	Republic of Korea	Slovakia
Canada	Kuwait	Slovenia
China	Latvia	South Africa
Croatia	Lithuania	Spain
Cyprus	Luxembourg	Sweden
Czech Republic	Malta	Switzerland
Denmark	Mexico	Tunisia
Egypt	Moldova	Turkey
Estonia	Morocco	Ukraine
Finland	Netherlands	United Arab Emirates
France	Norway	United Kingdom
Georgia	Poland	United States of America
Germany	Portugal	Uzbekistan

2.2 COMPLIANCE OBLIGATIONS

FORMALISTIC OBLIGATIONS

Tax year	▶ Generally, the tax year coincides with the calendar year and cannot exceed 12 months (not even during the first year of operation). ▶ The tax year-end for legal entities maintaining double-entry books can be 30 June. ▶ Notwithstanding the general rules, when a foreign entity participates by more than 50% in a Greek company, the latter may align its tax year with the tax year of its parent company.
Storage obligation for books and records	▶ In principle, for 5 years from the end of the year during which the taxpayer files an income tax return in relation to the tax year of reference. ▶ Books and records can be stored physically or electronically, provided that there is a system for searching, displaying, printing or reproducing accounting records.

INCOME TAXATION

Income tax return filing	Annual obligation to electronically file an income tax return for all types of income.
Filing deadline	By the end of the 6th month following the year-end.
Time of tax payment	Up to 8 equal monthly installments: The first installment is paid with the filing of the tax return and the remaining 7 installments are paid up to the last day of the next 7 months (i.e. within the same tax year).

WITHHOLDING TAX

Withholding tax obligations	▶ Payroll withholding tax (salary in cash and in kind). ▶ Tax on dividends, interest, royalties. ▶ Tax on fees for technical services, management fees, consulting services and other fees for related/similar services. ▶ Special solidarity contribution.
Filing deadline	3 days before the end of the 2nd month following the date that the payment subject to withholding tax was made.
Tax remittance deadline	By the last day of the 2nd month following the date that the payment subject to withholding tax was made.

What is the Greek anti-tax avoidance framework?

Greek tax legislation has incorporated international practices and regulatory standards against tax avoidance as follows:

SPECIAL ANTI - TAX AVOIDANCE RULES IN GREECE

Intra-group charges	▶ Charges for intra-group transactions must comply with the arm's length principle. ▶ Transfer Pricing Documentation File and Summary Information Sheet filing obligations exist.
Thin capitalization	Interest paid on debt is not tax deductible for the surplus of interest expenses exceeding 30% (as of 1.1.2017) of EBITDA.
Controlled Foreign Companies (CFC)	Any undistributed passive income received by a foreign subsidiary of a Greek legal entity from transactions with affiliated entities (e.g. income from dividends, interest, royalties, etc.) is included in the Greek entity's taxable income subject to specific conditions.
Intra-group dividend distributions	Tax exemptions applying to intra-group dividend distributions can be limited in case of abuse of tax legislation.

GENERAL ANTI - TAX AVOIDANCE FRAMEWORK IN GREECE

Miscellaneous provisions of tax legislation	▶ Focus on the substance of transactions and not on formalistic features. ▶ Obligation for filing and publishing financial statements, maintaining accounting books and collecting / presenting tax records to the authorities. ▶ Not permitting tax deduction for fees paid to a resident of a non-cooperative country or of a country with a preferential tax regime, unless certain conditions are met. ▶ Annual publication by the State of a List of non-cooperative countries in relation to tax matters and countries with a preferential tax regime.
General anti - tax avoidance rule	Tax avoidance consists of arrangements which aim to reduce tax obligations, contrary to the spirit of the tax law, and which do not derive from a valid business rationale/practice.
Foreign Account Tax Compliance Act (FATCA)	▶ A bilateral agreement was signed between Greece and the U.S. in order to improve international tax compliance and the implementation of the law on FATCA, as well as the relevant memorandum. ▶ It concerns regulations on Tax Compliance (FATCA Law) enacted by the US tax authorities in order to target non-compliance by U.S. taxpayers (individuals / legal entities) who maintain accounts in foreign financial institutions.

Automatic Exchange of Information (AEOI)	▶ An international initiative of the OECD and the Council of Europe for the automatic exchange of tax related information at transnational level. ▶ It constitutes a global platform of exchanging information from the source country to the residence country concerning information for reportable accounts on an annual basis. ▶ The bodies responsible for sending tax-related information to the competent authorities of the same country are financial institutions of any kind. ▶ By September 2017 the first automatic exchange of information is expected to be effected. ▶ The measures further enhance cross-border cooperation in addressing international tax evasion and tax avoidance.
Voluntary Disclosure Program (VDP)	▶ New procedure allows taxpayers to file initial or amended tax returns of previous years for all types of tax with their competent tax office by 31 May 2017 (or earlier by 31 March 2017) in order to secure lower additional tax for tax obligations whose deadline for the submission of the initial return had expired up to 30 September 2016.

► The general anti – tax avoidance rule permits the tax authorities within their discretion to assess whether the main intention of a taxpayer's arrangements is not to avoid tax, but rather to achieve commercial and economic goals.
► The broadness of the general anti – tax avoidance rule, in combination with the possibility for a de facto acquisition of a Greek tax residence or permanent establishment, could result in the scrutiny of the tax treatment of foreign companies whose shareholders and / or directors are Greek tax residents.

2.3 INTRA-GROUP TRANSACTIONS

What is the documentation obligation for intra-group transactions?

The relevant obligation covers transactions effected between legal entities or any other legal form, as defined in the income Tax Code, and affiliated persons.

A person is considered to be affiliated when it participates, directly or indirectly in, the management, control or capital of another person at a rate of at least 33%, and also covers cases of substantial influence or possibility to exercise substantial influence.

Enterprises must maintain a Transfer Pricing Documentation File provided that the total value of their intra-group transactions exceeds:

– EUR 100 000 cumulatively per tax year if the gross revenues of the taxpayer do not exceed EUR 5 000 000 for the tax year under review, or

– EUR 200 000 cumulatively per tax year if the gross revenues of the taxpayer exceed EUR 5 000 000 for the tax year under review.

Taxpayers must document all their intra-group transactions irrespectively of their value. Offices or entities serving other group entities and registered pursuant to Law 89/1967 as amended, real estate investment companies as well as legal entities which are exempt from income tax under the Greek Income Tax Code or specific provisions of law are exempt from the above documentation obligation.

The Documentation File is accompanied by the Summary Information Sheet which must be electronically submitted to the General Secretariat of Information Systems of the Ministry of Finance.

What is the relevant compliance deadline?

The Documentation File must be prepared and the Summary Information Sheet must be electronically submitted to the Ministry of Finance by the end of the deadline for the submission of the company's annual Corporate Income Tax Return. Upon a tax audit, the Transfer Pricing Documentation File must be submitted to the Tax Administration within 30 days from relevant request.

What are the consequences for non-compliance?

If upon a tax audit, it is determined that the arm's length principle has not been followed, tax profits are adjusted accordingly and additional taxes and penalties are imposed. Penalties also apply for non-submission or late submission of the Summary Information Sheet and/or the Transfer Pricing Documentation File, as well as for the submission of an inaccurate Summary Information Sheet as well as for the late submission of an amended Summary Information Sheet.

What are the basic characteristics of the Transfer Pricing Documentation File?

The Transfer Pricing Documentation File consists of the "Basic Documentation File" covering the group and the "Greek Documentation File". The Basic Documentation File may be maintained in English, and must be translated into Greek upon request by the tax authority within 30 days from the relevant request. The Greek Documentation File must be maintained in Greek.

What are Advance Pricing Agreements (APAs)?

The possibility to have Advance Pricing Agreements (APAs) apply for cross border intra-group transactions. The APA may be unilateral, bilateral or multilateral.

INDIRECT
TAXATION

03 INDIRECT TAXATION

3.1 VALUE ADDED TAX

What is Value Added Tax (VAT)?

VAT is an indirect consumption tax imposed by the seller on the purchaser. In general, where the purchaser is subject to VAT, input VAT incurred on its purchases is either offset against output VAT charged on sales carried out by it and (any positive difference) is remitted to the Greek State, or refunded. In any case, VAT constitutes a cost for a purchaser who is not subject to VAT.

Who is subject to VAT?

Persons subject to VAT are generally producers, merchants of goods and service suppliers, regardless of their place of establishment and of their intended purpose.

Which transactions are subject to VAT?

Transactions subject to VAT include the following:

– sale of new real estate – sale of goods – supply of services	Transactions within Greece
– importation of goods – intra-community acquisition of goods – purchase of services from abroad – supply of goods and services to individuals in certain cases	Cross-border transactions

Which VAT rates apply in Greece?

The standard VAT rate is 24% and it applies to the majority of goods and services. However, certain goods and services are subject to the reduced rates of 13% (e.g. hotel accommodation) and 6% (e.g. pharmaceutical products).

Furthermore, the reduced (by 30%) VAT rates will continue to apply when concerning transactions carried out in the islands of the municipalities of Evros, Lesvos, Chios, Samos and Dodecanese (except for Rhodes and Karpathos).

Are there any exemptions from VAT?

Yes. Indicatively, the following transactions are VAT exempted:

– intra-community supplies and exportations of goods to registered entrepreneurs,
– the majority of services supplied to foreign registered entrepreneurs,
– international transportations,
– education, insurance and financial services, as well as healthcare services,
– transactions involving specific types of vessels and aircraft.

Apart from exemptions, the law provides, under certain conditions, the option to postpone/defer payment of VAT, in certain cases such as when placing goods under special regimes/warehouses or upon the importation of new investment goods from third (non - EU) countries.

Is it feasible to pay VAT with the collection?

Taxpayers with turnover up to EUR 2 000 000 may remit/deduct VAT when their respective tax records (i.e. invoices of revenues / expenses) are paid.

Can the entire VAT incurred from purchases be recovered?

In general, the input VAT from purchases can be recovered to the extent that the purchases are used in the course of carrying out transactions allowing recovery of input VAT. Such transactions consist of transactions subject to VAT and certain VAT-exempt transactions, such as intra-community supplies and exportations. On the other hand, input VAT recovery is not allowed for purchases used in the course of carrying out VAT-exempt transactions that do not allow input VAT recovery, such as insurance and financial services.

Where an enterprise uses purchases to carry out transactions allowing input VAT recovery as well as transactions not allowing such recovery, the tax for such common expenses is recovered proportionally (pro-rata).

In general, input VAT cannot be recovered when incurred from specific expenses such as:

- the purchase, importation or intra-community acquisition of tobacco products, alcohol and alcoholic beverages,
- receptions, entertainment and hospitality,
- accommodation, food, beverages, travel and entertainment for employees or representatives of an enterprise,
- the purchase, importation or intra-community acquisition of the majority of means of transportation for passengers, private boats and aircraft for leisure or sports, as well as the related fuel, repair, maintenance, leasing and circulation expenses.

3.2 IMPORT CUSTOMS DUTIES

What are import customs duties?

Import customs duties are indirect taxes imposed on the importation of certain goods from third (non-EU) countries. Customs duties are calculated in accordance with the tariff classification and the value of the imported goods and are paid at the customs office of importation upon customs clearance.

Is it possible to defer payment?

Yes. Similarly to VAT, the payment of import duties on goods which are placed in special regimes/warehouses before their customs clearance in Greece is deferred, until release of the goods from said regimes.

3.3 STAMP DUTY

Stamp duty is imposed on documents concerning a limited number of transactions calculated, as a percentage of the transaction value. Some of the most common transactions triggering stamp duty are indicatively mentioned below.

Commercial leases[1]	3.6%
Commercial loan contracts (not applicable when the lender is a bank)	2.4%
Private loans (rate depends on the counterparties)	2.4% - 3.6%
Cash advance facilitations	1.2%

[1] Unless they are subject to VAT.

▷ Certain exemptions from stamp duty apply under conditions.

3.4 OTHER INDIRECT TAXES AND CHARGES

Capital Concentration Tax	Capital Concentration Tax is levied at the rate of 1% on capital increases of companies (it is not imposed upon the establishment of a company).
Hellenic Competition Committee Duty	A 0.1% administrative charge on capital upon incorporation or on capital increases of companies having the form of Societé Anonymes.
Social Security	Employer's contribution at the rate of 25.06% on the gross salary of an employee.
Contribution of L.128/1975	Borrowers are subject to an annual bank contribution of 0.6% (0.05% monthly) imposed on the outstanding amount of their bank loan[1].
Insurance Premium Tax	Tax ranging between 4% and 20% on insurance premiums due and related charges. Contracts with a term of at least 10 years duration are exempted.
Duty on cable television	Such duty is imposed at the rate of 10% on the total monthly bill.
Duty on fixed telephony and internet	Such duty is imposed at the rate of 5% on the total monthly bill.

[1] Certain exemptions apply (e.g. loans between banks, etc.)

INHERITANCE
TAXATION

04 INHERITANCE TAXATION

What are the main features of inheritance taxation?

INHERITANCE TAXATION

Features of inheritance tax	Subject matter of inheritance taxation:	► All types of property in Greece owned by Greek or non - Greek residents. ► Movable property abroad and owned by a Greek national[1]. ► Movable property abroad owned by a non-Greek national that is a Greek resident.
	Tax rate:	1% to 40%, depending on degree of relationship with deceased[2].
	Time when tax obligation is generated:	In principle, the time of death.
	Payment method:	In 12 equal bimonthly installments of at least EUR 500 each, under conditions.
	Deductibility of tax paid abroad:	Yes, provided that such payment is evidenced.
Inheritance tax return	Liable person:	The heir(s).
	Filing deadline:	6 or 12 months from the death of the deceased or from the publication of the will, depending on whether the heir or the deceased resided in Greece or abroad at the time of the death.

[1] Exemption, in case the Greek national resides abroad for more than 10 years.
[2] A tax free ceiling applies depending on the degree of relationship.

REAL ESTATE TAXATION

05 REAL ESTATE TAXATION

What is the tax treatment of the acquisition of real estate?

The sale of real estate by an individual or legal entity carrying out an economic activity is subject to 24% VAT imposed on the sale price, where the transfer involves a new building. In general, a building is considered new if transferred prior to its first use provided that respective building permit was issued or renewed on or after 1 January 2006.

In case the building is not new (i.e. it has already been used or previously transferred) or where the seller does not carry out an economic activity, 3.09% Real Estate Transfer Tax (RETT), is imposed on purchases, payable on the higher of the property's objective tax value and the respective purchase price.

Where individuals purchase real estate to be used as their principal residence, a VAT or RETT exemption can, under conditions, apply up to a specific amount.

What is the tax treatment of the ownership of real estate?

The ownership of real estate in Greece is subject to Unified Real Estate Ownership Tax (UREOT), which is imposed annually and corresponds to the sum of a main and a supplementary tax. The main tax varies, depending on the location where the real estate is situated and is imposed at rates ranging between 0.001 and EUR 13/m2, which fluctuate based on specific features of the real estate (e.g. age, floor, surface area, use). In case an individual owns real estate with a total value exceeding EUR 200 000, the excessive amount is subject to a supplementary tax ranging between 0.1% to 1.15%. A 0.55% supplementary tax is imposed on the total value of real estate owned by legal entities (0.1% for real estate selfused for production or business purposes).

The ownership of real estate is subject to additional annual charges, municipality duties and Real Estate Duty, which is calculated based on rates ranging from 0.25‰ to 0.35‰ on the product of the surface areas, the age coefficient and the zone price.

Furthermore, legal entities owning real estate in Greece can be subject to a 15% Special Real Estate Tax imposed annually on the objective tax value of this property. Nevertheless, a number of exemptions and exceptions can apply, provided that certain conditions are met.

What is the tax treatment of income from the exploitation of real estate?

Rental income (after deducting certain minimal permitted deemed and actual expenses) earned by an individual is subject to 15% tax for amounts up to EUR 12 000, 35% for amounts from EUR 12 001 up to EUR 35 000, and 45% for any excess.

The net rental income arising for companies from the lease of real estate is included in its business profits to be taxed at the standard 29% corporate income tax rate.

In case the lessor is an enterprise, the rental income is also subject to 3.6% stamp duty, burdening either the lessor or the lessee depending on their agreement. However, the lessor and lessee may opt for the commercial lease to be subject to VAT.

What is the tax treatment of the capital gain arising from the sale of real estate?

No tax applies on the capital gain arising from the sale of real estate owned by individuals provided that such sale will be effected during 2017. However, as of 1 January 2018, a 15% capital gain tax will be imposed on the difference between the sale price and the acquisition cost of the real estate transferred. A higher capital gain tax will apply where an individual carries out three or more real estate sales within a two-year period.

Where legal entities realize a net gain from the sale of real estate, it constitutes income and is included in their business profits taxed at the standard 29% corporate income tax rate.

KPMG AT A GLANCE

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