

Tax Updates

10 December 2024



Consistent with our commitment to provide [updated information](#) on current tax issues, we set down below a brief overview of the most important tax provisions of the new law 5162/2024

The new Law 5162/2024 entitled "Measures for income support, tax incentives for innovation and business transformation and other provisions", has introduced a series of significant tax provisions and amendments to existing regulations including a new framework of tax incentives for corporate transformations. We summarize below some of the most important new regulations.

Tax provisions concerning individuals

Abolition of the entrepreneurship duty for individuals (with effect from tax year 2024)

The entrepreneurship duty is abolished for individuals engaged in business activities (e.g. entrepreneurs, freelancers). It is noted, however, that such entrepreneurship duty continues to apply to legal entities.

New exemptions from employment income - amendment of article 14 of the Income Tax Code (ITC) (with effect from tax year 2024)

New exemptions from the calculation of employment income are introduced. Namely, "newborn cash gifts" of up to EUR 5 000 per year, paid voluntarily by an employer to an employee within twelve (12) months from childbirth, plus an additional EUR 5 000 for each dependent child the employee already has at the time of childbirth, shall not be included in the employee's taxable income on condition that there shall be no salary reduction for said employee (new parent) six months before childbirth and six months after. Furthermore, the value of vouchers of up to EUR 5 000 per year granted by employers to employees to cover nursery and kindergarten cost are also exempted from the calculation of employment income.

Tax exemption of income of individuals from long-term leasing of real estate - amendment of article 72 ITC

Income of individuals derived from the rental of residences with a surface area of up to 120 sqm, which in the previous tax years 2022, 2023 (and 2024, if the rental takes place in 2025) were declared as vacant or made available for short-term rental (e.g. Airbnb) in the tax year 2023 (or 2024 if the rental takes place in 2025), shall be exempt from income tax for 36 months from the signing of the lease agreement, on

condition that the rental has a minimum duration of three years and the lease agreement is signed between 8 September 2024 and 31 December 2025.

Tax incentives for development and innovation

Extension of tax incentives for scientific and technological research (R&D) - amendment of article 22A ITC (with effect from tax year 2025)

Costs for R&D paid by enterprises to startups or research centers or universities or research institutes for a project or services including the depreciation cost for equipment and instruments used for R&D, shall be deductible from the gross income of said enterprises at the time they are incurred, increased by 150%. Moreover, expenses for scientific and technological research incurred by micro, small and medium-sized enterprises (MSMEs) including the depreciation cost of the relevant equipment, shall be deductible increased by 200% or even by 215%, if certain conditions are fulfilled.

Extension of tax incentives for angel investors - amendment of article 70A ITC

The amount of capital contributed by individuals (angel investors) to startups or to Closed Ended Funds (AKES) in Greece may be deducted from the taxable income of said individuals at a percentage of up to 50%. For the purposes of this provision, the amount of contribution cannot exceed EUR 900 000 per tax year and can be allocated to a maximum of three (3) different startups or Funds and up to the amount of EUR 300 000 per startup.

Extension of tax incentives for patent exploitation - amendment of article 71A ITC (with effect from tax year 2025)

Apart from the three-year income tax exemption of the profits that an enterprise derives from the exploitation of a patent, which is developed by said enterprise and internationally recognized in the enterprise's own name (we note that this is an incentive already in place since 2018), the new law now provides for a 10% income tax exemption for such profits for seven (7) consecutive years following the initial three-year period of full tax exemption.

Other tax provisions

Submission of income tax returns - amendment of articles 67 and 68 ITC (applicable to income tax returns for the tax year 2024 and onwards)

A specific time period is introduced for the submission of income tax returns for both individuals and legal entities, starting on 15 March and ending on 15 July of the subsequent tax year. For legal entities whose tax year ends on a date other than 31 December, the income tax return must be submitted until the last working day of the sixth month following the end of the tax year.

Extension of the suspension of VAT on new building

The optional VAT exemption on the sale of new buildings is extended until 31 December 2025. Suspensions already granted to constructors that are in force until 31 December 2024, are now extended until 31 December 2025.

Extension of the suspension of capital gains tax on the transfer of immovable property

The imposition of capital gains tax on the transfer of real estate by individuals is suspended (again) until 31 December 2026. It is noted that the relevant provision of the law (article 41 ITC), which provides for capital gains tax on the transfer of immovable property, has been suspended continuously and consecutively from 1 January 2015 until 31 December 2024.

Conditions for the contribution of securities by individuals - amendment of article 42 par.4 ITC

In order to combat tax evasion, tax avoidance and artificial arrangements, a minimum retention period of two (2) years for shares acquired by an individual in exchange for the contribution of securities by such individual to a domestic or foreign legal entity for the purpose of capital payment or capital increase, has been introduced as a condition for ensuring the tax neutrality of the contributing individual in the case of a subsequent transfer of those shares (i.e. so that, in the event of a subsequent transfer of said shares, their acquisition cost shall be considered equal to the acquisition value of the transferred securities).

Tax exemption of intra-group dividends and capital gains derived from shares of non-EU legal entities (with effect from tax year 2025)

The new law provides for the exemption from income tax of intra-group dividends received by a Greek tax resident company from a legal entity (company with capital) established in a non-EU state (but not in a non-cooperative state), subject to special conditions similar to those applicable for the exemption of intra-group dividends paid by EU legal entities (e.g. a minimum 10% participation of the Greek company in the non-EU legal entity for at least 24 months). Similarly, intra-group dividends paid to Greek permanent establishments of non-EU companies by their subsidiaries in another country, shall also be exempt from income tax.

In addition, capital gains derived from the transfer of participations in a legal entity (company with capital)

established in a non- EU state (but not in a non-cooperative state) shall be exempt from income tax, under specific conditions set out in the relevant provision (e.g. a minimum 10% participation of the Greek company in the non-EU legal entity for at least 24 months).

Tax exemption of the benefit from debt write-offs – amendment of article 21 par.6 ITC (for taxes that have to be paid as of 1 January 2024 and onwards)

The benefit realized by entrepreneurs and/or legal entities from debt write-offs by credit institutions under an out-of-court settlement agreement or in execution of a court decision, shall be exempt from income tax.

New tax framework for Closed Ended Funds (with effect from tax year 2025)

A new tax treatment is introduced for closed ended funds (AKES), which can be selected by funds established as of 1 January 2025 onwards instead of the tax regime currently applicable for such funds. According to this new tax regime, said funds shall be subject to tax calculated on an annual basis on the difference between the market value of the participations they hold on 31 December of each tax year and their acquisition cost. The tax rate is equal to 5% of the interest rate of the Eurosystem's main refinancing operations of the European Central Bank. Payment of this tax exhausts the income tax liability of both the fund and its unitholders.

We note that, under the current tax regime, closed ended funds (AKES) are not subject to any tax themselves, and it is the fund's unitholders that are taxed in their own name, as co-owners of the fund's assets, for any income arising from the execution of the fund's transactions.

Date of abolition of stamp duty

The new law amends the date of abolition of stamp duty (previously set to be 1 of January 2025) and introduces 1 December 2024 as the new date (in order to be in line with the date of implementation of the Digital Transaction Tax).

Entry into force

With the exception of cases where more specific dates of entry into force are provided, the new provisions shall enter into force from the publication of the law in the Government Gazette (5 December 2024).

Tax incentives for corporate transformations

Scope of application

The new law sets the scope of application of tax incentives granted for national and cross-border transformations and defines that it applies on mergers, demergers (including partial demergers and spin offs), exchange of company shares and conversions of the legal form of companies.

It also covers spin offs or exchange of shareholdings with non-EU legal entities established in jurisdictions which have concluded a Double Tax Treaty or an Administrative Assistance Convention with Greece.

Valuation of assets and shares

The new law establishes the rules for the use of valuations in determining the taxable value of the contributed assets and of the shares of the companies involved in the transformation, as well as any capital gains arising therefrom.

Taxation of capital gains

It is provided that any capital gain resulting from the transformation shall not give rise to any tax liability for the recipient legal entity.

Moreover, the contributing legal entity (in the case of a spin off), the shareholder of the contributing legal entity (in case of mergers, demergers and conversion of legal forms) and the shareholder of the transferee (in the case of share exchanges) are not subject to tax on any capital gains resulting from the transformation.

Finally, it provides the possibility of tax neutrality in the case of a subsequent transfer of the shares of the recipient legal entity, which are acquired in the context of the transformation, by the contributing entity (in the case of a spin off) or the shareholder of the contributing entity (in case of mergers, demergers or conversions), on condition that these shares are held for at least two years.

Transfer of losses, depreciation, tax reserves, provisions

Losses, tax reserves and provisions of the contributing entity (i.e. the absorbed, demerged, converted or divested entity) are transferred to the recipient entity under the same conditions that would apply for the first entity (the contributing entity).

The recipient entity may continue carrying out depreciations as if the transformation had not taken place, namely it should recognize the assets at the same tax value (tax base) that they had at the level of the contributing entity just before the transformation.

Other exemptions

Besides income tax, the provisions of the new law also introduce exemption from any other taxes or duties that may arise within the context of the transformation (e.g. real estate transfer tax, stamp duty, digital transaction duty, etc.), including an explicit exemption from Capital Concentration Tax, with the sole exception of a fee of EUR 300 paid to real estate registries or cadastral offices.

Simplification of real estate transfer procedures

In the case of transformations that involve the transfer of real estate, the relevant transfer procedure is being simplified under the new law. More specifically, it is not required to submit nil real estate transfer tax returns, nor is it required to collect and attach to the relevant notarial deed concluded for the transformation all the certificates that are normally required for real estate transfers (e.g. certificates of engineers, topographic diagrams, affidavits, certificates issued by the real estate registry, cadastral extracts, etc.), with the exception of UREOT (ENFIA) certificate which must be attached to the relevant transformation agreement.

Anti-abusive Rule

The new framework includes an explicit provision for the prevention of its abusive use, providing that the tax benefits offered may be withdrawn if the main objective of the transformation is tax evasion or tax avoidance. It also provides that the absence of economically valid reasons for the transformation, e.g. group reorganization or implementation of a more rational structure of the activities of the undertakings concerned, may provide basis for the authorities to conclude that the main objective of the transformation is tax evasion or tax avoidance.

Contribution of Personal Businesses or Joint Ventures

The provisions of the new law regulate the tax treatment of the contribution of personal businesses (sole proprietorships) or joint ventures (consortiums) and introduce tax neutrality not only for the recipient entity but also for the person contributing the personal business (sole proprietorship) or the members of the joint venture (consortium).

Cross-border transformations

The rules mentioned above for the valuation of assets and shares, for the taxation of capital gains, the transfer of losses, tax reserves, and depreciations, are also applicable on cross border transformations on condition that: a) the contributed assets are not linked to a permanent establishment of the recipient entity outside Greece, if the recipient is a Greek entity, or b) the contributed assets located in Greece are linked to a Greek permanent establishment of the recipient entity, if the recipient entity is established in another EU Member State.

In a situation where the contributed assets include assets located in a third EU Member State (i.e. other than Greece and the Member State of establishment of the contributing /recipient entity), there will be eligibility of a tax credit against any relevant income tax due in Greece equal to the tax that would have been paid in that third State, should the tax neutrality did not apply.

Moreover, the new law regulates the tax treatment of Greek partners, natural or legal persons, of tax transparent entities established in other EU Member States, that are involved in cross border transformations (i.e. entities that are not subject to income tax themselves, but whose shareholders/partners are liable to income tax instead).

Finally, the new law regulates the tax treatment of the transfer of registered seat of a European Company (SE) or a European Cooperative Company (SCE) from Greece to another EU Member State or from another EU Member State to Greece. Within this context, it is stipulated that the above mentioned provisions concerning the tax exemption of capital gains, the transfer of losses, depreciations, tax reserves and provisions, shall apply in this case as well on condition that assets and liabilities of the SE or SCE are linked to a permanent establishment in Greece.

Entry into force of the tax incentives for corporate transformations

The provisions of the new law apply to corporate transformations, when the relevant agreement drafted for the transformation is published at a date following the date of the law's entry into force, i.e. after 5 December 2024, which is the date that the law was published in the Government Gazette.

From the date that the law entered into force, all other legislations granting tax incentives to corporate transformations are abolished, namely L.D 1297/1972, Law 2166/1993, articles 52-56 of Law 4172/2013 and Law 2578/1998 on cross border transformations. We note that Law 4935/2022 (introducing special tax incentives for the transformation of SMEs) and article 16 of Law 2515/1997 (providing for the merger of banking institutions) still remain in force.

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