

April 2015



Breaking News Tax

Consistent with our commitment to provide [updated information](#) on current tax issues, we summarize below the clarifications provided in the new Circular (POL 1072/31.03.2015) issued by the Ministry of Finance regarding payroll tax withholding on employment income.

Circular 1072/2015 regarding payroll tax withholding on employment income

On March 31 2015 the long expected ministerial circular providing guidance in terms of payroll tax withholding on employment income was finally issued.

It provides clarifications on the following:

- In addition to the employees' mandatory social security contributions, the following items must also be deducted from the gross remuneration for the calculation of the monthly taxable income:
 - i. premiums paid within the framework of group pension plans, and
 - ii. employees' contributions to professional funds established by law.
- Deduction of social security contributions paid on Board of Directors (BoD) fees – where such fees are considered employment income and the respective contributions are remitted to the insurance funds by the BoD members – is effected upon assessment of their annual income tax return and not via payroll.
- Benefits in kind are not subject to payroll income tax withholdings, in view of the difficulty of valuating them at the time they are granted. The respective tax will however be calculated upon assessment of the individual's annual income tax return. In case payroll withholdings have already been effected, such tax will be offset at the same time (i.e. through the tax return assessment).
- It is clarified that income arising from the provision of services by managers, BoD members or salaried lawyers, is always classified as employment income subject to payroll income tax withholdings.
- There is no payroll income tax withholding obligation in case of Greek entities paying remuneration to their employees (Greek tax residents) for services provided abroad, since such remuneration is considered as foreign source income.
- No penalties will be imposed for payroll returns submitted by 30 April 2015 relating to employment income for which the deadline for the remittance of the applicable income tax had expired by the date this circular was issued (i.e. until 31 March 2015).
- A tax withholding rate of 15% applies on gross pension income received from Greece by Canadian tax residents, for amounts exceeding the tax free amount of EUR 10 231. The respective form for the application of the Greece-Canada DTT, in which the tax residence certificate is incorporated, should be submitted.

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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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