

# Tax - Breaking News

June 2016



Consistent with our commitment to provide current information on tax issues, we summarize below the most important tax amendments introduced by Law 4389/2016 (Government Gazette A 94/27.05.2016) on “Urgent provisions for the implementation of the agreement for achieving fiscal goals and structural reforms and other provisions”.

- The General Secretariat of Public Revenues will be abolished and replaced by the Independent Authority for Public Revenues when the Independent Authority commences operations.

## **Income Tax**

- The taxable benefit in kind from the use of company cars is increased for 2016 onwards to 80% (from 30%) on the vehicles cost recorded as expense in the employer's accounting books.
- It is clarified that the new withholding tax scale for the special solidarity contribution and income tax on pension and employment which was recently introduced by Law 4387/2016 becomes effective upon publication of Law 4389/2016 in the Government Gazette.

## **Dividends taxation**

- It is clarified that the new 15% withholding tax rate on dividends (formerly 10%) is applicable for income earned from 1 January 2017 onwards.

## **Tax regulations concerning non-performing loans**

- With regards to the management and acquisition of non-performing loans (Law 4354/2015), the new Law provides that any benefit arising for legal entities and individuals from writing-off part or all of their debt is tax exempt and is not considered a donation.
- Companies which acquire non-performing loans or are entrusted with the management of such loans will enjoy the same tax treatment as credit institutions in regards to interest income earned from such loans (such interest income is exempt from withholding tax).

- It is clarified that capital gains arising from the transfer of claims concerning non-performing loans to entities that undertake the management of such claims are subject to tax as are any capital gains that may arise from any subsequent transfer of such claims.

- The tax treatment of potential losses arising from the transfer of the aforementioned loans and credits is not clarified.

## **Hellenic Corporation of Assets and Participations**

- The Hellenic Corporation of Assets and Participations (HCAP) and its subsidiaries which are established by this Law will enjoy the same tax benefits/exemptions as the State, except for VAT.

## **Investment Vehicles**

- The new Law introduces changes to the taxation of Portfolio Investment Companies, Real Estate Investment Companies (REICS), Real Estate Mutual Funds and Undertakings for Collective Investment in Transferable Securities (UCITS).
- Most importantly a minimum threshold under which the tax rate cannot fall is introduced for the above entities, although the method of determining the applicable tax rate has not changed.
- It is also clarified that REICS are not exempt from withholding tax on dividends arising from Greek entities and that capital gains arising from the transfer of shares in REICS is exempt from income tax.

## **UREOT (Unified Real Estate Ownership Tax) / ENFIA**

- The rates of the main tax imposed on plots of land owned by individuals and legal entities are increased.
- The rates of supplementary ENFIA for individuals are readjusted and calculated on the basis of a progressive scale, while the tax-free threshold is reduced to EUR 200 000 (from EUR 300 000).
- The rate of supplementary ENFIA which applies on property owned by legal entities, is increased from 5‰ to 5.5‰.
- The exemption of supplementary ENFIA for property owned by legal entities and used for their own business purposes is abolished, and supplementary ENFIA of 1‰ is imposed.

The above amendments are applicable from 1 January 2016.

## **Real Estate Return (E9)**

- For the submission of Real Estate Returns (E9) (and for submission of amended or supplementary E9 returns) relating to 2010 onwards, which were or will be submitted from 31 December 2014 up to 29 July 2016, penalties are reduced by 50%.
- Clarifications are required regarding the penalties already paid by taxpayers for the relevant period.

## **Indirect Taxes**

### **VAT**

- The basic VAT rate is increased from 23% to 24% and becomes effective from 1 June 2016.
- The second group of islands for which the reduced (by 30%) VAT rates are abolished as of 1 June 2016 are listed (Syros, Thasos, Andros, Tinos, Karpathos, Milos, Skiros, Alonnisos, Kea, Antiparos and Sifnos).

### **Hotel / Holiday Accommodation Tax**

- A new tax is levied for the daily occupation of hotel rooms and furnished rooms / apartments and the method of remittance of the tax is stipulated. The level of tax depends on the category of the accommodation and will apply to receipts/tax records issued from 1 January 2018 onwards.

### **Duty on cable television and duty on fixed telephony and internet**

- A duty of 10% is introduced, on cable television and a 5% duty is introduced for fixed telephony and internet. Both duties are calculated on the total monthly bill.
- The duty on cable television applies to bills issued from 1 June 2016 onwards, while the duty on fixed telephony and internet applies to bills issued from 1 January 2017 onwards.

## **Tax on beer**

- The 3% tax on beer is abolished.

## **Excise Duties (Special Consumption Tax and Vehicle Registration Tax)**

- Special Consumption Tax is imposed on coffee and on electronic cigarette replacement fluid as of 1 January 2017.
- New increased rates for vehicle Registration Tax are introduced for passenger cars and trucks, while the luxury tax for passenger cars is abolished which is now effectively incorporated in the registration tax. The new rates apply as of 1 June 2016.
- The Vehicle Registration Tax will now be calculated on the basis of the pre-tax retail selling price of passenger cars.
- The Special Consumption Tax imposed on cigarettes is increased as of 1 January 2017.
- The rates of Special Consumption Tax on certain energy products (e.g. certain gasoline and diesel fuels etc) are increased as of 1 January 2017, while the rates on heating and paraffin oil are increased as of 15 October 2016.
- As of 1 June 2016 the rates of Special Consumption Tax on other products such as other alcoholic products, minerals used in the production of electricity, gas etc will gradually increase.

## **Taxation on gaming gains**

- The Greek State's participation (Gross Gaming Revenues Tax) on gross revenues derived from gaming activity in Greece (applicable to entities holding the necessary gaming license) is increased from 30% to 35%.
- Such tax will now be remitted monthly and not quarterly.

Since the Law states that the above (taxation on gaming gains) apply from 1 January 2016 onwards, guidance on the settlement for the first months of 2016 is provided.

## **Luxury Tax**

- Exemptions from luxury tax are introduced for certain goods below a certain sale price threshold.

## **Assets Declaration Return**

- The main audit authorities for the Assets Declaration Return are now (1) the Parliament Committee for the Audit of Assets Declaration Returns, (2) Unit C' of Anti-Money Laundering, Counter-Terrorist Financing and Source of Funds Investigation Authority and (3) the General Inspector of Public Administration.
- Credit institutions are obliged to issue certificates (at no charge) to verify the balance of deposits within three working days from the filing of the relevant application by persons who are obliged to file Assets Declaration Returns.

- The following additional categories of assets must now also be included in the Assets Declaration Return by all persons who have the relevant obligation:
  - movable assets having a value of at least EUR 30 000,
  - lease of safe-deposit boxes in domestic or foreign banks,
  - cash that has not already been included in bank deposits or securities, provided that the total amount exceeds EUR 15 000,
  - loans payable by politicians to domestic and foreign credit institutions,
  - debts payable by politicians for administrative penalties, monetary penalties, taxes or duties payable to the Greek State and Local Government.
- Issues concerning the publication of data relating to politicians on the Greek Parliament's website are re-regulated.
- It is clarified that the Financial Interests Declaration is also electronically submitted through the specific uniform software application.

#### *Penalties – Criminal Sanctions regarding Assets Declaration Return*

- A penalty ranging from EUR 50 to EUR 300 is imposed on taxpayers for not responding to requests by the competent bodies to provide clarifications or additional information.
- A penalty ranging from EUR 150 to EUR 400 is imposed on the persons who have a relevant obligation in case of late submission of the Assets Declaration Return.
- The current criminal penalties continue to apply only in cases of non-submission of the Assets Declaration Return within 30 days of the relevant deadlines as applicable.

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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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