

GMS Flash Alert

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Greece – New Law Modifies Personal Tax System, Some Rate Increases

Recently enacted Greek laws have reformed the country's social security system and personal taxation rules.¹

WHY THIS MATTERS

Greece's financial crisis and the rigors of austerity imposed by the country's international creditors have induced further changes to Greece's tax system. As such, assignees working in Greece subject to Greek tax law and those working outside of Greece still subject to Greek tax law are likely to see an increase in their tax burden as they pay higher income tax and solidarity contribution and there is a squeeze on their tax credits.

International assignment cost projections and budgeting for assignments to Greece and for assignees outside Greece still subject to Greek taxation should take into account the changes described in this newsletter. Employers will need to make the necessary payroll adjustments and update hypothetical tax calculations for tax equalized assignees.

Law 4387/2016 – Measures Affecting Individuals

Individual Income Tax Rates and Thresholds ^{Notes 1, 2, 3}

The income tax scale has been made more progressive with the addition of a fourth bracket and rate. The new tax scale on salaries and/or pension income (hereinafter income) is shown on the following page.² The top rate which had been set at 42 percent is now set at 45 percent.

New for 2016	
Income bracket in EUR	Rate %
0 – 20,000	22%
20,001 – 30,000	29%
30,001 – 40,000	37%
40,001 and higher	45%

Income Tax Credit for Individuals ^{Notes 1, 2, 3}

The tax credit has been modulated and a lower income ceiling applies. The tax credit on income up to EUR 20,000 (previously, EUR 21,000) is set as follows:

- EUR 1,900 for taxpayers without children;
- EUR 1,950 for taxpayers with one child;
- EUR 2,000 for taxpayers with two children;
- EUR 2,100 for taxpayers with three children.

Where the income exceeds EUR 20,000, the amount of the tax credit is reduced by EUR 10 (instead of EUR 100 as it was previously) per EUR 1,000 income. (The amount of EUR 10 seems odd, but that is what is published in the Government Gazette.)

Notes:

1 The above tax scale is also applicable to the net taxable profits of individual entrepreneurs and freelancers. However such individuals are not eligible for the tax credits applicable to pensioners and employees.

2 The above tax scale and tax credits are also applicable to individual farmers. The previous 13-percent special tax regime is abolished.

3 In case of a taxpayer earning income from pension, employment, and farming activity, the applicable tax credit is calculated on the aggregate income reported. However, where a taxpayer earns income from other sources, the tax credit will be calculated only on the income from pensions, employment, and/or farming.

Taxation of Dividends

The tax rate on dividends is increased from 10 percent to 15 percent. New rules provide that the new rate applies for income earned from 1 January 2017 onwards.

Taxation of Rental Income

Rental income is taxed at the following tax rates/brackets:

- 15% (increased from 11%) for income up to EUR 12,000;
- 35% (increased from 33%) for income from EUR 12,001 and up to EUR 35,000; and
- 45% (new rate/bracket) for income exceeding EUR 35,000.

Special Solidarity Contribution

The special solidarity contribution has been made more progressive with the addition of a new bracket, and going forward higher rates apply. The special solidarity contribution is incorporated into the Income Tax Code and is applied on all taxable income (i.e., earned taxable income, investment income, dividends, interest, etc.). The new progressive scale³ is as follows:

Aggregated Income in EUR	Rate %
0 – 12,000	0%
12,001 – 20,000	2.2%
20,001 – 30,000	5.00%
30,001 – 40,000	6.50%
40,001 – 65,000	7.50%
65,001 – 220,000	9.00%
220,001 and higher	10.00%

Company Cars

The taxable benefit-in-kind from the use of company cars is increased for 2016 onwards to 80 percent (from 30 percent)⁴ on the vehicles cost recorded as an expense in the employer's accounting books.

FOOTNOTES:

1 Law 4387/2016 (Government Gazette A 85/12.05.2016) on “Unified Social Security System – insurance and pension system reform – Income tax and gambling games regulations” and, Law 4386/2016 (Government Gazette A 83/11.05.2016) amending the treatment of research and development (R&D) expenses.

We will report on the social security changes in more detail in a subsequent GMS *Flash Alert*.

2 For the previous tax rates applied to individuals, see the KPMG publication *Taxation of International Executives: Greece* at: <https://home.kpmg.com/xx/en/home/insights/2011/12/greece-income-tax.html> .

3 For the previous Social Solidarity Contribution rates applied to individuals, see the KPMG publication *Taxation of International Executives: Greece* at: <https://home.kpmg.com/xx/en/home/insights/2011/12/greece-income-tax.html> .

4 For taxable benefits-in-kind, see the KPMG publication *Taxation of International Executives: Greece* (under “Types of compensation”) at: <https://home.kpmg.com/xx/en/home/insights/2011/12/greece-income-tax.html> .

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