



Film Financing and Television programming

A Taxation Guide



Now in its eighth edition, KPMG LLP's ("KPMG") Film Financing and Television Programming: A Taxation Guide (the "Guide") is a fundamental resource for film and television producers, attorneys, tax executives, and finance executives involved with the commercial side of film and television production. The guide is recognized as a valued reference tool for motion picture and television industry professionals.

Doing business across borders can pose major challenges and may lead to potentially significant tax implications, and a detailed understanding of the full range of potential tax implications can be as essential as the actual financing of a project. The Guide helps producers and other industry executives assess the many issues surrounding cross-border business conditions, financing structures, and issues associated with them, including film and television development costs and rules around foreign investment. Recognizing the role that tax credits, subsidies, and other government incentives play in the financing of film and television productions, the Guide includes a robust discussion of relevant tax incentive programs in each country.

The primary focus of the Guide is on the tax and business needs of the film and television industry with information drawn from the knowledge of KPMG International's global network of member firm media and entertainment Tax professionals.

Each chapter focuses on a single country and provides a description of commonly used financing structures in film and television, as well as their potential commercial and tax implications for the parties involved. Key sections in each chapter include:

Introduction

A thumbnail description of the country's film and television industry contacts, regulatory bodies, and financing developments and trends.

Key Tax Facts

At-a-glance tables of corporate, personal, and value-added (VAT) tax rates; normal nontreaty withholding tax rates; and tax year-end information for companies and individuals.

Financing Structures

Descriptions of commonly used financing structures in film and television production and distribution in the country and the potential commercial tax implications for the parties involved. The section covers rules surrounding co-productions, partnerships, equity tracking shares, sales and leaseback, subsidiaries, and other tax-efficient structures.

Tax and Financial Incentives

Details regarding the tax and financial incentives available from central and local governments as they apply to investors, producers, distributors, and actors, as well as other types of incentives offered.

Corporate Tax

Explanations of the corporate tax in the country, including definitions, rates, and how they are applied.

Personal Tax

Personal tax rules from the perspective of investors, producers, distributors, artists, and employees.

Digital Media

For the first time, we have included a discussion of digital media tax considerations recognizing its growing role in the distribution of film and television content.

KPMG and Member Firm Contacts

References to KPMG and other KPMG International member firms' contacts at the end of each chapter are provided as a resource for additional detailed information.

Please note: While every effort has been made to provide up-to-date information, tax laws around the world are constantly changing. Accordingly, the material contained in this publication should be viewed as a general guide only and should not be relied upon without consulting your KPMG or KPMG International member firm Tax advisor.

Production opportunities are not limited to the countries contained in this Guide. KPMG and the other KPMG International member firms are in the business identifying early-stage emerging trends to assist clients in navigating new business opportunities. We encourage you to consult a KPMG or KPMG International member firm Tax professional to continue the conversation about potential approaches to critical tax and business issues facing the media and entertainment industry.

Thank you and we look forward to helping you with any questions you may have.

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Introduction

The protection of cinematographic art is the responsibility of the State, which should provide for its development. According to Greek legislation, the State is obliged to take necessary measures for the moral and material support of all types of art, including the production, distribution, and promotion of Greek films. This duty led to the 1998 establishment of the Greek Film Centre (GFC), a corporation whose goals are the protection, reinforcement, support, and development of cinematographic art in Greece. Further, the GFC seeks the projection, dissemination, and promotion of Greek cinematographic production inside and outside Greece. This corporation belongs to the broader public sector, is supervised by the Ministry of Culture, and is subsidized by the State.

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Key Tax Facts

Highest corporate income tax rate	29%
Highest personal income tax rate	45% ¹
VAT rates	6%, 13%, and 24% ²
<i>Normal non-treaty withholding tax rates:</i>	
Dividends	15% ³
Interest	15% ⁴
Royalties/Service fees	20% ^{5,6}
Tax year-end: Companies	December 31 or June 30 ⁷
Tax year-end: Individuals	December 31

¹ Personal income tax is calculated at the rate of 22% for income up to EUR 20,000, at the rate of 29% for income up to EUR 30,000, at the rate of 37% for income up to EUR 40,000, and at the rate of 45% for income exceeding EUR 40,000.

² The standard rate of VAT is 24%. Reduced rates of 13% and 6% apply to certain supplies of goods and services. Until the end of June 2018, all rates were reduced by 30% (i.e., from 24% to 17% from 13% to 9% and from 6% to 4%) for supplies made to/in certain Aegean islands) provided that certain conditions are cumulatively met; this reduction does not apply to supplies of tobacco products and means of transportation. VAT exemptions apply, inter alia, to (a) intra-community supplies and exportations of goods; (b) the majority of services provided to foreign persons subject to VAT; (c) international transports; (d) supplies made in connection with qualifying vessels and aircraft, including the VAT-exempted release of imported goods for free circulation in Greece when they are placed in a VAT warehouse before being delivered to qualifying vessels and aircrafts; and (e) services provided by the educational, medical, insurance, and financial sectors.

³ A 15% withholding tax on dividends applies (unless a DTT applies to reduce it). In the case of Greek legal entities, the 15% withholding tax on dividends does not exhaust the tax liability of the recipient legal entity but it is considered an advance tax which is set off against the recipient's final tax liability arising on the total income. For foreign Parent entities with no PE in Greece, the 15% tax withholding on dividends is a final tax. Dividends paid by a Greek company to an affiliated company established in another European Union (EU) Member State is not subject to withholding income tax provided that the conditions set by the EU Parent-Subsidiary Directive are cumulatively met.

⁴ Interest is subject to withholding tax at the rate of 15% (unless a DTT applies to reduce it). Interest paid by a Greek company to an affiliated company established in another European Union (EU) Member State is not subject to withholding income tax provided that the conditions set by the EU Interest and Royalty Directive are cumulatively met.

⁵ Royalties are subject to withholding tax at the rate of 20% (unless a DTT applies to reduce it). No tax withholding applies to royalties paid to Greek resident legal entities or Greek permanent establishments of nonresident legal entities. Royalties paid by a Greek company to an affiliated company established in another EU Member State are not subject to withholding income tax provided that the conditions set by the EU Interest and Royalty Directive are cumulatively met.

⁶ Payments for technical works, construction works, management fees, consulting, and similar services are subject to withholding tax at the rate of 20% provided that the beneficiary is an individual (resident or not) or a non-EU/EEA foreign legal entity with a permanent establishment in Greece through which the services are carried out. The 20% tax withholding on payments for technical works, construction works, management fees, consulting, and similar services applies only to payments exceeding EUR 300 where the recipient is a Greek tax resident.

⁷ An AE, EPE, and most other company forms may have the same year-end as their foreign parent company that owns at least 50% of the company's capital. A branch of a foreign company can have the same year-end as its head office.

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Film Financing

Financing Structures

According to Greek law, there is no specific type of company for the production of films. Therefore, all legal forms under which a foreign company can operate in Greece can be used to establish and operate a film production business in Greece, including a local company or partnership. In general, an entity with its registered place of business in Greece is normally considered to be a Greek enterprise despite the fact that all of its members may be non-residents.

Co-Production

Greece has signed the European Convention on Cinematographic Co-Production (the Convention), which was ratified by Greek Law No. 3004/2002. This convention regulates co-productions where at least three co-producers established in three different countries that are party to the Convention are involved, whether or not additional co-producers established in countries that are not party to the Convention are involved.

The aggregate participation in the production costs of co-producers who are not established in a country party to the Convention may not, however, exceed 30% of the total cost of the production. In case of multilateral co-productions, the minimum participation by each co-producer may not be less than 10% and the maximum contribution may not exceed 70% of the total production cost of the cinematographic work.

European cinematographic works made as multilateral co-productions and falling within the scope of the Convention shall be entitled to the benefits granted to national films by the legislation of the parties to the Convention participating in the co-production concerned. Any co-production of cinematographic work is subject to the approval of the competent authorities of the parties in which the co-producers are established, after consultation between the competent authorities.

Each party to the Convention should facilitate the entry and residence, as well as the granting of work permits in its territory of technical and artistic personnel from other parties participating in the co-production.

Partnership

Under Greek law there are two types of partnerships, general partnerships (OE) and limited partnerships (EE).

General Partnership – *Omorythmos Eteria* (OE)

A general partnership (*Omorythmos Eteria*) is an entity in which the partners are jointly and severally liable for the debts of the partnership without limitation in liability. The Articles of Association of a partnership need not be signed before a Notary Public and can take the form of a private agreement. There is no minimum capital requirement. The capital may be contributed in cash or in kind, or in the form of personal services to the firm.

Limited Partnership – *Eterorythmos Eteria* (EE)

In all respects, a limited partnership (*Eterorythmos Eteria*) is similar to a general partnership, except that the liability of certain (limited) partners is limited to the capital that they have contributed. At least one partner, generally the managing partner, must have unlimited liability. Generally, a limited partner has no representation powers unless otherwise provided by the Articles of Association; in the case when the Articles of Association provide

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the limited partner with the representation powers, the limited partner has the same liability as a general partner, unless the third party is aware of the limited partner's limited status.

Although, in theory, the profits of the EE are distributed equally between the general and the limited partners, the law allows the Articles of Association to provide otherwise; however, in practice it is common for the profits to be distributed to the partners according to their participation in the company's capital.

Corporation – Anonymous Eteria

A film production company can also be established in the form of an *Anonymous Eteria* (AE), which is a legal entity in which the liability of shareholders is limited to their contribution to the share capital. An AE is the equivalent of the French Société Anonyme, the German Aktiengesellschaft, or the U.S. Corporation.

The minimum capital of an AE is generally EUR 24,000 and full payment must be certified by its directors within two months from the date of incorporation. There are special laws that prescribe higher minimum capital requirements for AEs with particular business activities (e.g., banking institutions, insurance companies, etc.). Capital may be contributed in cash or in kind. Partial payment of the company's capital through contributions in kind is not permitted. Contribution in kind can be valued either by a special committee appointed by the Ministry of Development or by two Certified Auditors – Accountants or two appraisers of the Body of Certified Appraisers.

The capital of a film production AE company is divided into shares with a minimum nominal value per share of at least EUR 0.30 and a maximum of EUR 100. In addition to common shares, an AE may issue preferred shares (with or without voting rights) and founders' shares. Dividends to preferred shareholders are normally computed as a fixed percentage of the par value of the preferred shares, are paid before any dividends to common shareholders, and may be paid even if the AE does not distribute any dividends to common shareholders in any one year. Founders' shares cannot exceed 10% of the total number of shares issued, may be redeemed by the AE 10 years after issuance, and do not confer any right of participation in the administration of the company.

An AE may, under certain circumstances, acquire its own shares or the shares of its parent (for example, the nominal value of the shares acquired cannot exceed 10% of the paid-up capital unless the shares acquired will be distributed to employees, etc.).

For Greek tax purposes, the accounting period consists of 12 months, and the first year of operation cannot exceed 12 months. The accounting year must end on June 30 or December 31. If a foreign legal entity holds at least 50% of a Greek AE's capital, the Greek AE may have the same year-end as its foreign shareholder. Corporations are required by the Greek Code of Tax Reporting of Transactions to maintain double entry accounting books. The accounts and account structure must by law be those prescribed by Greek Accounting Standards.

A minimum amount equal to 5% of the annual profits must be transferred to a statutory reserve until it reaches one-third of the share capital. This reserve is not available for distribution, except in the case of liquidation, but can be used to offset a deficit.

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After deduction for the statutory reserve, a minimum amount equal to 35% of the annual net profits must be distributed to the shareholders as a first dividend, unless waived by the General Meeting of Shareholders by the majority of votes prescribed by law (currently 65%).

An interim dividend may be distributed, provided an interim balance sheet and a profit and loss account are published in accordance with the applicable legislation. The interim profits distributed should not be more than half of the net profits appearing in the interim profit and loss account.

The administration of the AE is carried out by the board of directors and by the shareholders at general meetings. All foreign members of the board of directors must have a Greek tax registration number. Additionally, legal representatives of the AE who are non-EU citizens must also acquire a Greek residence permit.

Limited Liability Company – Eteria Periorismenis Efthynis

An *Eteria Periorismenis Efthynis* (EPE) resembles an AE in that it is regarded as a legal entity separate from its partners who have liability for corporate debts up to the amount of capital contributed by them. An EPE resembles a partnership in the manner in which decisions are made. Specifically, a majority of both the number of partners and of the capital is required in making decisions. The profits of an EPE are taxed similarly to an AE.

Currently, there are no minimum capital requirements (i.e., the capital is freely set by the partners) and the capital is divided into partnership parts. However, the value of each partnership part should be at least EUR 1.

The accounting period and requirements for accounting books are the same as that previously described for corporations (AEs).

The administration of the EPE is carried out by the administrators (one or more persons depending on the terms of the Articles of Association), who are not required to be partners of the entity and are appointed either in the Articles of Association or by the partners'/partner's meeting with a definite or indefinite term of service. If no administrators are appointed, the administration of the EPE rests with the partners acting collectively. The immigration and tax registration requirements above for board members apply by analogy to the administrators of the EPEs (i.e., they must be tax registered and obtain a Greek residence permit if third country citizens).

A minimum amount equal to 5% annual profits must be transferred to a statutory reserve until it reaches one-third of the paid-up capital. The distribution of profits is compulsory unless otherwise provided in the Articles of Association or decided by the Partners' Meeting.

The Articles of Association may provide for the sharing of the profits by the partners to be different from their participation in the capital.

Private Capital Companies/IKE

The Private Capital Company (IKE) is an entity type introduced in 2012 and resembles the Limited Liability Company. The Private Capital Company can be established by one or more founders.

There are no minimum capital requirements for the IKE and the contributions of the partners can be capital contributions (in cash or in kind), noncapital contributions (such as assumption

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of obligation to provide services), and guarantee contributions (where the partner contributing guarantees assumes liability towards third parties for corporate debts up to the amount defined in the Articles of Association).

The administration of the IKE is carried out by the administrators and by the partners at general meetings. One or more persons can be appointed as administrators depending on the terms of the Articles of Association and they are not required to be partners of the entity. If no administrators are appointed, the administration of the IKE rests with the partners acting collectively (if the partners are legal entities, they must appoint an individual as administrator). The immigration and tax registration requirements above for AE Board members and EPE Administrators apply by analogy to the administrators of the IKEs (i.e., they must be tax registered and obtain a Greek residence permit if third country citizens).

Greek Branch of a Foreign Entity

A foreign film production company can also establish a branch in Greece through registration with the Ministry of Development. The branch is administered by an individual (representative) appointed by the head office by virtue of a Power of Attorney. If the individual appointed as the legal representative of the branch is not an EU national, he must secure a residence permit before arrival to Greece.

In general, the accounting period of a branch is the same as that of an AE. Normally, the accounting year of the branch would be co-terminus with that adopted in the country in which the company is incorporated.

European Company – Société Européenne (SE)

Another legal form is the European Company (SE). Greek Law 3412/2005, which incorporated EU Regulation 2157/2001, and Presidential Decree 91/2006, which incorporated EU Directive 2001/86/EC, supplemented by Greek legislation on AEs, constitutes the legal framework for the establishment of SEs in Greece. The minimum share capital of an SE cannot be less than EUR 120,000, subject to provisions of Greek law requiring a higher subscribed capital for legal entities engaged in certain business activities. The SE is a very useful vehicle for doing business in more than one EU Member State.

Joint Venture

The term joint venture is used in commercial practice to indicate the cooperation of individuals or legal entities for the purpose of pursuing and carrying out a specific project, such as the production of a film in Greece. The object of the joint venture cannot be extended or amended at a later stage.

Although past legislation provided that joint ventures in Greece have no legal classification, a provision adopted in 2012 (article 293 of Law 4072/2012) provides that it is compulsory for Greek joint ventures engaged in commercial/entrepreneurial activities to register with the General Commercial Registry and thus acquire legal classification, requiring the joint venture agreement to have Articles of Association.

As soon as the joint venture finishes the production of the film for which it was created, it should be dissolved since a joint venture is established to carry out a specific project (i.e., production of a film). In view of the above, it is difficult in practice once a joint venture is dissolved to award the exploitation rights of the film following dissolution. As an alternative, most co-productions of cinematographic films where Greek entities and foreign entities

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participate are carried out on the basis of a simple co-production agreement, where all relevant issues are explicitly agreed upon.

Acquisition of Distribution Rights

Distributors may participate in the financing of the production of a film by making an advance payment for the future distribution rights of the film, which is called an “advance guarantee” and normally exceeds EUR 3,000.

Tax and Financial Incentives

Producers

Recent amendments to the Greek legislation introduced certain tax benefits for Greek individuals and legal entities investing in the production of cinematographic films. More specifically, the new law provides that an investor can deduct up to 30% of certain expenses incurred in investing in the production of cinematographic films from the investor’s taxable income, provided that said expenses were carried out in Greece.

The above amount of deductible expenses cannot exceed 50% of the total production cost of cinematographic film. This provision does not apply when the investment amounts are derived from grants and/or sponsorships.

Distributors

There are no specific incentives available for distributors of cinematographic films in Greece.

Actors and Artists

There are no specific incentives available for actors and artists in Greece.

Incentives Offered by the Greek Film Centre (GFC)

In order for the Greek Film Centre (GFC) to achieve its objectives, it provides sponsorships, awards grants, and participates and collaborates in the production of all cinematographic films of cultural value.

The new Financial Regulation Programs (FRP) of the GFC have been prepared on the grounds of supporting the protection, enhancement, and development of cinematographic production and art in Greece. Sufficient areas of funding, which align with international standards, are included in the new regulations in order to meet the various current needs of cinematographic production.

In particular, the following support programs as detailed below have been incorporated in the new FRP aiming to support specific targets which correspond to each particular program:

- “Scriptwriting – Development program”
- “Development program”
- “Basic program for the production of cinematographic film”
- “Program for the production of Low Budget Cinematographic Film”
- “Program for the production of cinematographic films addressed to children and adolescents”
- “Program for new directors (first or second movie)”

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- “Program for the production of short cinematographic films”
- “Program for the production of Documentary cinematographic films”
- “Incentive Program for the attraction of foreign producers along with the minority participation of a Greek co-producer”
- “Program for supporting the production of completed cinematographic films.”

“Scriptwriting – Development program”

This program intends to support the scriptwriting procedure, from the stage of the initial idea to the completion of the production of the work in the hope of achieving a close collaboration between the scriptwriter, the director, and the producer. In particular, the funding under this program is carried out within the framework of the following stages:

- “Treatment” stage (i.e., a stage where the basic idea/description of the plot without any dialogue is submitted for the so called “treatment”), the funding for which is capped at EUR 4,000
- Scriptwriting stage according to the Treatment, the funding for which is capped at EUR 9,000
- Development stage (i.e., the completion of the script and preparation of the production’s funding application), the funding for which is capped at EUR 12,500. An additional amount of EUR 2,500 is funded in cases of participations in Script Workshops.

“Development program”

This program is intended to support the independent development of cinematographic films and its funding is capped at EUR 12,500 (payments are effected in installments depending on the development’s progress). An additional amount of EUR 2,500 is funded in cases of participations in the Script Workshops.

“Basic program for the production of cinematographic film”

This program intends to support productions of high financial requirements, even in cases of new directors, which may either be international co-productions with Greek initiative meeting the conditions of the European Convention on Cinematographic Co-productions, or productions that aim to be funded exclusively through Greek public and/or private sources. The funding for this program is capped at EUR 250,000 (GFC may fund only an amount corresponding up to 33% of the total budget).

“Program for the production of Low Budget Cinematographic Film”

This program funds low-budget innovative cinematographic films with a minimum running time of 70 minutes and limited production needs for equipment, film-making time and technical processing. The overall production budget of the project may not exceed EUR 200,000 which may be covered at a percentage of up to 70% by contributions in kind, provision of services etc. in exchange for a percentage of the film’s licensing rights corresponding to their contribution. The maximum amount of the funding is EUR 75,000 per project. It is noted that GFC may fund only an amount corresponding up to 50% of the total budget.

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“Program for the production of cinematographic films addressed to children and adolescents”

This program intends to support the development of cinematographic art addressed to children and adolescents. GFC may fund only an amount corresponding up to 20% of the total budget.

“Program for new directors (first or second movie)”

This program intends to support the renewal and implementation of new expressions in the current cinematographic practices. The said project is funded by GFC. The maximum amount of the funding is EUR 110,000 per project and it may not exceed 60% of the total budget.

“Program for the production of short cinematographic films”

This program funds the production of short cinematographic films, fiction, and animation films with a running time not exceeding 40 minutes. It is required that the directors of these films must have already directed a short film in the past. The maximum amount of the funding is EUR 25,000 per project depending on the production need.

“Program for the production of Documentary cinematographic films”

This program is applicable to the production of feature length documentaries with a minimum running time of 75 minutes as well as to medium length documentaries with a running time between 45 and 52 minutes and is funded by GFC. The maximum funding for feature and medium length documentaries is EUR 50,000 and EUR 25,000 per project, respectively.

“Incentive Program for the attraction of foreign producers along with the minority participation of a Greek co-producer”

This program provides incentives in order to attract foreign producers and the development of foreign productions in Greece, with the prospect to generate both significant economic and cultural benefits for the country. It applies to feature fiction films with a running time of at least 70 minutes and is aimed at:

- International projects co-produced by EU countries, Canada, and countries with which Greece has concluded bilateral agreements. The maximum amount of the funding per project is EUR 50,000.
- International projects co-produced by the remaining countries. The maximum amount of the funding per project is EUR 80,000 and it may not exceed 20% of the total budget.

It is noted that the funding is determined by the GFC and it depends on the level of participation of Greek artistic and technical staff, workshops, and post-production number of shootings taking place in Greece.

“Program for support of the production of completed cinematographic films”

This program intends to support completed cinematographic films. It is applicable to fiction, animation, and documentary film projects with a running time of up to 40 minutes, but also with a running time of longer than 70 minutes, which have been fully completed or have the process of sound and image completed within the current year. The maximum funding per project is EUR 80,000 for feature fiction films, EUR 10,000 for short films, and EUR 25,000 for documentaries.

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Other Financing Considerations

Exchange Controls and Regulatory Rules

In general, the importation of foreign currency into/from Greece is unrestricted. However, exportations of foreign exchange must be effected through the commercial banks which will review the authenticity of the transactions and request supporting documentation.

Furthermore, due to capital controls restrictions introduced in July 2015, the transfer of funds abroad from Greece is generally prohibited, including transfers to accounts held in credit institutions established and operating abroad as well as transfer of funds by the use of credit, debit and prepaid cards for cross-border payments. However, capital controls restrictions have been relaxed over time and currently certain types of banking transactions and transfers of funds outside Greece have become permissible by explicit provision of law or may be permitted following specific approval of the Committee of Banking Transactions.

Tax Costs on Transfer of Shares or Units

Profit realized by Greek legal entities from the sale of listed and non-listed shares is classified as business profit subject to Greek corporate income tax with possible exemptions available under treaties for sales of foreign shares. Moreover, given that Greek source business income is considered to be the income from business activities carried out in Greece through a PE, the profit received by foreign entities with no PE in Greece from the sale of Greek company shares is not subject to taxation in Greece. The sale of listed shares is also subject to 0.2% financial transaction duty.

Capital gains on the sale of listed shares acquired by individuals before January 1, 2009 or when the seller is an individual and owns less than 0.5% of the share capital of the company whose shares are being sold, are exempted from taxation.

Interest Payments on Loans

When a loan is provided to a Greek resident entity, the payments of interest from the resident company are subject to withholding tax at the rate of 15% unless a double tax treaty stipulates a more favorable withholding tax rate. Furthermore, loan interest paid to foreign banks is not subject to withholding tax. Generally, taxes on interest payments are withheld at the time of the payment of the interest and are remitted to the competent tax authority with the filing of the corresponding tax return. Loans concluded in Greece (except for bank loans from Greek banks or branches of foreign banks operating in Greece) are subject to stamp duty at a rate of 2.4%. In addition to written loan agreements, stamp duty also applies to loans concluded orally and where the loan is evident from bookkeeping entries. By exception, loans concluded and executed abroad, which satisfy certain conditions, are exempt from stamp duty in Greece.

Regarding intercompany loans and taking into account the existence of the special relationship between group entities, the text of the loan agreement should not raise any doubts to the Greek tax authorities over the authenticity of the transaction in order to permit interest to be deductible.

Therefore, the loan agreement must be concluded on arm's length conditions and its form must meet certain requirements; however, it is possible to have a non-interest-bearing loan granted to a Greek entity.

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Incorporation of Parent-Subsidiary Directive and Interest-Royalties Directive to CIT

Greece has incorporated the provisions of the Parent-Subsidiary Directive (Council Directive 2011/96/EC) and the Interest-Royalties Directive (Council Directive 2003/49/EC). By virtue of the Parent-Subsidiary Directive, dividends distributed by Greek subsidiaries to EU parent companies are exempt from the domestic 15% dividend withholding tax. In order to obtain the exemption, the beneficiary must be an EU tax resident legal entity, there must be a participation percentage of at least 10%, and the participation must be held for at least 24 months. If the 24-month holding requirement is not fulfilled at the time of the dividend distribution, while the remaining requirements are met, said distribution might be exempted from withholding tax provided that the taxpayer submits a guarantee to the Greek state calculated by a specific formula.

Under the EU Interest and Royalties Directive regime, a 0% rate applies where the recipient is an associated company of the paying company and is resident in another EU Member State. Two companies are "associated companies" if one of them holds directly at least 25% of the capital of the other. A continuous minimum holding period of 24 months is required. The relevant companies must have a legal form listed in the Annex of the Directive and be subject to corporate income tax. If the 24-month holding requirement is not fulfilled at the time of the interest/royalty payment, while the remaining requirements are met, said payment might be exempted from withholding tax provided that the taxpayer submits a guarantee to the Greek state calculated by a specific formula.

Thin Capitalization Rules

The deductibility of interest is subject to thin capitalization rules. The amount of interest expense is not tax deductible where the difference between the interest expense and interest income exceeds 30% of the entity's EBITDA. The aforementioned provision does not apply where the interest expense does not exceed EUR 3 million per year. Any amount not allowed for deduction in the year in which it arises is deferred for deduction in the following years without any time constraints. Interest on all types of loans (i.e., also interest paid on a bank loan) is subject to the thin cap rules.

Other Financial Support

The provisions regarding the special tax imposed on cinema tickets were abolished in 2015. The current legislation does not include any other financial support provisions. Corporate Taxation

General Tax Provisions

Irrespective of their legal form, all businesses must register for tax purposes in Greece before they commence operations.

Greek Legal Entities and Branches of foreign entities

Sociétés Anonymes (AEs), Limited Liability Companies (EPEs), and branches of foreign entities are taxed on their profits before distribution at the rate of 29%.

Dividends are distributed from after-tax profits. Dividends distributed by Greek corporations to Greek or foreign individuals or foreign legal entities as well as dividends distributed by foreign entities to individuals who are residents of Greece, are subject to a (withholding) tax of 15%, which is the final tax liability of the beneficiaries of that income. If the beneficiary of dividends is established in a country which has signed a treaty with Greece for the application of double taxation, the withholding tax rates provided therein shall apply

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accordingly. Notwithstanding the existence of a treaty, no tax is withheld when the beneficiary of dividends is a parent company established in another EU country provided that the latter is eligible for exemption on the basis of the provisions of the Parent-Subsidiary EU Directive.

The taxable profits (or losses) of each tax year are the profits (losses) shown in the financial statements, derived from the official accounting books kept in accordance with Greek Reporting Standards after adjusting for nondeductible expenses and nontaxable income.

Any profit which is remitted by the branch to its head office is not subject to any dividend tax withholding.

Furthermore, there is an exemption from corporate income tax on profits received by Greek AE companies from their EU subsidiaries provided that the conditions of the Parent-Subsidiary Directive as mentioned above are met.

When the company has gains or losses from the disposal of shares or units, see the relevant section above for the tax treatment.

The assessment of tax is made with the filing of the corporate income tax return, the filing deadline (for corporations, limited liability entities, and branches of foreign entities) is the last day of the sixth month following the year-end of the entity. The tax is payable in six equal monthly installments. The first installment is paid with the filing of the tax return.

If the legal entity and/or the branch of foreign entity has taxable profits, then advance tax is also paid for the following financial year, which is calculated as 100% of the tax due after deducting any taxes withheld in Greece on the entity's income during the year. The said advance tax is offset against the following year's income tax liability, which is determined with the filing of such subsequent year's income tax return, while a new advance tax is calculated for the following year. The payment of the advance tax is made together with the payment of the tax due for the previous year. The above-mentioned advance tax rates are decreased by 50% for the first three accounting years of newly established entities if they are not the result of a merger with any other entities.

Partnerships and Joint Ventures

The profits of partnerships, cooperatives, joint ventures etc. are taxed at the rate of 29%. As to entities that maintain single entry accounting books, no further Greek income tax will be imposed on the partners when the profits are distributed to them.

Filing of Tax Return

The corporate income tax return is submitted by the end of the sixth month following the end of the tax year to which they relate. An amending tax return may be filed at any time before notification of the temporary tax assessment note from the Tax Administration or up to the date when the Tax Administration's right to carry out an audit of the initially submitted return expires. If a company files its tax return without making the appropriate tax payment, it is considered as not having filed the tax return and is then subject to all the consequences pertaining to non-filing. Other filing obligations, such as for withholding taxes, also exist.

Starting from 2011, Greek entities which were subject to an obligatory audit by a statutory auditor were also required to receive an Annual Tax Compliance Certificate (ATCC) from their statutory auditor. Starting from 2016, the ATCC became optional. The ATCC scope of

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work is performed under a very thorough schedule provided by the Ministry of Finance and any findings are reported to the Ministry of Finance by the entity's statutory auditor.

Recognition of Income

There are no special rules regarding the recognition of income of film production companies. Therefore, taxation arises in accordance with the general rules applicable to all types of firms irrespective of their activities.

Greek Resident Entities

Entities established in Greece, or that have their effective management in Greece, are resident in Greece for tax purposes and are taxable on their worldwide income. A foreign entity is subject to Greek corporate tax on income arising in Greece if it has, or is deemed to have, a permanent establishment (PE) in Greece.

Foreign Enterprises

A foreign enterprise operating in Greece through a branch, or having acquired a PE in Greece, is subject to corporate tax. If the foreign enterprise has a subsidiary in Greece, such subsidiary is subject to corporate tax.

In accordance with the Greek Income Tax Code (ITC), foreign enterprises are generally regarded as having a PE in Greece if they maintain one or more branches, agencies, offices, plants, laboratories, or other processing facilities in Greece for the purpose of exploiting natural resources.

The above criteria are superseded by the provisions of the double taxation treaties concluded by Greece with other countries, which include a narrower definition of a permanent establishment.

By virtue of provisions of the Greek Tax Procedure Code (law 4174/2013), any foreign enterprise that has an actual professional presence in Greece must register for tax purposes.

Sale of Distribution Rights

In general, payments by a distribution company to a production company for distribution rights would be treated as royalties. Royalties are added to the other revenues of a Greek legal entity and are taxed at the applicable income tax rate.

If a Greek resident legal entity pays royalties for the distribution rights in a film or television program to a production company based in another country without a PE in Greece, the payments would be regarded as royalties taxable in Greece at the rate of 20% (or at a lower rate if provided for in a treaty for the avoidance of double taxation). The tax so charged is withheld at the time of payment and is remitted to the tax authority with the filing of the corresponding return.

The Television Broadcaster

The television broadcasters in Greece are the State broadcaster, the cable TV broadcasters, and the private TV broadcasters.

With the enactment of Law 3905/2010, the State broadcaster is required to apply 1.5% of their annual gross revenues for the production or the co-production of cinematographic films, which will be released in the cinemas. The contribution of private and cable TV

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broadcasters in the above respect is limited to 1.5% of the annual gross revenues derived solely from advertisements. Up to half of the amount contributed by the State broadcaster, private, and cable TV broadcasters can be given to the Greek Film Center as advertisement time for the promotion of cinematographic films through TV advertisement. The resources of the State TV broadcaster are:

- The duty paid by all Greek resident legal entities or individuals, which is levied through their electricity bill
- Advertising
- Subsidizing by the State budget.

Advertising is also the main resource for private and cable television; cable television also collects fees from its subscribers.

Amortization of Expenditures

There are no specific rules for film production companies and TV broadcasters; thus, the general rules are applicable.

Deductibility of Expenses

Expenses raised during the production of a film qualify for tax deductibility only if:

- The relevant expenses are made for the benefit of the company or in the course of its ordinary business activity
- They correspond to an actual transaction whose value is not considered higher or lower than the market value on the basis of information available to the tax authorities
- They are recorded in the accounting books of the period in which they occur and are evidenced by proper supporting documentation.

Deductibility of payments to residents of non-cooperating countries or of countries with preferential tax treatment

Payments made to individuals, companies, or legal entities which are tax resident in a non-cooperating country or in a country which is subject to a preferential tax regime, in accordance with the provisions of Greek ITC, are not deductible for tax purposes unless the taxpayer proves that such expenses relate to actual and ordinary transactions and that they do not reflect the transfer of profits, income, or capital for tax avoidance purposes. The above provision of non-deductibility does not apply to expenses paid to individuals or entities who are EU or EEA tax residents provided that Greece and the other country may legally exchange information for tax purposes.

Non-cooperating countries are those which are not members of the European Union, their situation as far as clarity and exchange of information on taxation matters has been examined by the OECD, and they cumulatively satisfy the following conditions:

- Have not concluded with Greece any mutual assistance agreement on tax matters
- Have not concluded any such agreement with at least 12 other countries.

Non-cooperating countries are determined by virtue of a decision issued by the Minister of Finance after the above conditions are examined.

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For income tax purposes, an individual or an entity is considered to enjoy a preferential tax treatment in a country outside Greece, if they are not subject to any tax in that country or although subject to tax, are not actually taxed, or are subject to tax at a rate which is less than 50% of the rate which would be applicable to their income in case they were resident in or had their registered address or a permanent establishment in Greece. The preferential tax regime criterion applies even in cases where such individual or entity has its residence or statutory or actual seat or is established in an EU member state.

Depreciation and Valuation

- Depreciation may be taken, under certain conditions, by the owner of the assets and by the lessee of the assets provided that a financial lease agreement has been concluded.
- The depreciation rate on all means of transportation of passengers is 16%, while the rate for domestic cargo transport is 12%. The depreciation rate of intangible assets and royalties is 10%, except where the economic life of the right as contractually determined in the initial agreement is other than 10 years.
- Entities may choose the valuation method for inventory and semi-finished products, provided that no changes to the chosen method will be made within the four tax years following the tax year in which the aforesaid method was initially used.

Relief of Losses

Tax losses of entities and branches of foreign entities that maintain double-entry accounting books and of entities maintaining single-entry accounting books may be carried forward and be offset against taxable income of the five years following the accounting year in which they were incurred. Losses cannot be carried back. Greek entities having a business interest (PE) abroad may offset losses incurred by their foreign interest in EU/EEA countries, on the condition that the PE is deregistered, said losses have been finalized and the losses have not been set off by the PE against its income.

Furthermore, an entity and/or a branch of a foreign entity will lose its right to carry forward its tax losses if, during a financial year, the direct or indirect shareholding status or voting rights of its shareholders is subject to amendment that exceeds 33% of share capital value or number of shares, respectively, unless it is proven that respective transaction has not been carried out for tax evasion purposes.

Group Tax Relief

The concept of group tax relief does not exist in Greece. Companies cannot transfer losses to other companies of the same group.

Foreign Tax Relief

According to the provisions of Greek ITC, a Greek legal entity or permanent establishment is entitled to claim credit for the foreign tax charged on income from any overseas source against the Greek corporate tax payable on that income, regardless of the country in which respective tax was paid. The amount of the credit is limited to the amount of Greek tax attributable to such income.

Treaties for the avoidance of double taxation

Treaties for the avoidance of double taxation have been signed and apply to Albania, Armenia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia,

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Germany, Hungary, Iceland, India, Ireland, Israel, Italy, Korea, Kuwait, Latvia, Lithuania, Luxembourg, Malta, Mexico, Moldavia, Morocco, the Netherlands, Norway, Poland, Portugal, Qatar, Romania, Russia, San Marino, Saudi Arabia, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, and Uzbekistan. The tax treaties cover, inter alia, the withholding tax treatment on payments of dividends, interest, and royalties from Greece to residents of the treaty countries.

Indirect Taxation

Value Added Tax (VAT)

Registration and Filing

Upon establishment, all Greek entities are obliged to obtain a tax number in Greece which is used for both income tax and VAT purposes.

Foreign companies carrying out supplies whose place of supply is Greece are required to first obtain a Greek tax/VAT registration number and then file Greek VAT returns periodically (monthly or quarterly), by the last working day of the month following the month of reference. More specifically, EU companies are not obliged to register by appointing a Greek VAT representative; rather, such registration (together with the subsequent filing/payment obligations) can be effected electronically from abroad without any physical presence/representation in Greece. In such case only an application requesting VAT registration in Greece is required (the required fields are completed inter alia with the EU company's corporate details and with its legal representative's personal details; further, one field requires the Greek activity code[s] of the EU company's activity[ies] for which VAT is due in Greece). On the other hand, a non-EU company can VAT register in Greece only by appointing a Greek company or individual as its Greek VAT representative (the above filing and payment obligations also apply).

VAT rates

24% VAT applies to the majority of supplies, while 13% applies to certain supplies such as of water and electricity, and 6% applies to limited types of supplies (e.g., pharmaceutical products for human use, theater tickets). Up until June 30, 2018, the above 24%, 13% and 6% VAT rates were further reduced by 30% to 17%, 9% and 4% respectively when supplies were carried out to/in certain islands of the Aegean Sea.

VAT exemptions and zero-rated transactions (non-exhaustive list)

VAT exemptions include, among others, (a) financial services, (b) insurance services, and (c) leasing of real estate. Furthermore, there are supplies that are zero-rated, such as (i) EC supplies, (ii) exportations, (iii) supplies of services to foreign taxable persons, and (iv) international passenger flights.

VAT on cross-border transactions

EC acquisitions in Greece are generally reverse-charged, while importations generally trigger import VAT (and custom duties, where applicable). EC supplies and exportations are generally zero-rated (subject to conditions), while domestic purchases and importations in Greece can be exempted from VAT (subject to conditions) where the acquired goods constitute the subject matter of a subsequent EC supply or exportation.

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VAT recovery

VAT from purchases and importations into Greece is recovered (a) by offsetting it against VAT collected from domestic sales or (b) by means of a domestic VAT refund. More specifically, the seller collects VAT from the buyer and remits it to the Greek State, after offsetting VAT incurred from domestic purchases and/or importations into Greece. Domestic VAT refunds are (by law) processed within three months from the filing of the refund application (significant delays are observed). Generally, VAT is recoverable subject to formalistic conditions, including that (a) the buyer should be tax/VAT registered in Greece prior to receiving a VAT-inclusive invoice and (b) the recovery right is timely exercised. Finally, VAT is recovered partly or in whole, provided that the expense is related to VATable activities and/or zero-rated activities (e.g., EC supplies). However, there are expenses for which VAT is irrecoverable, such as entertainment, accommodation, food and drink, transportation of employees, and lease of means of transport.

Time when VAT is due

Generally, VAT is due when a supply of goods/services has been carried out/completed. As an exception, depending on the facts and circumstances, it can be deemed to be due when an invoice is issued.

VATable basis

The VATable basis for EC acquisitions and domestic sales to other entities equals the price, plus any related cost, including transportation, non-returnable packaging, insurance, and interest from sales on credit, whereas discounts, returns, cancellations (whether in part or in whole) are not included. For importations, the VATable basis equals the price, plus any customs duties and related costs, including intermediation commission, interest, packaging, loading and insurance.

Supply of Completed Film

When a resident company delivers a completed film to another resident company this supply is subject to VAT at the rate of 24%.

Royalties

Royalties paid by a Greek resident company to a nonresident company (EU or non-EU) are taxed at the country of the recipient of the services. Where the recipient is a Greek VATable person, such person applies the reverse-charge mechanism, by offsetting an equal amount of input against output VAT on the same Greek VAT return (i.e., without creating a cash outflow from a Greek VAT perspective).

Peripheral Goods and Merchandising

The rate of VAT depends on the nature of the goods. Books, magazines, newspapers, and theatre tickets are subject to VAT at the rate of 6%, whereas goods and products deemed as necessities such as fresh food products and certain professional services are subject to VAT at the rate of 13%.

Promotional Services

Promotional services have the same treatment for VAT purposes as royalties.

Catering Services

The supply of catering services carried out in Greece is subject to VAT at the rate of 24%.

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Digital Media

As from January 1, 2015, telecommunication, electronic and broadcasting services provided to non-VATable persons are subject to VAT in Greece, where the recipient resides in Greece or uses and enjoys such services in Greece (i.e., regardless of the recipient's country of residence). On the other hand, when such services are provided to VATable persons, the place of supply is the place where the recipient is established.

Customs Duties

No tax or customs duty would be due on goods temporarily imported into Greece and re-exported without alteration under the conditions set out by EU law.

Cross-border transactions between EU residents have ceased being considered imports/exports since 1993 and, therefore, no import or export duties are levied on transactions between EU countries. On imports from non-EU countries, the Common External Customs Tariff of the EU and the Greek Customs Code apply.

Personal Taxation

Non-resident Artists (self-employed)

Income Tax Implications

Non-residents are taxed only on Greek source income, including income from services rendered in Greece. Self-employed (freelance professionals) persons have the obligation to register with the Greek tax authorities and maintain accounting books and records. Fees paid to freelance professionals are subject to a withholding tax of 20% (which is deducted at source and which is treated as an advance tax against their final income tax liability) on condition that such fee exceeds the amount of EUR 300. The taxable income of freelance professionals is generally calculated by deduction of expenses (deriving from their accounting books and records) from the gross profits (gross income from fees recorded in the accounting books and records) and is taxed at the rate of 22% on profits up to EUR 20,000, at the rate of 29% on profits from EUR 20,001 up to EUR 30,000, at the rate of 37% on profits from EUR 30,001 up to EUR 40,000, and at the rate of 45% for profits exceeding EUR 40,000 (progressive income tax scale). The total income reported via the annual personal income tax return is also subject to special solidarity contribution (please see below under resident artists for the applicable progressive scale).

The above rules are subject to the provisions of the relevant tax treaties concluded by Greece.

Generally, in order for a self-employed foreigner to be able to work in Greece, he or she is required to obtain the appropriate type of Certificate of Registration of an EU citizen if he or she is an EU citizen. In the case of a non-EU citizen, there is a special procedure for the issuance before his or her arrival in Greece of an entry permit allowing the provision of independent financial activity and an issuance of a residence permit following his or her arrival in Greece. More simplified provisions apply in cases of certain categories of artists (non-EU citizens) and depending on the particular circumstances.

VAT Implications

Self-employed nonresident artists are obliged to register for VAT purposes if the services they render are subject to Greek VAT.

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Resident Artists

Income Tax Implications

Persons residing in Greece are liable to income tax on their worldwide income, whether remitted to Greece or not. When tax has already been paid outside Greece on non-Greek source income, it may be deducted up to the amount of tax payable in Greece on the same income.

An individual is considered to be a Greek tax resident if he has a permanent or primary residence, ordinary residence, or center of vital interests in Greece. Furthermore, an individual who is present in Greece for a period exceeding 183 days, inclusive of any short-term period of residence abroad, is considered a Greek tax resident as of the first day of his arrival in Greece. It is also provided that residence is assumed to exist, unless the taxpayer proves the opposite.

Depending on their working relationship, resident artists may provide services either as freelance professionals or under an employment relationship.

Fees paid to freelance professionals follow the tax treatment described above (under non-resident artists).

Taxable income is classified into four categories (employment income and pensions, business income, investment income, and gains from the transfer of capital). Income from each source is separately computed. For special solidarity contribution purposes, the aggregate income of all categories is taken into account.

Certain personal deductions and tax credits are available to residents in computing their taxable income. These deductions and credits are not available to persons who are nonresidents.

Individuals are subject to tax at progressive rates for employment and pension income and income earned from business activity. The applicable tax rates as of January 1, 2016 are as follows:

Employment and Pension Income and Income earned from Business Activity for 2016 onwards

Taxable income bracket		Tax Rate	Total tax on total income
From EUR	To EUR	Percent	EUR
0	20,000	22	4,400
20,001	30,000	29	8,700
30,001	40,000	37	14,800
Exceeding 40,000		45	

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In addition, a special solidarity contribution is imposed on total income earned by all taxpayers in Greece (irrespective of their tax residence status) whose annual income exceeds EUR 12,000. The rates of such solidarity contributions are as follows (progressive scale):

Taxable income bracket (EUR) (for Special Solidarity Contribution purposes)		Tax rate (percent)
12,000	20,000	2,2
20,001	30,000	5
30,001	40,000	6.5
40,0001	65,000	7.5
65.001	220.000	9
Exceeding 220,000		10

The tax year for individuals ends on December 31, and individuals should file their personal income tax returns electronically to the local tax office (in the area of their residence) on an annual basis. The filing deadline is June 30 of the year following the tax year to which they relate (i.e., for income earned in 2018, the 2018 Greek income tax return should be filed by June 30, 2019 at the latest). Electronic filing is obligatory.

VAT Implications

Self-employed resident artists are obliged to register for VAT purposes if the services they render are liable to Greek VAT.

Employees

Income Tax Implications

Employers are required to withhold income tax from salaries, wages, and other remuneration paid to their employees. The amounts withheld are determined in accordance with the scale of ordinary income tax rates applicable to individuals. Amounts withheld are remitted to the tax authority with the filing of the corresponding monthly payroll return which is due by the end of the second month following the month of payment of the remuneration.

At the end of the year, the employer is required to electronically report the employees' annual remuneration (including any benefit in cash and/or in kind), along with the applicable payroll withholdings, in order for these amounts to be pre-completed in the employees' annual personal income tax return form. Furthermore, the employer should provide employees with an annual salary letter, either in hard copy or electronically.

Foreign nationals employed in Greece who remain nonresidents are subject to tax only on income from a Greek source, including income from services rendered in Greece. Unless otherwise specified in a tax treaty with the country of which the individual is a resident, such income will be taxed in the same manner as that of a person resident in Greece.

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Income from employment includes all receipts of cash as well as benefits in kind received in connection with services rendered to the employer. However, in accordance with jurisprudence, when the benefit received by an employee is in effect a reimbursement of an expense incurred by the employee for the purpose of enabling him to carry on his or her work, it does not constitute income of the employee as long as the appropriate tax records for the expenses have been obtained. It is noted that benefits in kind are not subject to payroll withholding tax and the corresponding income tax and solidarity contribution is remitted upon assessment of the individual's personal income tax return.

The use of a company car is considered employment income (i.e., benefit in kind). The calculation of the taxable benefit in kind relating to the use of company cars is calculated as a percentage of the car's Pre-Tax Retail Price (PTRP), and on the basis of its age.

Social Security Implications

The employer must withhold the appropriate amount of Social Security contributions from the salary of an employee. The employer must also make additional payments in respect of each employee. The total amount of the Social Security contributions (IKA) is payable monthly by the employer. The overall rate for the employee's contribution is 16.00% whereas for the employer the rate is 25.06%. This rate is applied to the gross salary or salary ceiling.

The maximum monthly salary for Social Security purposes is EUR 5,860.

Foreign employees of EU or non-EU countries may, in certain circumstances, be exempt from registering with the Greek Social Security system. In particular, only foreign nationals who are residents of the EU or of non-EU countries having bilateral Social Security agreements with Greece may be temporarily exempt from being insured by a Greek Social Security fund under the condition that they have been seconded to Greece by their employers and they continue to be insured in the country of their origin.

The same income and Social Security rules apply to a nonresident company as soon as it hires employees in Greece, regardless of the structure used.

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