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GMS Flash Alert

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Greece – New Law Amends Income Tax System

Greece's Law 4446/2016 amended the country's tax system providing for a person's tax-exempt income to be linked to the minimal value of spending he or she undertakes via electronic means, the postponement of capital gains tax on real estate sales, and modifications to the taxable benefit-in-kind related to company cars.[1]

WHY THIS MATTERS

The method of assessing individual income tax has changed significantly, taking into account an individual's expenses via electronic means to determine his or her tax-free income before a tax liability arises. This means that taxpayers and their tax service providers must be diligent in recording individuals' electronic payments, especially if they wish to utilize the tax reduction available to taxpayers and avoid unnecessary penalties.

These and other measures described in this newsletter could impact a taxpayer by raising or lowering his or her tax burden depending on his or her particular facts and circumstances.

Income Tax Code Changes

Tax-Free Amount Related to Expenses

As of 1 January 2017, what is deemed tax-free income is linked to a minimum value of expenses that a taxpayer incurs, provided that payment is effected by electronic means, depending on the individuals' level of income. Tax-free income is linked to a minimum value of expenses as a move to combat tax evasion in Greece. Electronic payments include using any debit, credit, or other kind of charge cards, e-banking, etc. (that do not involve cash payments) to pay for a good or service.

Electronic payments are defined by reference to the means of payment and are not limited to online purchases. This move is intended to help eliminate tax evasion due to non-reported cash transactions. To promote this manner of payment, a tax discount is given as an incentive.

A progressive scale applies for the determination of the income tax reduction related to electronic transactions. In particular, the level of expenses that must be effected via electronic payment in order to secure the tax reduction are as follows:

- spending by electronic means of 10 percent of income for incomes up to EUR 10,000;
- 15 percent of income for incomes from EUR 10,000.01 up to EUR 30,000;
- 20 percent of income for incomes exceeding EUR 30,000, with a maximum value (ceiling) of spending of EUR 30,000, regardless of income level.

In case taxpayers do not achieve the spending levels above-noted, a tax of 22 percent is imposed on the difference between the amount "required" (noted above) and the amount declared.

Medical expenses paid via electronic means are taken into account for the calculation of the tax.

KPMG NOTE

Since the law does not stipulate whether the minimum amount of expenses required (and paid electronically) is calculated on individual income or on family income, further clarification is expected.

Other Changes

- The imposition of capital gains tax for individuals arising from the sale of real estate is postponed for one more year until after 31 December 2017.
- Payroll expenses must be effected via electronic means in order to be deductible for the employer.
- The calculation of the taxable benefit-in-kind relating to the use of company cars is amended for income earned in 2016 and onwards. In particular, the value of the use of a company car is calculated as a percentage of the car's Pre-Tax Retail Price (PTRP), and on the basis of its age as follows:

PTRP in EUR	Rate %
0 – 12,000	4%
12,001 – 17,000	7%
17,001 – 20,000	14%
20,001 – 25,000	18%
25,000 and higher	22%

Age of car (years)	Rate %
0 – 2	0%
3 – 5	10%
6 – 9	25%
10 and higher	50%

- Unemployed persons and persons working on an occasional basis who are not obliged to register for tax purposes as freelancers / traders, will continue to be taxed in 2017 according to the scale applicable to employees if their total annual income and imputed income do not exceed EUR 6,000 and EUR 9,500, respectively.

- The government has clarified that retroactively, as of 1 January 2014, it is possible to transfer and offset losses incurred abroad from business activity carried out through a permanent establishment in European Union/European Economic Area member states with which Greece has a double taxation treaty pursuant to which profits are not tax exempt.

For More Details

For additional information concerning the changes introduced by Law 4446/2016, please see "Tax – Breaking News" (December 2016), a publication of the KPMG International member firm in Greece.

FOOTNOTE:

1 Law 4446/2016 (Government Gazette Ά 240/22.12.2016) on "Bankruptcy Code, Administrative Justice, Duties - Fees, Voluntary disclosure of undeclared income, Electronic transactions, Amendments of Law 4270/2014 and other provisions."

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Contact us

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