

# Tax Flash

May 2016

On May 22, 2016, the Law «**Urgent provisions for the implementation of the agreement on fiscal goals and structural reforms and other provisions**» has been adopted, introducing new provisions in the field of both direct and indirect taxation. The most important points are summarized below.

## **A. Income Tax Code (ITC)**

### **Increase of the taxable value of company cars**

- The taxable value of company cars provided by individuals or legal entities or other entities to employees or partners or shareholders is increased to 80% from 30% on the cost of the car that is recorded as an expense in the employer's accounting books. The new calculation is applicable for income earned as of 1.1.2016.

*Based on the Scientific Committee of the Parliament, the increased taxable value of the company cars appears to violate the principle of taxation on the basis of the tax capacity of employees, partners, shareholders and to exceed the common knowledge facts taking into account the disproportion resulting from the percentage of the deemed use for business needs over the personal needs (20% versus 80% respectively).*

### **Taxation of dividends**

- The increased tax rate of 15% (instead of current 10%) on dividends is applicable on income earned as of 1.1.2017.

## **B. Taxation of Undertakings for Collective Investment**

### **Minimum taxation on Undertakings for Collective Investment**

- A minimum tax per semester is introduced equal to the amount of:
  - 0.375% on the average value of the assets of Portfolio Investment Companies, Real Estate Investment Companies (REICs) and Real Estate Mutual Funds and
  - 0.025% to 0.375% on the average value of the assets of UCITS (depending on their type).

*Taking into account that the applicable tax rate is determined by reference to the ECB Interest rate that in recent years is rather low and currently is zero, it follows that the imposition of the minimum 0.375% rate leads to a significant increase in the taxation of said Undertakings.*

### **Goodwill from the transfer of REICs shares is tax exempt**

- It is clarified that any goodwill derived from the transfer of shares in REICs (listed or not listed) is exempt from taxation.

**Abolition of the withholding tax exemption on Greek dividends**

- It is provided that dividends distributed by Greek entities to REICs are subject to withholding tax. The withholding tax can be set-off against the tax due by REICs.

*The most likely interpretation is that said withholding is not due on distribution of dividends by the subsidiaries of REICs, which based on L.2778/1999 fall under the same favorable tax regime with them.*

**Entry into force**

- The abovementioned provisions are applicable as of 1.6.2016.

**C. Real Estate taxation - Uniform Tax on the Ownership of Real Estate Property (EN.F.I.A.)**

**Increase of EN.F.I.A. principal tax on plots**

- The rates for the calculation of the principal tax on plots owned by legal entities and individuals are increased and range between €0.0037 per m<sup>2</sup> to €11.25 per m<sup>2</sup> (or €3.7 to €11.25 per acre) instead of €0.003 per m<sup>2</sup> – €9.00 per m<sup>2</sup> (or €3 to €9.000 per acre).

**Increase of EN.F.I.A. supplementary tax on individuals**

- The EN.F.I.A. supplementary tax on individuals is imposed on the total value of rights which are subject to EN.F.I.A., including the value of rights on plots outside urban planning (i.e. agricultural plots), whilst is calculated based on a re-adjusted tax scale and rates.

*The plots outside urban planning (i.e. agricultural plots) owned by individuals were exempt from F.A.P. (years 2010-2013) and E.T.A.K. (years 2008-2009), whilst they were being subject to F.M.A.P. (years 1997-2007). Said properties were declared in Table 2 of Form E9. Contrary to the abovementioned exemptions granted on agricultural plots owned by individuals, agricultural plots owned by legal entities were always subject to tax.*

- The tax-free threshold for the calculation of EN.F.I.A. supplementary tax per individual is reduced to €200,000 from €300,000, whilst the progressive rates range between 0.1% to 1.15%.

**Increase of the supplementary tax on legal entities**

- The EN.F.I.A. supplementary tax per legal entity or other entity is increased to 5.5‰ from 5‰.
- The EN.F.I.A. supplementary tax on public legal entities, non-for-profit legal persons governed by private law as well as REICs of L. 2778/1999 is increased to 3.5‰ from 2.5 ‰ for non self-used real estate.

**Exemption for self-used real estate is abolished**

- The exemption for the real estate (buildings and plots or agricultural plots) self-used by the legal entities in the context of their business activity is abolished. Self-used real estate is taxed at the reduced rate of 1 ‰.

*Said provision is similar to the one prescribed under F.A.P. and E.T.A.K. for self-used buildings owned solely by legal entities.*

**Entry into force**

- The above mentioned reforms to EN.F.I.A. are applicable as of 1.1.2016.

#### ***D. VAT amendments***

##### ***Increase of the standard VAT rate***

- As of 1.6.2016, the standard VAT rate is increased to 24% (from 23%).

##### ***Abolition of the reduced VAT rates on specific islands***

- As of 1.6.2016 the reduced by 30% VAT rates for Siros, Thasos, Andros, Tinos, Karpathos, Milos, Skiros, Alonnisos, Kea, Antiparos and Sifnos are abolished.
- On the contrary, the reduced by 30% VAT rates are maintained for the island of Skopelos (due to the nature disaster it suffered) and the islands of the eastern borders of Greece which are affected by the refugee crisis.

#### ***E. Introduction of new duties and indirect taxes***

##### ***Duty on cable TV***

- A special duty on cable TV, which will burden the consumers and will be calculated at the rate of 10% on the total value of the monthly bill (before VAT) is imposed on bills issued as of 1.1.2016.

##### ***Duty on land-line phones and internet***

- A special duty on land-line phones and internet, which will be calculated at the rate of 5% on the total value of the monthly bill (before VAT), is imposed on bills issued as of 1.1.2017.

##### ***Accommodation tax***

- A new tax is introduced on the accommodation in hotels, rooms and appartments, which will be calculated as a fixed amount ranged from €0.25 to €4 per day depending on the type of the lodging and will be imposed on the tax records, which will be issued as of 1.1.2018 onwards.

#### ***F. Taxation of gambling gains***

##### ***Increase of gambling taxation***

- The Greek State's participation in the gross profits generated from the activities of owners of all licenced gambling (including online gambling) is increased to 35% from 30% with retroactive effect from 1.1.2016 onwards.

#### ***G. Customs Code amendments***

##### **Excise Duties**

##### ***Excise Duty is introduced on several categories of products***

- Excise Duty on supplies of electronic cigarettes, on coffee and on coffee products is introduced as of 1.1.2017.
- In addition, it is provided that said products may entry into a tax warehouse regime (suspension of VAT payment).

##### ***Excise Duty is increased in specific categories of products***

- Excise Duty is increased on the following categories of products:
  - on tobacco products, as of 1.1.2017;
  - on beer, as of 1.6.2016; in parallel, the 3% tax on beer sold in Greece is abolished as of the date of publication of the present Law;
  - on fuels (gasoline, diesel and kerozene, LPG and biodiesel for all uses), as of 1.1.2017;
  - on diesel and kerosene used as heating fuel with reduced Excise Duty (due to the begining of the winter period), as of 15.10.2016.

## **Reforms regarding Natural Gas**

### ***Exemptions from Excise Duty***

- As of 1.6.2016, natural gas used exclusively to the production of electricity is exempt from Excise Duty (Tarriff Codes 2711 11 00 and 2711 21 00).
- The exemption from the Excise Duty on the natural gas used by the industries as raw material in the production is abolished retroactively from the date it was initially introduced (as of 1.1.2016).

### ***Readjustments on Excise Duty***

- As of 1.1.2017, a distinguish between the natural gas used as heating fuel by households and other consumers is introduced. The Excise Duty is reduced to 0.30 €/Gigajoule (from 1.5 €/Gigajoule) for household consumers.
- As of 1.1.2017, the Excise Duty on natural gas used not as motor and heating fuel is readjusted and imposed on the basis of a progressive scale depending on the annual consumption.

## **Registration duty on passenger cars and on trucks**

### ***New calculation method and new rates for registration duty***

- A new calculation method and new rates are prescribed for the registration duty on passenger cars and trucks which will become due as of 1.6.2016.
- Exemptions (total or partial) are introduced for pure electric and hybrid cars.

## **Special luxury tax of L. 3833/2010**

### ***Special luxury tax of L.3833/2010***

- As of 1.6.2016, the special luxury tax of passenger cars and “jeep-type” cars is abolished; however, it is incorporated into the registration duty to the extent that the latter will be calculated using tax rates depending on the taxable value.

## ***H. Tax treatment of write-offs of entrepreneurs and individuals by credit or financial institutions***

### ***The benefit from the write-off of entrepreneurs and individuals debt is exempt from taxation***

- Any benefit arising from the partial or total write-off of debt of entrepreneurs by credit or financial institutions or entities of L. 4354/2015 under court settlement or on judicial enforcement is not considered as donation and is exempt from income taxation.
- Respectively, any relevant benefit arising from the partial or total write-off of debt of individuals is not considered as income and is exempt from donation tax.

## ***I. Tax reforms of L. 4354/2015 regarding Loan Portfolio Management Companies (L.P.M.C.) and Loan Portfolio Acquisition Companies (L.P.A.C.)***

### ***Introduction of tax provisions for the management and transfer of loans receivables***

- Tax provisions regarding the management and transfer of loans are introduced. The transfer of receivables (loans) is governed by the general provisions of ITC and VAT Code.
- Loans transferred to L.P.M.C. continue to be treated as bank loans and therefore:
  - ✓ are subject to the contribution of L.128/1975, which will be remitted by said companies,

- ✓ interest paid to said entities will be exempt from withholding taxation.
- Any new loans which will be granted by L.P.M.C. will be considered as bank loans and therefore:
  - ✓ will be subject to the contribution of L.128/1975,
  - ✓ will be exempt from stamp duty,
  - ✓ interest paid to said entities will be exempt from withholding taxation.

### ***J. Formation of an Independent Public Revenue Authority (I.P.R.A.)***

- The General Secretariat for Public Revenue is repealed and a new I.P.R.A. is formed aiming to the determination, the assessment and the collection of tax, custom and others public revenues.
- It is provided that I.P.R.A. is independent from an operational, administrative and financial perspective, it is not controlled or supervised by the government or other administrative authorities, whilst it is subject to parliamentary control as all Independent Authorities.

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