

Tax Flash

May 2016

On May 8th 2016, the Law “**Unified Social Security System - Reform of insurance and pension system – Income taxation and gaming taxation regulations**” has been adopted, introducing important amendments mainly to individuals income taxation as well as a fundamental pension reform for which we will revert with a more detailed Flash.

A. Tax scales – Tax rates to individuals income

Introduction of a unified income tax scale applicable to employment income, pensions and business profits

- A unified tax scale applicable to employment income, pensions and business profits is introduced. In particular:

New unified income tax scale applicable to employment income, pensions and business profits

Income Bracket (in €)	Tax Rate
0 – 20,000	22%
20,001 – 30,000	29%
30,001 – 40,000	37%
>40,001	45%

- A tax reduction depending on the taxable income and the dependent children is granted (resulting, essentially, in a tax-free scale that differs depending on each case).
- The current tax scale at the rate of 29% and 33% applicable to business profits (generated mainly by free-lancers and individual entrepreneurs) is abolished. In addition, no tax reduction is granted on said income (as granted on employment income).
- As of 1 July 2016, Payroll Withholding Tax of the employees in the private sector shall be deposited by the employers to a bank account along with the monthly salary and the insurance contributions, which shall be transferred by the relevant bank to the account of the beneficiaries employees and the Greek State. For the implementation of the said provision a Common Ministerial Decision shall be issued.

New method of payment of Payroll Withholding Tax

It is noted that the current provisions of article 60 of ITC as regards the time of withholding and remittance of Payroll Withholding Tax to the State have not been abolished. Said issue should be explicitly regulated by law so that to avoid complications as to the applicable procedure.

New tax scale applicable on income derived from real estate

Income Tax Scale applicable to income derived from real estate

- New tax rates and broadened tax basis applicable on income derived from real estate are introduced. In particular:

Income Bracket (in €)	Tax Rate
0 – 12,000	15%
12,001 – 35,000	35%
>35,001	45%

Tax rate on dividends is increased to 15%

B. Dividends

- Tax rate on dividends is increased to 15% (from 10%).

Special Solidarity Contribution is calculated based on the new tax scale

C. Special Solidarity Contribution for individuals

- The special solidarity contribution is incorporated in the Income Tax Code and thus its extraordinary character is abolished. Moreover, the contribution will be calculated based on a progressive tax scale and in particular:

Income (in €)	Special Solidarity Contribution Tax Rate
0 – 12,000	0%
12,001 – 20,000	2.2%
20,001 – 30,000	5%
30,001 – 40,000	6.5%
40,001 – 65,000	7.5%
65,001 – 220,000	9%
> 220,001	10%

Entry into force

- The abovementioned tax scales are applicable to income and revenues generated as of tax year 2016.
- Especially for salaries and pensions, the abovementioned tax rates of the special solidarity contribution will be applicable to withholdings performed in the respective income as of the date of entry into force of this Law.

Introduction of a unified tax rate of 29%

D. Introduction of a unified tax rate on business income generated by legal entities maintaining single entry accounting books is prescribed

- As of 1 January 2016, business income generated by legal maintaining single entry accounting books (i.e. partnerships, etc.) is taxed at a unified tax rate of 29%. In addition, any subsequent distribution of profits is not subject to dividend taxation.

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This information is intended only as a general update for interested persons and should not be used as a basis for decision making. For further details please contact PwC:

268, Kifissias Avenue

15232 Halandri

tel. +30 210 6874400



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