

Tax Flash Law 4334/2015

July 2015

On July 15th 2015, Law 4334/2015 “**Urgent prerequisites for the negotiation and conclusion of an agreement with the European Stability Mechanism (E.S.M)**”, introducing important tax provisions, was voted by the Greek Parliament, the most important of which are summarized below.

A. VAT

Increase of VAT rates

The applicable VAT rates for various goods and services are amended. Three VAT rates are enacted, as follows:

- the standard VAT rate of 23% (as applicable), shall from now on apply to, inter alia, all standard and processed foods, transportation services, food services, repair services, medical and dental services (unless exempt in application of article 22 of the VAT Code), entertainment tickets (excluding theater tickets);
- the reduced VAT rate of 13% (as applicable), shall from now on apply to, inter alia, fresh food and as of 1.10.2015 to hotel and other similar accommodation. The reduced rate remains applicable for energy (electricity, natural gas and district heating), water and its delivery; and
- the super-reduced VAT rate of 6% (from 6.5% previously in force), shall from now on apply to drugs and vaccines for human medicine, books and theater tickets.

Broadening of the tax base

The exemption from VAT of education services and closely related supplies of goods and services provided by tutorials schools of all educational levels and foreign language and computers is abolished. From now on, the standard VAT rate of 23% shall apply.

At this point, it is noted that, with the exemption of hotel accommodation, it appears that the new VAT rates are applicable from the publication of respective Law in the Government Gazette, i.e. as of 16th July 2015, which, however, cannot be implemented in practice. In a Press Release, the Ministry of Finance announced that all relevant actions will take place in order that the above new rates are implemented from Monday, 20 July 2015.

Gradual abolition of the reduced VAT rates on islands

The Law provides for the gradual abolition of the special status of the reduced 30% VAT rate on the Aegean islands. In particular, the abolition will apply from 1.10.2015 for developed tourist islands with the highest per capita income and from 1.6.2016 for the less developed islands. The reduced VAT rates for remote islands will apply up to 31.12.2016. Respective islands will be determined by the issuance of the relevant Ministerial Decision.

Reinforcement on the collectability of the VAT

For transactions exceeding Euro 3,000 between entrepreneurs that are obligatorily settled through the use of a professional bank account or bank cheque and for transactions exceeding Euro 1,500 between entrepreneurs and individuals that are obligatorily settled through the use of a credit or debit card or e-banking or bank deposit or a bank cheque, the intermediary bank is obliged to withhold the relevant

VAT amount corresponding to the total amount of the transactions and to pay said VAT directly to the Greek State within five (5) days from said payment, by issuing the respective certificate on the collected amount of VAT to VATable persons. Banks should not charge any fee or other charges for the implementation of the abovementioned services. The procedure of application of said provision and any other issue relating to the payment and refund of VAT will be regulated by a decision to be issued by the General Secretary of the General Secretariat for Public Revenue.

It is noted that entrepreneurs are obliged to pay though bank means any expenditure exceeding Euro 500 (article 23 (β) of L. 4172/2013). However, based on the literal interpretation of the abovementioned provision it follows that the latter applies only to transactions exceeding Euro 3,000. Furthermore, as mentioned by the Scientific Committee of the Greek Parliament, the general content of said provision shall create several implications in practice such as in cases of partial payments or advance payments.

B. Tax on insurance premiums

Increase of tax rates on insurance premiums and abolition of exemptions

The tax rate on all insurance premiums is increased from 10% to 15%, except from life and fire insurance premiums.

Any provision relating to the exemption from the tax on insurance premiums by virtue of an exemption from turnover tax is abolished, except for life insurance premiums for life contracts of at least ten (10) years.

The tax rates on fire and life insurance premiums were not increased.

C. Corporate Income Tax of legal entities/other entities

Increase of the Corporate Income Tax Rate

The corporate income tax applicable to legal entities is increased from 26% to 29%.

Increase of the advance tax payment

The advance tax is increased from 80% to 100% for all legal entities (SA, LTD, Private Capital Company "IKE").

The effective date of the new provisions is not explicitly defined by the respective Law; thus, it is questionable to which accounting periods it will apply.

Especially for partnerships, non profit-making legal entities, civil law associations, civil law profit or non profit-making companies and joint ventures of personal entities, the advance tax is increased from 55% to 75% for the tax years commencing from 1 January 2015 to 31 December 2015.

D. Luxury tax

Increase of luxury tax

The luxury tax is increased from 10% to 13% for passenger cars of 2,500 cc and above, airplanes, helicopters, gliders, swimming pools as well as private leisure yachts of 5 metres and above, which are now taxed.

The new provisions on the luxury tax will apply for income declared from tax year 2015 onwards.

E. Special Solidarity Contribution

Increase of the Special Solidarity Contribution tax rates

The Special Solidarity Contribution is increased for income exceeding Euro 30,000 and new tax rates and a broader tax base are introduced. In particular:

| Total net income (in €) | Special Solidarity Contribution tax rate |
|--------------------------------|---|
| 12,001 – 20,000 | 0.7% |
| 20,001 – 30,000 | 1.4% |
| 30,001 – 50,000 | 2% |
| 50,001 – 100,000 | 4% |
| 100,001 – 500,000 | 6% |
| > 500,001 | 8% |

The effective date of the new tax rates is not explicitly defined by the respective Law; thus, it is questionable whether they may also apply even to the taxable income of tax year 2014.

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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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