

# Tax Flash

April 2019

The Greek Parliament has adopted the Law, which introduces a series of important provisions for shipping companies.

## A. Annual contribution imposed on chartering and other companies of article 25 of L.27/1975

Article 53 of the Law introduces specific amendments to the provisions of article 43 of L.4111/2013, the most important of which could be summarized as follows.

### Extension in time for the imposition of the contribution

The annual contribution will be imposed indefinitely on the total amount of imported and converted into euro foreign exchange and on the imported amount of euro that chartering and other companies of article 25 L.27/1975 will import.

### Expansion of the contribution's scope

In parallel, the imposition of the annual special contribution will be expanded to Greek legal entities that are operating in Greece in accordance with article 25 of L.27/1975 and are engaged in the chartering, insurance, average (damage) settlements, purchase, chartering or shipbuilding brokerage or chartering of insurance of ships under Greek or foreign flag of total tonnage over five hundred (500) shipping tons, with the exception of passenger coastal ships or merchant vessels which perform internal routes, as well as the representation of ship-owning companies or undertakings, for the imported and converted into euro foreign exchange and the imported amount of euro for the years 2019 onwards.

### Amended method for the determination of the minimum annual contribution

With regard to the special contribution scales, it is noted that these will remain unchanged. However, the method for the calculation of the minimum annual contribution will be amended. In particular, if the amount of the annual contribution, following the calculation based on the tax scale applicable for the period 2019-2020, is less than five thousand dollars (USD 5,000), a minimum annual contribution of five thousand dollars (USD 5,000) will be imposed on an annual basis, which will be increased to six thousand dollars (USD 6,000) from 2021 onwards. It is noted that the minimum annual contribution for 2018 was two thousand five hundred dollars (USD 2,500).

### Non-imposition of the contribution on ship management companies

To be also noted that the said contribution is not imposed on Greek as well as on foreign companies having established an office or a branch of article 25 of L.27/1975, which is engaged in the management and operation of vessels under Greek or foreign flag, in parallel with other (defined in their license) operations that fall within the contribution's scope.

### Imposition of the contribution to companies with parallel activity

The new Law provides that, companies of article 25 of L.27/1975 which, apart from their main chartering and other shipping operations activity, have management and operation of vessels as a secondary licensed activity (for which no special contribution is due), will be requested to substantiate that they actually exercise the management and operation of vessels during the 5-year license period.

To the extent that the exercising of the said management activity cannot be proven, the special annual contribution will be imposed in the year following the 5-year license period. Upon the first application, the special annual contribution will be imposed on entities whose 5-year license period is completed in 2018. Insofar an obligation for the payment of special annual contribution arises at the level of said legal entities, the



special annual contribution will be calculated based on the imported amount for 2019 and will be paid to the Greek State in 2020.

**Imposition of a special 10% tax on chartering, etc companies' dividends**

A favorable ten per cent (10%) tax with tax liability exhaustion is also imposed on dividends paid or credited from 2019 and onwards to Greek individual tax residents by Greek chartering etc. companies of art.25 of L.27/1975, apart from the foreign companies already falling under this regime until today. The said provision does not apply to dividends distributed by entities which, based on their license, are also engaged in the management of vessels under Greek or foreign flag.

**Special tax treatment of bonuses expanded to all employees of chartering and ship management companies**

Furthermore, the previously applicable special tax treatment of foreign chartering, etc. companies' BoD members' and directors' extraordinary remunerations and payments (bonuses) on top of their salaries, according to the provisions laid above, is expanded from 2019 and onwards, to all BoD members, directors and any other employee of both chartering and ship management companies, regardless of whether they are Greek or foreign entities.

**Abolition of the distributed profits exemption for partners of Greek LLCs of article 25 of L.27/1975**

Article 54 of the Law amended the provisions of article 25 of L.27/1975 and more specifically the income tax exemption provision applicable upon the distribution of profits to partners of Greek Limited Liability Companies (LLCs) of L.3190/1955. In detail, it is stipulated that this exemption will be abolished for profits being distributed to beneficiaries from 2020 and onwards.

**B. Ratification of the new Voluntary Contribution Agreement (VCA) between the Greek Government and the Shipping Community**

Article 56 of the Law ratifies the VCA between the Greek Government and the Shipping Community, as signed on 27/02/2019, with entry into force by its publication in the Government Gazette.

**Abolition of the double tonnage tax – Arrangement of a new voluntary contribution**

Based on the new VCA, the double tonnage tax has been abolished and those members of the Shipping Community who have voluntarily signed it, commit to pay a fixed ten per cent (10%) contribution on amounts of any currency imported in Greece. The said amounts derive from dividend income of the ultimate shareholders or partners or beneficial owners of ship-owning companies under Greek or foreign flag, provided that the management of foreign flag vessels is made by companies that have been established in Greece based on the provisions of article 25 of L.27/1975.

**Exhaustion of any tax liability**

The new VCA explicitly provides that the payment of the voluntary contribution exhausts any tax obligation, relating to the worldwide income from dividends by ship-owning companies for the above-mentioned individuals, regarding any tax, levy, duty, deduction or any other tax-related burden, including the special solidarity contribution.

**Minimum contribution evaluated by a special committee**

The VCA also provides that, in case the total annual amount of the contribution, examined bi-yearly, is less than forty million (40,000,000) euro in any of the two years, the shipping community commits to pay the remaining amount. Any deficit of income incurred within one year, will be set-off with any surplus of the other year. A special committee, comprised of a Ministry of Finance representative, a representative from the Union of Greek Shipowners and a representative from the Independent Authority for Public Revenue, will monitor the application of this provision on a mandatory basis after each bi-year of application lapses.



**Entry into force and duration**

The voluntary contribution is applicable for the first time for dividend income earned from 2018 onwards, which will be included in the 2019 income tax return, while its contractual duration is indefinite.

It is important to note that each individual case needs to be examined based on its own merits, and that the above-mentioned general principles might not necessarily capture all possible eventualities. Our expert advisors are in a position to advise you on the implications arising from a Greek perspective in relation to your specific case.

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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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