

Tax Flash

December 2019

New tax bill

The new tax bill was ratified by the Greek Parliament. This new law introduces several amendments to the Income Tax Code (ITC), the Tax Procedures Code (TPC), the Value Added Tax Code (VAT) and other legislation, in the direction of creating a tax-friendly environment able to stimulate economic growth in the country.

The most important provisions of this law, in addition to those mentioned in our previous flash during the public consultation stage, include:

- The reduction of the CIT rate to twenty-four per cent (24%) from fiscal year 2019 **onwards**
- The favorable tax treatment of stock options as capital gains, under conditions
- The introduction of a participation exemption for capital gains from the sale of Greek and EU subsidiaries as of 01.07.2020
- The introduction of a transitional provision allowing the tax deductibility of the losses arising from the sale of the above participations up to 31.12.2022, under conditions
- The benefit in kind calculation pertaining to the use of company cars based on a progressive scale
- The abolition of the recently imposed levy of L.128/1975 on factoring, leasing and funding provided by financial institutions
- The application of the Greek tonnage tax regime to bareboat chartering and ship leasing

Some of the amendments introduced, are presented in detail below:

A. Amendments to corporate income taxation

Reduction of the CIT rate (art. 58 ITC)

For the tax year 2019 onwards, the tax rate on business profits is reduced from twenty-eight (28%) to twenty-four per cent (24%).

It is noted that, in the explanatory memorandum, there is an explicit reference to the intention of the legislator to a further reduction of the CIT rate in the following years.

Furthermore, it is stipulated that credit institutions will continue to be taxed at a rate of twenty-nine per cent (29%), only if and for those tax years that they are subject to the specific provisions of art. 27A ITC regarding deferred taxation.

Especially, the tax rate on agricultural cooperatives' business profits is reduced from thirteen (13%) to ten per cent (10%), for income acquired from 01.01.2020 onwards.

Dividend withholding tax reduction (art. 40 and 64 ITC)

Withholding tax on dividends is reduced from ten (10%) to five per cent (5%) for dividends acquired as of 01.01.2020 onwards.

Reduction of taxation
in specific categories
of companies

As of the publication of the law, the previously existing minimum tax due is abolished, for the following companies:

- Real Estate Investment Companies (REICs) of L.2778/1999
- Mutual funds of L.2778/1999
- Portfolio investment companies of L.3371/2005
- Undertakings for collective investment in transferable securities (UCITS) of L.4099/2012

In effect, the tax imposed on these companies is restored to the previous low levels that were in force before being increased in 2016.

Introduction of
participation
exemption regime
(art. 48A ITC)

As of 01.07.2020, capital gains derived from the sale of shares in Greek and EU subsidiaries are tax exempt on condition of a minimum participation of ten per cent (10%) and a minimum holding period of at least twenty-four (24) months.

The above-mentioned income is not further taxed neither at the distribution nor at the capitalization of these profits, while the business expenses associated with these participations are not recognized as tax deductible.

Based on a transitional provision, exceptionally, any losses resulting from the above transfer of shares may be recognized as tax deductible after 01.01.2020, provided that they have been recorded by 31.12.2019 in the books or included in the audited financial statements of the company. However, the deduction of such losses will only be recognized if they become final by 31.12.2022 and will also be limited to either the amount of the evaluation (impairment) or that of the definitive loss, whichever is lower.

Although the participation exemption regime comes into force on 01.07.2020, the transitional provision refers to the tax deductibility of losses arising after 01.01.2020, raising concerns as to the treatment of losses arising within the first 6 months of 2020.

Treatment of debt
forgiveness (art. 21
ITC and art.62
L.4389/2016)

It is stipulated that, as of the publication of the law, the income of a business deriving by a creditor's resignation from debt collection under a mutual agreement or judicial settlement, which takes place in the context of their business cooperation, is treated as business income, without prejudice to the relevant specific provisions of art.62 of L.4389/2016.

In addition, it is expressly stated that donation tax provisions will not apply in this case.

To be noted that a similar provision was included in the previous Income Tax Code (L.2238/1994).

Especially, the exemption from income and donations tax of debt write-offs by credit or financial institutions under an out-of-court settlement or an execution of a judicial decision, pursuant to the provisions of art.62 of L.4389/2016, is extended for two (2) years, i.e. until 31.12.2020.

Deductibility of
expenses relating to
corporate social
responsibility (CSR)
actions
(art. 22 ITC)

For tax years beginning on or after 01.01.2020, expenses relating to CSR actions will be considered as incurred to the interest of a company or within its ordinary course of business and will be deductible in the tax year in which they were incurred. However, this will only be possible if the company's accounting result is profitable, unless such CSR actions are carried out at the request of the State.

The deductibility of CSR expenses has been already accepted by Interpretative Circular (POL) 1113/2015, however, the new provisions introduce the additional condition of existence of accounting profits.

Super-deduction incentive for specific environmental costs (art. 22B and 24 ITC)

A thirty per cent (30%) super-deduction incentive is provided for certain types of expenses for tax years beginning on or after 01.01.2020. This deduction will be possible at the time these expenses are incurred and pertains to:

- Purchasing of monthly or annual public transportation cards
- Leasing of zero or low-emission cars up to fifty (50) g CO₂/Km, having a pre-tax retail price of up to forty thousand (40,000) EUR,
- Purchase, installation and operation of publicly accessible zero or low-emission charging points for vehicles up to fifty (50) g CO₂/Km,
- Depreciation of zero or low-emission cars up to fifty (50) g CO₂/Km, having a pre-tax retail price of up to forty thousand (40,000) EUR

Deductibility of rents (art. 23 ITC)

For tax years beginning on or after 01.01.2020, the payment of rental expenses should be made by electronic means or through a payment service provider, for them to be considered as deductible expenses.

Tax depreciations (art. 24 ITC)

The definition of leases is supplemented from 01.01.2020 onwards, so that they are now determined based either on the meaning of the International Financial Reporting Standards, as adopted by the E.U. pursuant to Regulation 1606/2002, or that of the Greek Accounting Standards, depending on the accounting framework followed by each entity.

At the same time, new asset classes and increased depreciation rates are added, in pertaining to zero or low-emission vehicles for the transportation of individuals and goods.

Write-off of bad debts of an amount up to 300 EUR (art. 26 ITC)

For tax years beginning on 01.01.2020 onwards, bad debts, the total amount of which does not exceed three hundred (300) EUR per counterparty, including VAT, may be written-off in the tax year in which twelve (12) months have elapsed from the date on which they became due, regardless of whether appropriate legal actions have been taken to secure the right to recover them.

However, this will only be possible if:

- an amount corresponding to the debt has been previously recorded as income
- the debt has been deleted from the taxpayer's books and
- it can be proven that debtors are aware of the write-off, where possible.

The total amount of receivables that may be written-off cannot exceed five per cent (5%) of the receivables' balance at the end of each fiscal year. Finally, it is noted that writing-off will be possible regardless of the time the claim was created, even if a provision has already been accounted for such claims.

Write-off of bad debts forgiveness under a mutual agreement or judicial settlement (art. 26 ITC)

Moreover, it will be possible to write-off bad debts under a mutual agreement or judicial settlement, regardless of whether a provision has been accounted and without requiring that all legal actions to recover the claim have been taken. In the event and to the extent that no provision has been accounted, the relevant amount of the write-off can be deducted in accordance with the provisions of art. 22 ITC.

Income tax exemptions on interest on listed corporate bonds acquired by non-residents (art. 37, 43A, 47, 61, 64 and 67 ITC)

A tax exemption is introduced as of 01.01.2020 on corporate bond interest income acquired by foreign legal entities not maintaining a permanent establishment in Greece, in case the bonds are listed on an E.U. trading venue or on a regulated market outside the E.U., which is supervised by an authority accredited by the International Organization of Securities Commissions (IOSCO). The same treatment also applies to interest on bonds issued by credit cooperatives operating as credit institutions. In these cases, it is expressly provided that such income is not subject to withholding tax.

Furthermore, it is stipulated that in the case of listed corporate bonds for which tax withholding is required, the obligation to withhold tax is on the paying agents and not on the issuer.

It is noted that the above income tax exemption applies also to foreign individuals, who are also exempted from the special solidarity contribution. In addition, they will not be required to file a tax return, if they acquire income solely from such corporate bond interest.

Exemption from WHT on intra-group payments between Greek entities (art. 63 ITC)

It is explicitly clarified that the withholding tax exemption on interest and royalties paid between associated enterprises applies also on payments made between Greek associated enterprises.

The above treatment has been already accepted in the Interpretative Circular (POL) 1039/2015; while the legislative amendment has only clarification purposes in line with the decision of the Supreme Administrative Court 580/2019

Definition of countries having a preferential tax regime (art. 65 ITC)

The definition of countries having a preferential tax regime is amended, so that, as such, are regarded those that tax profits, income or capital at a rate equal to or less than sixty (60%), against fifty per cent (50%), of the Greek corporate income tax rate in force.

Therefore, also for fiscal year 2019, countries with a tax rate of less than 14.4% are regarded as having a preferential tax regime.

Recalculation of the 2018 tax advance payment (art. 71 ITC)

Exclusively for fiscal year 2018, the tax advance that was assessed on the submitted income tax return, will be recalculated to ninety-five per cent (95%) of the tax due.

Further clarifications are expected on how to recover or offset the five per cent (5%) difference resulting from the above recalculation, where the tax advance has been fully paid by companies.

Provision of incentives for the capitalization of tax-free reserves (art. 71B and 71C ITC)

The new provisions reduce the tax rate on the capitalization of tax-free reserves of various incentive laws from twenty (20%) to five per cent (5%), while establishing an obligation to maintain the capital of both listed and non-listed companies for a period of five (5) instead of ten (10) years. Payment of said tax exhausts the tax liability of the shareholders. Furthermore, these new provisions do not have any time limitation.

Moreover, the obligation of an equal capital increase with injection of cash in case of non-listed companies is abolished.

Furthermore, the possibility to capitalize the reserves formed with profits that have been subject to a special taxation, in accordance with the provisions of L.2238/1994, is introduced. The capitalization is subject to a five per cent (5%) tax and any tax paid under the provisions of L.2238/1994 cannot be refunded. No withholding tax on dividends or special solidarity contribution is due at the level of the shareholder.

B. Amendments to taxation of individuals

Introduction of a non-dom regime (art. 5A ITC)

A new non-dom regime is introduced, providing for an alternative way of taxing income derived abroad for individuals transferring their tax residence to Greece (non-dom), subject to the following conditions:

- taxpayers were not Greek tax residents for the previous seven (7) of the eight (8) years prior to the transfer of their tax residence to Greece; and
- it can be proved that they invest at least five hundred thousand (500,000) EUR in real estate or businesses or transferable securities or shares in legal entities based in Greece, either themselves or their relatives (i.e. spouses and those in the ascending or descending line), or through a legal entity in which they hold the majority of the shares.

Under this regime, individuals will pay a lump-sum tax of one hundred thousand (100,000) EUR per tax year, irrespective of the amount of income earned abroad, for a maximum of fifteen (15) fiscal years. Moreover, it is possible to extend the regime to any of their relatives by paying an additional tax equal to twenty thousand (20,000) EUR per person per tax year. In such cases the provisions of inheritance, gift and parental grant tax will not apply.

It is noted that any tax paid abroad on income covered by the alternative taxation regime will not be offset against the tax liability of the above persons in Greece.

Furthermore, in case the persons who have opted for the non-dom regime earn taxable income that arises in Greece, this will be taxed in accordance with the general provisions of the ITC. In addition, in the event of non-payment of the full amount of the lump-sum tax, the special regime will be abolished, and these persons will be taxed for their worldwide income in accordance with the general provisions as of the tax year in question onwards.

It should be noted that taxpayers opting for the regime are not obliged to declare any income earned abroad. Furthermore, they will be able to justify the imputed income calculated based on deemed expenses and assets acquisition by importing funds from abroad.

The relevant application for the transfer of tax residence and for obtaining the non-dom status has to be submitted by individuals by 31 March of each tax year. Furthermore, it will be possible to apply for revocation of the non-dom status in any tax year during the 15-year period.

Decisions laying down the details of both the eligible investment categories and the required supporting documents as well as any other matters necessary for the application of these provisions are expected to be published. However, this is in any case a significant incentive, either for the repatriation of Greeks living abroad for many years, or to attract foreigners earning significant income abroad to Greece. It is noted that similar regimes are already in place in several European countries.

Changes in tax rates (art. 15 ITC)

With effect from 01.01.2020, a new tax scale is introduced with the introductory rate reduced from twenty-two (22%) to nine per cent (9%) for the part of income up to ten thousand (10,000) EUR and the rates applied for income above twenty thousand (20,000) EUR reduced by one per cent (1%). In detail, the new tax scale is as follows:

Income	Tax Rate
Up to 10,000	9% (new bracket)
10,001 – 20,000	22%
20,001 – 30,000	28% (from 29%)
30,001 – 40,000	36% (from 37%)
Over 40,000	44% (from 45%)

Given the corresponding curtailment in income tax reductions (see below), the benefit of the above-mentioned tax rate reductions is greatly limited.

Moreover, the provisions pertaining to taxation of officers and ratings serving on merchant navy ships are supplemented.

Income tax reductions (art. 16 ITC)

Income tax reductions are also amended with effect from 01.01.2020, as follows:

Taxpayer category	Current reduction	New reduction
Having no dependent children	1,900	777
Having 1 dependent child	1,950	810
Having 2 dependent children	2,000	900
Having 3 dependent children	2,100	1,120
Having 4 dependent children	2,100	1,340
For each additional child	-	220

Furthermore, the amount of the reduction will be limited by twenty (20) - instead of ten (10) - EUR per thousand (1,000) EUR of taxable income, for taxable income exceeding twelve thousand (12,000) - instead of twenty thousand (20,000) - EUR. Finally, this provision will not apply to taxpayers having five (5) dependent children or more.

Income tax reductions for donations (art.19 ITC)

The income tax reduction pertaining to donations made to charitable entities is doubled from 01.01.2020 and will amount to twenty per cent (20%) of the value of donations, under conditions. The total amount of donations cannot exceed five per cent (5%) of the taxable income.

Special taxation of athletes (art. 15 ITC)

As of 01.01.2020, amounts paid by sport clubs Sociétés Anonymes to athletes for the signature of a transfer contract or the renewal or termination of an existing contract, will be subject to special tax treatment provided that it exceeds forty thousand (40,000) EUR. In detail, they will be taxed at a rate of twenty-two per cent (22%) with further tax exhaustion.

Determination of tax residence (art. 4 ITC)

As from the publication of the law, the definition of tax residence is amended, so that it now converges with the terminology provided by the OECD. An individual will be deemed as a Greek tax resident, from the first day of his presence in Greece, if he is present in Greece for a period of one hundred eighty-three (183) days, cumulatively, in any 12-month period.

Provision of incentives for upgrading of buildings (art. 39B ITC)

An incentive is established pertaining to the upgrading of buildings in terms of energy efficiency, functionality and aesthetics, in case these have not or will not be included in a building upgrading program. In detail, an income tax reduction, equal to forty per cent (40%) of the amount of expenditure for the provision of related services taking place from 01.01.2020 to 31.12.2022, is provided. The reduction will be evenly distributed over a period of four (4) years, limited to an expenditure of sixteen thousand (16,000) EUR.

For the aforementioned reduction to be granted, the provision of the related services must be proven via valid tax documents and paid by electronic means.



It should be noted that if such an incentive is received, the existing five per cent (5%) deduction for repair, maintenance, renovation or other fixed and operating expenses of properties will also apply.

Provisions regarding uncollected salaries (art. 8 ITC)

It is stipulated that, as from the publication of the law, uncollected salaries received from 2014 onwards will be taxed according to the provisions of the year they concern, instead of the year they are collected, as formerly in force. In order for this provision to apply, such amounts should be separately indicated in the annual income certificate granted to the beneficiary, otherwise, the year to which they relate, must be defined by any appropriate means.

Amendments to the taxation of the benefits in kind as from 01.01.2020 (art. 13 ITC)

It is explicitly stated that any form of benefits in kind provided to partners and shareholders of legal entities, as well as to their relatives (i.e. spouses and relatives in the ascending or descending line) other than to employees, will also be considered as taxable income. Furthermore, it is clarified that only the amount exceeding three hundred (300) EUR per tax year will be considered as a benefit in kind.

Regarding the benefit in kind from the use of company cars by the abovementioned persons, the exemption of vehicles granted exclusively for business purposes (tool cars) is now extended to cars having a pre-tax retail price (PTRP) of up to seventeen thousand (17,000) EUR, rather than twelve thousand (12,000) EUR. Moreover, the determination of additional annual income will now be made on a progressive scale, for which new PTRP brackets and corresponding coefficients are provided.

The new computation method provides for a significant reduction in taxable income for users of vehicles whose PTRP is slightly higher than the lower values per, currently existing, bracket.

With regard to benefits in kind in the form of loans, both the obligation to sign a written agreement, in order not to treat the whole amount borrowed as taxable income, and the provision stipulating that a salary advance of more than three (3) months constitutes a loan, are now abolished.

Tax treatment of stock options as from 01.01.2020 (art. 13, 14, 42A, 43 ITC)

Based on the new provisions, stock options will be exempt from salaried income taxation and taxed as capital gains at a rate of fifteen per cent (15%) provided they are held for at least twenty-four (24) months. Moreover, in case they relate to small start-up entities, they will be taxed at a rate of five per cent (5%) provided that they are held for at least thirty-six (36) months, under conditions.

Conversely, if they are not retained for the above-mentioned periods, it is stipulated that they will be taxed as salaried income.

It is unclear which is the starting point for the calculation of the minimum holding period. Although for the small start-ups it is explicitly defined that the thirty-six (36) months are calculated as of the date of acquisition of the stock option right, it seems that for the rest companies the twenty-four (24) months are calculated as of the date of acquisition of the shares.

Moreover, from the provisions it is not clear how the abovementioned exemption from salaried income taxation will be applied, taking into account that the conditions for applying the exemption are fulfilled several months after the income tax return filing for the tax year in which the stock option right is provided. Finally, there is an ambiguity as to whether the time of taxation and calculation of the taxable value (capital gain) is the time of sale of the listed shares.

Income tax exemptions (art. 14 ITC)

As from 01.01.2020 the compensation for purchasing of monthly or annual public transportation cards, as well as the market value of the use of zero or low-emission company cars up to fifty (50) g CO₂/Km, having a pre-tax retail price of up to forty thousand (40,000) EUR will be tax exempt.

Obligation for expenditure realized via electronic means of payment (art. 15, 16 and 40 ITC)

With effect from 01.01.2020, the amount of expenditure required to be paid by electronic means is amended, and, instead of the applicable progressive computation, it should be equal to thirty per cent (30%) of the actual income from salaried employment, pensions and business. This amount will be limited to twenty thousand (20,000) EUR of expenditure, compared to thirty thousand (30,000) EUR under the provisions currently applicable. It should be noted that the amount of the special solidarity contribution and of alimony paid by electronic means will not be regarded as part of the actual income.

Moreover, the categories of taxpayers for whom this obligation does not apply are broadened, while certain situations are also regulated, such as for taxpayers whose account has been seized, those who file a joint income tax return and those who are beneficiaries of joint bank accounts and / or credit cards.

Furthermore, it is stipulated that, under conditions, the abovementioned rate will be limited to twenty per cent (20%) when payments for income and real estate tax as well as for loans to financial institutions and rent exceed sixty per cent (60%) of taxpayers' actual income.

Finally, it should be noted that this obligation will be required for real estate income as well.

Treatment of insurance policy payments made under a voluntary termination program

It is explicitly stated that, as from 01.01.2020, for the purposes of taxation of amounts paid under group pension insurance policies, any payments made due to participation of an employee in a voluntary termination program will not be considered as early redemption.

Exemption of persons with disabilities from the special solidarity contribution

The provision for the special solidarity contribution exemption of income earned by persons with disabilities is improved, in order to cover persons with all kinds of disabilities at a rate of eighty per cent (80%) and above, in addition to those previously mentioned, i.e. total blind and persons with severe mobility disabilities.

Suspension of the capital gains tax on sale of real estate (art. 41 and 72 ITC)

Tax on capital gains from the transfer of immovable property is further suspended by three (3) years, i.e. until 31.12.2022.

It is noted that the application of Article 41 ITC has been progressively suspended by various legislative measures, rendering it in essence inactive since the introduction of the ITC in 2014.

C. Amendments to the Tax Procedures Code (TPC)

Extension of the statute of limitation (SOL) period in case a Mutual Agreement Procedure (MAP) is initiated (art. 36 TPC)

The law introduces a new case of extension of the five-year limitation period, if a MAP is initiated, pursuant to the application of Double Tax Treaties and the Arbitration Convention. In particular, the limitation period will be extended for as long as the deadline for the submission of a MAP request lasts and only for the submission and acceptance of the relevant request. The same also applies for as long as the MAP lasts, if such a request is submitted, and only for the matter that it concerns or to which it is related.

Furthermore, in case a MAP decision is issued, the SOL period of the Tax Administration's right to issue an administrative, estimated or corrective tax assessment based on this decision is extended for one (1) year after its issuance, in order for the Tax Administration to comply with it.



It should be noted that the above provision covers cases for which the deadline for filing a MAP request has not expired, as well as MAP requests pending before the competent authority at the time of entry into force of the law or cases for which the procedure has been completed, however the relevant decision has not yet been issued.

This provision is in the right direction as it allows the Tax Administration to initiate a MAP without being restricted by the statute of limitation provisions. However, it would be even more beneficial if the tax the Administration was also allowed not to issue a definitive decision of the tax assessment within the restrictive one-month deadline if a MAP is initiated by the taxpayer.

Amendments to the SOL period – Extension to ten years – Abolition of the twenty-year SOL period (art. 36 TPC)

It is stipulated that the five-year SOL period may be extended for one (1) more year if any information becomes available to the Tax Administration in the last year of the 5-year period for a case that has been subject to full audit. The same also applies in any other case that information, based on which a tax liability arises, comes to the attention of the Tax Administration from any source and solely for the matter to which it relates.

Exceptionally, for tax years, periods and cases as of 01.01.2018 onwards, the SOL period may be extended to ten (10) years from the end of the year within which the deadline for filing the (last) return expires, if no tax return has been filed within the five-year period. The same also applies if any new or not possibly known information within the five-year period comes to the attention of any Tax Administration Service, based on which it appears that the actual tax liability exceeds the one determined by a previous tax assessment and solely for the matter to which it relates.

Especially, in a transitional provision of the law, it is stipulated that for cases of tax evasion pertaining to years 2012 and 2013 and fiscal years 2014 to 2017, an extended SOL period of ten (10) - instead of twenty (20) - years from the end of the year within which the deadline for filing a tax return expires, will apply.

The extension of the limitation period to twenty (20) years in cases of tax evasion is abolished.

The new provisions seek to rationalize the SOL period issues in tax cases, in line with the case law of the administrative courts, while significantly reducing, only in specific situations, the extension of the limitation period to ten (10) years.

Joint liability of directors of legal entities (art. 50 TPC and art. 31 of L.4321/2015)

The provisions on joint liability of directors for the payment of taxes, interest, penalties, surcharges and other administrative sanctions due by legal persons and legal entities are amended. In particular, the following conditions should be cumulatively met:

- the directors had one of the positions mentioned in the law either during the operation of the legal entity or at the time of its winding-up, dissolution, merger or during its liquidation
- the legal person's debts became due during their term of office under any of the positions mentioned (apart from some exceptions)
- the debts were not paid due to the directors' fault. The burden of proof for the non-existence of fault lies with the directors.

These provisions will also apply to cases of debts that have been established against persons who met the above conditions before the law came into force. In such cases, these persons shall apply to the authority that has undertaken the relevant liability seeking action within three (3) months of the publication of the law.

It is noted that a corresponding amendment is also made to the provisions on the directors' joint liability for debts relating to social security contributions.

The most important changes introduced are: (a) the extension of joint liability for all taxes, as well during the operation of the company; (b) the introduction of more specific conditions for establishing joint liability and, in particular, the existence of fault. However, the burden of proof of non-fault on individuals raises some concerns. There is also some ambiguity due to the different wording of the provision pertaining to social security contributions as the reference to the time of dissolution or merger of the legal entity still exists.

D. Amendments to the Value Added Tax (VAT) code

Suspension of VAT on real estate sales (art. 6, 30, 33, 36 and 38 VAT)

The law provides for VAT suspension until 31.12.2022 and levying of real estate transfer tax on all unsold immovable property with a construction permit issued from 01.01.2006 onwards, upon relevant application by taxable persons. For permits already issued, this application should be submitted within six (6) months from the date of entry into force of the law, while for those issued after this date, a six (6) months deadline after their issuance, applies.

The right of input VAT deduction for these properties will also be suspended throughout the suspension period, while any tax deducted prior to the commencement of the suspension, will be settled at the time of selling and paid via an extraordinary VAT return prior to filing a real estate transfer tax return. It is noted that the amount of settled VAT is deductible in accordance with the provisions of Article 22 ITC in the tax year of settlement.

Furthermore, especially in the case of exchange-in-kind transactions, it is also stipulated that, the taxable building developer's contracting that is going to be sold to the landlord, will not be taxable if the developer opted for the VAT suspension regime.

Finally, it is provided that any taxable person selling real estate, will be required to keep a special register of building costs in which, or in a particular part of which, the cost of each building subject to the suspension is monitored, regardless of the VAT suspension taking place.

It is noted that, as highlighted in the Parliament's Scientific Service report, the suspension is being evaluated by the European Commission for its compatibility with the VAT Directive, as the Directive does not provide, in principle, the possibility for Member States to introduce a VAT exemption on sales of newly built real estate.

Reduction of VAT rates (Appendix III VAT)

As of the publication of the law, immunological products for human treatment of heading 3002 are transferred to the super reduced VAT rate, in addition to vaccines for which this rate was already applicable.

Furthermore, a transition to the reduced VAT rate will take place from 01.01.2020 for the following commodities:

- infant and child nutrition products, packaged for retail sale
- bicyclist helmets
- items for the safety and protection of infants (absorbent diapers for infants and child car seats)

E. Amendments to shipping taxation

Bareboat chartering and ship leasing

The new provisions aim at clarifying the tax treatment of bareboat chartering and ship leasing. In particular, these provisions extend the application of the tonnage tax regime, beyond ship owning companies and their shareholders and partners, also to bareboat charterers and lessees in case of ship leasing arrangements, and their shareholders and partners up to the level of UBOs.

In this way, two very important issues that have created concerns in the shipping industry and pertain to the modern way of vessels operation, are regulated.

Fee imposed on tugboats and fishing vessels

From 01.01.2020 onwards, tugboats and fishing vessels will be, under conditions, required to pay an annual fee depending on the total towing capacity or the total length of the fishing vessels, ranging from six (6) to fifteen (15) thousand EUR for the first case and from one hundred (100) to five thousand seven hundred sixty-seven (5,767) EUR for the second.

The imposition of the aforementioned fee probably aims at complying with the reservations expressed by the European Commission, as to the compatibility of the tonnage tax regime on tugboats and fishing vessels with the State aid rules.

Adjustment of L.127/1975 B' category ships' tax scale

The scale for the determination of B' category ships' tax is adjusted, by increasing the coefficients in euro per gross ton.

F. Introduction of e-books

Obligations pertaining to e-books and e-invoices (art. 14 L.4308/2014 and 15A TPC)

With a view to gradually move towards the e-books era through the operation of the myData platform, an obligation is introduced for entities subject to the provisions of Greek Accounting Standards, pertaining to the electronic transmission of data (books, documents, etc.) to the Independent Authority of Public Revenue (IAPR). Moreover, the format of the electronic invoices template is defined.

However, for further details of the obligations arising from the above provisions, authorizations are granted to the IAPR Governor - jointly with the Minister of Finance as far as the electronic transmission is concerned - in order to issue the relevant decisions.

G. Other provisions

Introduction of additional exemptions from the Special Tax on Real Estate (EFA) (art. 15 L.3091/2002)

Exemption from EFA is expanded to real estate leased to shipping companies by any legal entity, exclusively for covering their operational needs. Furthermore, in addition to the already applicable exemption granted to offices and warehouses, any property, either own-occupied by or leased to shipping companies for the dining, physical training and parking needs of their staff, will also be exempt.

Moreover, Alternative Investment Funds (AIFs) managed by AIFMs whose registered office is not in a non-cooperative country or in a country not assessed by the World Forum on Transparency and Information Exchange for tax purposes, are also explicitly exempt from EFA.

Finally, the categories of entities, for which no further return is required by individuals according to their participation percentage, are expanded with the addition of various categories of institutional investors, including AIFs mentioned above.

Abolition of the L.128/1975 levy on factoring and leasing (art. 63 L.4607/2019)

As of 01.01.2020, the L.128/1975 levy imposed on 01.05.2019 on all types of loans provided by financial institutions operating in Greece or abroad, including factoring and leasing and their balances and all kinds of financial contracts having an equivalent effect, is abolished.

This provision is very important for reducing the companies' cost of financing, with a particularly positive impact on the operation of factoring and leasing companies.

Donations tax does not apply on income (L.2961/2001)

It is explicitly provided that, for the purposes of donations tax, any acquisition of assets/property, which constitutes income according to the ITC provisions, will not be considered as a donation.

Adjustments to the
fixed debt settlement
scheme (first article of
L.4152/2013)

The new provisions double the maximum number of installments under the fixed debt settlement - i.e. from twelve (12) to twenty-four (24). Moreover, tax liabilities by inheritance tax, tax and customs audits, as well as non-tax and non-customs debts, can be settled in up to forty-eight (48) installments. Furthermore, it will be possible that the same debts by the same debtor are reintroduced for a second and last time in the settlement, in case the first one is lost. Finally, specific issues are addressed, such as the new way of 'surcharges' computation and the benefits granted to certain debtors.

It should be noted that each individual case should be examined on the basis of its particular characteristics and the above-mentioned general principles may not necessarily apply in all circumstances. Our specialized consultants are in a position to assist you with regard to any issue that may arise in your individual 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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