

# International Tax

## Greece Highlights

In Plain English



CASTRO  
&CO  
INTERNATIONAL



1701 Pennsylvania Ave NW, Suite 200  
Washington, DC.  
20006, USA

Phone : +1 202 792 6600  
[www.CastroAndCo.com](http://www.CastroAndCo.com)

## Investment basics:

**Currency** – Euro (EUR)

**Foreign exchange control** – Restrictions on transactions and cash withdrawals within Greece were abolished as of 1 October 2018, while capital controls and restrictions relating to the transfer of funds abroad gradually are being lifted.

### Accounting principles/financial statements

– IFRS or Greek GAAP applies. The application of IFRS is mandatory for corporations with listed shares or securities; IFRS is optional for other corporations and limited liability companies. New Greek GAAP, which has many similarities to IFRS, applies in all other cases. Financial statements must be prepared annually.

**Principal business entities** – The following categories of entities are provided for under Greek corporate legislation: corporation (SA), limited liability company (EPE), private company (PC), general partnership (OE) and limited liability partnership (EE).

## Corporate taxation:

**Residence** – A company incorporated under Greek law or that has its registered seat in Greece or its place of effective management in Greece at any time during a tax year is considered resident for tax purposes in Greece for that tax year.

**Basis** – Resident entities are taxed on worldwide income; nonresident entities are taxed only on Greek-source income.

**Taxable income** – Corporate tax is imposed on a company's total annual profits before the distribution of dividends, fees paid to directors out of profits, etc. Normal business expenses are deemed deductible for tax purposes, provided they are not included on a list of nondeductible expenses, are incurred for the benefit of the entity and reflect real transactions and are recorded in the books in the year incurred.

**Taxation of dividends** – Dividends received from (domestic or EU-resident) subsidiaries qualifying for the participation exemption (i.e. where a 10% minimum participation is held for an uninterrupted period of at least 24 months, etc.) are exempt from corporate tax (see "Participation exemption"). Dividends received from non-qualifying participations are taxable as normal business income at the corporate income tax rate (28% for accounting periods commencing after 1 January 2019), with certain credits available for taxes already paid.

**Capital gains** – Capital gains derived by corporations are taxed as ordinary business profits at the corporate income tax rate (28% for accounting periods commencing after 1 January 2019).

**Losses** – Tax losses may be carried forward for five consecutive tax years, to be set off against the taxable profits of those five tax years. Tax losses carried forward may be forfeited where there is a change in ownership of more than 33%, if the entity also changes its business activity within the same and/or the following fiscal year and the new business activity represents more than 50% of the annual turnover compared to the fiscal year before the change in ownership took place. The carryback of losses is not permitted.

In principle, losses arising abroad from the business activities of a foreign permanent establishment (PE) may not be utilized in the calculation of the company's taxable profits (of the same fiscal year) or be set off against future profits, except in the case of losses arising from business activities of a PE in an EU or European Economic Area (EEA) country with which Greece has entered into a tax treaty providing that the business profits of the PE are not exempt in Greece.

**Rate** – The corporate income tax rate is 28% (reduced from 29% for income earned for accounting periods commencing after

1 January 2019) and generally applies to all forms of legal entities in Greece (except in exceptional circumstances, e.g. agricultural cooperatives, etc.). The corporate income tax rate gradually will reduce as from tax year 2020, as follows: 27% for income earned in 2020; 26% for income earned in 2021; and 25% for income earned as from 2022.

The rate is not modified for Greek credit institutions and Greek branches of nonresident credit institutions, which remain subject to tax at the 29% rate.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – An ordinary foreign tax credit is available for income tax paid abroad, up to the amount of tax that would be payable for the relevant income in Greece (see also “Participation exemption”).

**Participation exemption** – Dividends received from (domestic or EU-resident) subsidiaries qualifying for the participation exemption (i.e. where a 10% minimum participation is held for an uninterrupted period of at least 24 months, etc.) are exempt from corporate tax. If the participation does not meet the requirements for exemption, a foreign tax credit is granted for the amount of the underlying corporate income tax to the extent it relates to the dividends. The participation exemption does not apply to non-Greek or non-EU-source dividends. The participation exemption may be claimed from the beginning of the holding period, provided the recipient company obtains a letter of guarantee for the amount of tax that otherwise would have been payable on the dividend income without the exemption.

Additionally, Greece has enacted certain measures to reflect amendments to the EU parent-subsidiary directive; in particular, a targeted anti-avoidance rule has been incorporated into the domestic Greek

tax legislation. Under the new rule, the exemption from dividend withholding tax may not apply in the case of a tax anti-avoidance arrangement without economic and business substance and that is aimed solely at obtaining a tax benefit. The participation exemption regime also does not apply to the extent a hybrid mismatch situation is identified.

**Holding company regime** – No

**Incentives** – Certain investments qualify for subsidies. A super deduction applies for certain R&D expenses, and tax deferral is available on income from the exploitation of qualifying patents.

**Withholding tax:**

**Dividends** – Dividends paid to nonresidents are subject to a 10% (final) dividend withholding tax (reduced from 15% for dividends received on or after 1 January 2019), subject to tax treaty relief (e.g. a reduced rate under an applicable tax treaty). No withholding tax applies if the conditions of the EU parent-subsidiary directive are satisfied (i.e. a 10% minimum shareholding for an uninterrupted period of at least 24 months), subject to the provisions of the anti-abuse rule (see “Participation exemption”). The same conditions for exemption apply to dividend distributions between domestic companies. No withholding tax is levied on distributions of partnerships that maintain simplified accounting books.

**Interest** – The withholding tax rate on interest payments to nonresidents is 15% (final tax), subject to tax treaty relief (e.g. a reduced rate under an applicable tax treaty) or cases where the interest is exempt under the EU interest and royalties directive, as incorporated in the Greek tax legislation.

**Royalties** – Royalties paid to nonresident entities are subject to a 20% (final) withholding tax, subject to tax treaty relief (e.g. a reduced rate under an applicable tax treaty) or cases where the royalties are

exempt under the EU interest and royalties directive, as incorporated in the Greek tax legislation.

**Technical service fees** – Fees for services relating to technical projects and paid to a nonresident entity are not subject to withholding tax (unless they are paid to a Greek PE that the entity maintains in Greece, where a 3% withholding tax applies).

**Branch remittance tax** – No

**Other** – Fees for services paid to a nonresident entity are not subject to withholding tax (irrespective of the existence of a tax treaty). Payments for services to Greek PEs of EU entities are exempt from any withholding tax, whereas if the head office is resident in a non-EU country, a 20% withholding tax applies.

#### **Other taxes on corporations:**

**Capital duty** – A 1% capital duty is payable on share capital increases. The issuance of share capital upon formation of a company is exempt from capital duty. Capital invested exclusively in R&D activities also is exempt from capital duty. A 0.1% surcharge for the benefit of the competition committee applies on the contribution of capital to an SA (whether upon formation or an increase).

**Payroll tax** – Employers are required to operate under a Pay-As-You-Earn system (PAYE), according to which withholding tax is imposed on salary payments to employees.

**Real property tax** – Real estate ownership tax is levied annually on property located in Greece. The tax consists of two elements: the main tax and an additional tax. The main tax is calculated according to the size, location, zone price, surface, age, use and other characteristics of the property. The additional tax is calculated at a rate of 0.55% on the total tax value of all of the company's property. Property occupied by the company is subject to a 0.1% additional tax.

There also is an annual special tax of 15% of the tax value of property, subject to certain exemptions. The tax normally is not payable if the company discloses its shareholders up to the level of the individual or a qualifying investment firm/fund.

A special real estate duty is payable to the municipal authorities, at rates ranging from 0.025% to 0.035%.

**Social security** – The employer must contribute to the social insurance fund, at a rate of approximately 25.06% of the employee's gross salary.

**Stamp duty** – Stamp duty of 1.2%, 2.4% or 3.6% applies, depending on the transaction.

**Transfer tax** – Real estate transfer tax (RETT) is imposed on the value of transferred property, at a flat rate of 3.09% (including the municipality surcharge). When VAT is due on the purchase of new buildings, these taxes are not levied.

**Other** – Special tax regimes apply to shipping companies, coordination centers, real estate investment companies and mutual funds.

#### **Anti-avoidance rules:**

**Transfer pricing** – Transactions between related parties (both domestic and foreign) must be carried out on arm's length terms and transfer pricing documentation must be prepared.

Country-by-country (CbC) reporting and/or notification obligations apply to certain multinational enterprise groups that have consolidated group revenue exceeding EUR 750 million in the fiscal year preceding the fiscal year to which the CbC report relates.

**Thin capitalization** – The thin capitalization rules disallow a deduction for certain interest paid on all categories of debt. The restriction is based on net interest (interest payable less interest received). Generally, net interest exceeding EUR 3 million is

deductible up to 30% of EBITDA after tax adjustments.

**Controlled foreign companies** – The CFC rules provide, broadly, that the undistributed passive income (e.g. dividends) from affiliates of a foreign subsidiary satisfying certain conditions will be attributed to and taxed in the hands of the Greek resident controlling shareholder (i.e. direct or indirect ownership exceeding 50%). The application of the CFC rules results in the taxation of “deemed” income as business profits. The CFC rules are not applicable in cases where the affiliate is an EU tax resident, unless its establishment and/or business activity has been created artificially.

**Disclosure requirements** – Filing and publication of annual financial statements are required.

**Other** – Transactions with “black-listed” offshore and beneficial tax regimes are subject to anti-avoidance provisions that could result in the disallowance of expenses for tax purposes. Moreover, anti-abuse rules regarding the application of the participation exemption regime (see “Participation exemption”) and business transformations have been enacted.

Under the general anti-avoidance rule, the tax authorities may disregard any artificial arrangement or series of arrangements that aim at the evasion of taxation and lead to a tax advantage. An arrangement is considered artificial if it lacks commercial substance.

### **Compliance for corporations:**

**Tax year** – The accounting year ends on 31 December or 30 June. Subsidiaries of foreign groups may use other year-end dates.

**Consolidated returns** – Group taxation is not available; each company must file a separate return.

**Filing requirements** – Greece operates a self- assessment regime. Corporate entities must file a tax return within six months of the tax year end. An advance payment of corporate income tax equal to 100% of the tax due for the preceding year also is required.

**Penalties** – Penalties apply for late filing, inaccurate filing of returns or failure to file a return.

**Rulings** – Binding rulings are not available, but a taxpayer can submit a question to the Ministry of Finance for the administration’s nonbinding view on the issue.

### **Personal taxation:**

**Basis** – A resident individual is taxed on his/her worldwide income. A nonresident is taxed only on Greek- source income.

**Residence** – An individual is resident in Greece if he/she is present in Greece for more than 183 days within any 12-month period. The individual is regarded as a Greek tax resident for the calendar year during which that 12- month period ends. Exceptions apply to individuals who visit Greece exclusively for tourism, medical, therapeutic or similar personal purposes. An individual also is considered resident in Greece if his/her center of vital interests is in Greece.

**Filing status** – In principle, married persons file a joint return, but each spouse is taxed separately on his/her share of the income. However, separate income tax returns can be filed if at least one of the spouses opts for this by an irrevocable application filed up to 28 February of the year of filling. This option is binding on the other spouse for the tax year concerned.

**Taxable income** – Taxable income includes employment income, business income, income from capital (dividends, interest, royalties and rental income) and capital gains from the alienation of real estate and securities. Each category of income is taxed

separately.

**Capital gains** – Capital gains tax at a rate of 15% applies to gains arising from the sale of securities (listed and unlisted) and derivatives. Capital gains tax on the sale of real estate has been suspended until 31 December 2019.

**Deductions and allowances** – To qualify for a specific tax reduction on employment income (with the amount depending on the total taxable income), a taxpayer is required to pay a certain minimum amount of his/her expenses (pursuant to a progressive scale) for the purchase of goods or services (in Greece or in the EU/EEA) using an electronic means of payment (e.g. debit or credit card, etc.). Certain taxpayers are excluded from the obligation (e.g. elderly or disabled taxpayers). Assuming a taxpayer fails to make the minimum payment, his/her income tax assessment will be increased by 22% of the difference between the minimum required payment and the actual payment.

**Rates** – Business income and employment income are taxed at progressive rates ranging from 22% to 45% (the lowest rate applies on income not exceeding EUR 20,000, while the highest rate applies on income exceeding EUR 40,000).

Dividends are taxed at a rate of 10% (reduced from 15% for dividends received on or after 1 January 2019), interest at a rate of 15% and royalties at 20%. Rental income is taxed at progressive rates ranging from 15% to 45% (the lowest rate applies for rental income not exceeding EUR 12,000, while the highest rate applies on income exceeding EUR 35,000).

**Other** – A special solidarity contribution is imposed on the total amount of income earned by individuals on an annual basis at progressive rates ranging from 2.20% to 10% (the lowest rate applies for income exceeding EUR 12,000, while the highest rate applies for income exceeding EUR 220,000— income below EUR 12,000 is exempt).

## Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – Stamp duty may be levied on certain transactions; the usual rate for transactions between individuals is 3.6%.

**Capital acquisitions tax** – In addition to transfer taxes (e.g. on real estate), acquisitions can result in income tax if they cannot be justified by the taxpayer's declared revenue (deemed income). If there is a difference between the taxpayer's real income (declared with the tax return) and the deemed income, the difference is subject to income tax, depending on the type of income. Deemed income is calculated based on the assets owned or transactions carried out by the taxpayer— i.e. loans, purchases of cars, donations, purchases of securities, etc.

**Real property tax** – Real estate ownership tax is levied annually on property located in Greece. The tax consists of two elements: the main tax and an additional tax. The main tax is calculated according to the size, location, zone price, surface, age, use and other characteristics of the property. The additional tax is calculated on the total tax value of all the taxpayer's property, if the total value exceeds EUR 250,000. The additional tax rate ranges from 0.15% to 1.15%, depending on the value of the property.

**Inheritance/estate tax** – For close relatives, inheritance tax at rates ranging from 1% to 10% is levied on the "tax value" of real estate after the deduction of a tax-free amount, which varies depending on the taxpayer's relationship with the deceased. For other heirs, the applicable rates range from 0% to 40%.

**Net wealth/net worth tax** – No

**Social security** – The majority of salaried employees must contribute approximately 16% to the social insurance fund.

## Compliance for individuals:

**Tax year** – Calendar year

**Filing and payment** – Individuals must file a tax return by 30 June of the year following the relevant calendar year. Income tax is paid in three equal bi-monthly installments, with the first installment due by the last business day of July and the others by the last business day of September and November, respectively.

**Penalties** – Penalties and interest apply for late filing, failure to file or inaccurate filing of a return.

## Value added tax:

**Taxable transactions** – VAT is imposed on the sale of goods, the provision of services and the supply of new buildings, when Greece is the place of taxation, in accordance with the place of supply rules. VAT also is due on intracommunity acquisitions or imports of goods from non-EU countries, and on the receipt of services from EU or non-EU-based suppliers.

**Rates** – The standard VAT rate is 24%, the reduced rate is 13% and the super-reduced rate is 6%. A 30% reduction in these rates will continue to apply to supplies on certain Aegean islands (Leros, Lesbos, Kos, Samos and Chios) until 30 June 2019. Specific supplies are exempt, with or without the right to deduct input VAT.

**Registration** – Nonresidents making taxable supplies of goods or services in Greece are required to register for VAT purposes. A EUR 35,000 threshold applies for nonresidents carrying out distance sales, and a registration threshold of EUR 10,000 for Greek residents.

**Filing and payment** – VAT returns are submitted on a quarterly or monthly basis, depending on the type of books kept by the VAT payer. The VAT payment may not necessarily follow the filing of the VAT return. In cases

where the amount of VAT due does not exceed EUR 30, the liability is transferred to the next tax period; if the amount due exceeds EUR 100, it may be paid in two equal consecutive monthly installments, without any additional charges. The amount of the first installment must be paid by the last business day of the month in which the VAT return was submitted, and the second by the last business day of the next month.

A statistical declaration (Intrastat) and EC sales/acquisitions lists must be submitted on a monthly basis with regard to intracommunity transactions.

**Source of tax law:** Income Tax Code, Tax Procedures' Code, VAT Code, Inheritance and Donation Tax Code Stamp Duty Code, Capital Duty Code, Greek GAAP Code

**Tax treaties:** Greece has concluded 57 tax treaties. Greece signed the OECD multilateral instrument on 7 June 2017.

**Tax authorities:** Ministry of Finance, Public Revenue Independent Authority

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