

# info



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## ***International Tax, Audit, Accounting and Legal News***

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## ***New tax law provisions implemented due to the enactment of laws 4387/2016 and 4389/2016.***

The enactment of laws 4387/2016 and 4389/2016 introduced significant changes to individual and corporate income taxation in Greece. The most important changes introduced can be summarized as follows:

### **1. Uniform tax rates for income from employment, pensions and business activity**

- ✓ The article 15 of Income Tax Law is amended and consequently, the existing rates of 29% and 33% for the taxation of business activity profits are now abolished.
- ✓ A new uniform tax scale for any income from employment, pensions and business activity is now adopted:

<b>Any Income (Euro)</b>	<b>Tax rate</b>
0 – 20.000	22%
20.001 – 30.000	29%
30.001 – 40.000	37%
>40.001	45%

- ✓ The above mentioned tax scale applies also to income from personal farm business, with the difference that this kind of income is taxed on a separate basis (and is not added to any other income gained).
- ✓ The new tax scale applies for any income gained within 2016 and on.

### **2. Reduction of income taxation**

- ✓ A new way of tax credit is introduced in Income Tax Law, which allows for a reduction to the income tax depending on to the number of children and income levels of the taxable person. The tax reduction is provided to any income tax from employment, pensions or individual farm business, while there is no tax reduction provided for income derived from business activity.
- ✓ The above reduction is provided (resulting essentially in a tax-free limit that differs depending on the case) depending on taxable income and number of children. In particular, the resulting tax is reduced at an amount of 1,900 euros for the taxpayer with no dependent children, in case that the taxable income from employment and pensions does not exceed the amount of 20,000 euro. For any taxable income exceeding the amount of 20,000 EUR, the amount of the reduction shall be reduced by 10 euro per 1,000 euro.
- ✓ The above are applied to any income gained as of 1.1.2016.

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### **3. Special solidarity contribution, withholding income taxes and contributions, new deadline and ways of paying Payroll Tax**

- ✓ The special solidarity contribution is integrated in CIT law, and is calculated with the following rates.

<b>Income (euro)</b>	<b>Special Solidarity Contribution Rate</b>
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%

- ✓ Due to this change, high income ranks will face significantly increasing rates.
- ✓ New solidarity contribution rates apply to income gained as of 1.1.2016, while withholding tax and solidarity contribution rates on salaries and pensions under the new scales apply as of 27.05.2016 onwards.
- ✓ As far as the withholding procedure is concerned, as of July 1, 2016 onwards, Payroll Tax for those working in private sector will be deposited by employers to bank accounts at the same time with Payroll and social security contribution payment, and will then be transferred to the bank accounts of beneficiaries' employees or the State.

### **4. New tax rates for income gained from real estate**

- ✓ Due to the amendment of Article 40 para. 4 of the Income Taxation Code, new (increased) tax rates on income from real estate are introduced. The new tax rates apply to any income gained as of 1.1.2016.

<b>Income (euro)</b>	<b>Tax rate</b>
0 – 12.000	15%
12.001 – 35.000	35%
>35.001	45%

### **5. Dividends**

- ✓ The dividends or profits distributed by companies are subject to withholding tax at a rate 15% (instead of 10% until now) for any income distributed as of 1.1.2017.

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### **6. Uniform corporate Income tax rate for corporate income gains**

- ✓ As of 01.01.2016 corporate Income tax rate is 29% for any corporate income profits for business entities keeping double or single entry books (capital and personal liability companies). Until the recent tax amendment, companies not using the double entry bookkeeping system had to pay 26% for income up to EUR 50,000 and 33% for the exceeding income. It should be noted that further distribution of dividends, is now not subject to withholding tax.
- ✓ In practice, any income of legal entities for amounts up to 90,000 euros will suffer higher overall tax burden in relation to the pre-existing system, while the total tax burden will be essentially reduced for any income of legal entities more than EUR 90,000 .

### **7. Vehicle immobilization**

- ✓ The possibility to reverse the vehicles immobilization is now introduced, provided that the respective amount of annual vehicle tax for a specific period is paid.

### **8. The taxable value of company cars (benefits in kind) is increased**

- ✓ Article 13 para. 2 of ITC is amended, and accordingly, the taxable value of the company cars (as benefit in kind) is increased to 80% from 30% of the vehicle' s cost entered as expenditure in employer's books. The rest conditions in relation to the taxation of a company car as status car or tool car remain the same. The above apply to income gained from the fiscal year 2016 onwards.

### **9. Tax arrangements for Collective Investment Organizations**

- ✓ A minimum tax due for each semester is predicted, which amounts to:
  - 0.375% of the value of the average of the assets for SA Investment Companies, SA Real Estate Investment Companies and Mutual Property Funds
  - 0.025% to 0.375% on the value of the average net assets of Organizations for Collective Investment in Transferable Securities depending on their type.
- ✓ Exclusion of capital gains tax for transfer of AEEAP shares. It is provided that SA Real Estate Investment Companies are subject to withholding tax for dividends received from a resident company and the withholding tax is credited to the foreign tax payable by SA Real Estate Investment Companies.
- ✓ The above apply as of 1.6.2016 onwards.

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### **10. New charges and indirect taxes**

- ✓ Cable TV charges: Special monthly fees for cable TV, estimated at 10% of the total amount of monthly bill (before tax), will be charged for any bills issued from 1.6.2016 onwards.
- ✓ Landline and Internet charges: the new charges introduced from 1.1.2017 onwards will be calculated at a rate of 5% of the total monthly amount (before tax).
- ✓ Accommodation tax: New charges are introduced for the accommodation to hotels or rooms to let, which amounts to a stable amount ranging between €0,25 to €4 per day depending on the circumstances. The above will apply from 1.1.2018 onwards.
- ✓ Gambling winnings taxation: it is increased to 35% from 30% with effect from 01.01.2016.

### **11. Excise duty**

- ✓ Excise duties on certain product categories are introduced:
  - To tobacco products as of 1.1.2017 onwards.
  - To beer as of 1.6.2016 onwards.
  - To fuels (gasoline, diesel, liquid gas and biodiesel) as of 1.1.2017 onwards.

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