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Law 4378/2016 incorporated into the domestic legislation the provisions of Council Directives 2014/86/EU and 2015/121/EU regarding the conditions for exemption from taxation on intra-group dividends, by adding extra conditions regarding the exemption from taxation on intra-group dividends.

In particular, it is now regulated that, intra-group dividends received by Greek legal entities or Greek permanent establishments of EU legal entities are exempt from taxation - regardless from the provisions already existing (e.g. 10% minimum participation percentage in the capital of the distributing entity and maintenance of the participation for at least 24 months, etc.), to the extent that those profits are not deductible from the subsidiary, and do not apply to the extent that those profits are deductible subsidiary. This provision concerns the tax treatment of hybrid loans between associated enterprises (profit participating loans) and aims at avoiding double non-taxation of profits distributed between Member States.

In addition, a general anti-abuse rule is added in Greek Income Tax Code (article 72 para. 40), according to which the tax exemption in case of collection and payment of dividends (articles of 48 and 63 of ITC) is alleviated in case it is considered that a “non-genuine arrangement” exists. A “non- genuine arrangement” is an arrangement which has not been put into place for valid commercial reasons reflecting the economic reality. These provisions concern the adoption of ta general rule prohibiting abuse regarding the Directive on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (2011/96/EU), as a counterweight to the practices of aggressive tax planning and in order to prevent abuse of this Directive.

The aforementioned provisions shall apply to income earned and to payments made from January 1, 2016 onwards.

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