Tax Agenda Greece

August 2022

EY

Building a better working world

No.	Fact	Action
1	**New tax incentives to facilitate corporate reorganizations targeted to Small and Medium sized Enterprises (SMEs)** A new set of tax incentives, primarily target to SMEs, is introduced aiming to aid and facilitate corporate reorganizations and the "collaboration" of enterprises (i.e. establishment of a new venture of two or more unrelated parties). The tax incentives offered include, inter alia, an exemption from corporate income tax for 30% of the eligible income, exemption from certain indirect taxes and expanded deduction rights for expenses related to the acquisition of corporate participations. Most of the incentives are applicable for reorganizations starting from 26 May 2022 onwards.	Review your local group presence in order to assess whether the local entities may benefit from the new tax incentives granted, in case that your group opts to proceed with a reorganization. Analyze whether there is potential for "collaborations" with other local entities that may fall within the scope of the new incentive rules. Assess the thresholds set to be eligible for the new incentives.
2	**Amendment to thin capitalization rules** A taxpayer - member of a consolidated group for accounting purposes, may either: ▸ Fully deduct its exceeding borrowing costs if it can demonstrate that the ratio of its share capital over its total assets is equal to or higher or less (max. 2%) than the equivalent ratio of the group, provided that all assets and liabilities are valued using the same method as in the consolidated financial statements or ▸ Deduct exceeding borrowing costs at an amount in excess of what it would be entitled to deduct under general rules. This higher limit refers to the consolidated group in which the taxpayer is member and is calculated in two steps : (i) the group ratio is determined by dividing the exceeding borrowing costs of the group vis-à-vis third-parties over the group's EBITDA; and (ii) the group ratio is multiplied by the EBITDA of the taxpayer The above provision is applicable from 28 March 2022 onwards.	Assess how the amendments may affect the capacity of your local group entities to fully or partially deduct exceeding borrowing costs.

Aug Sep Oct Nov

Use text boxes above the timeline to plan your actions for coming months

Compliance *Risk management* *Cash-flow / ETR impact*

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3	**Changes to the rules regarding hybrid mismatches** New rules applicable from 01 January 2022 are targeted to one or more foreign connected enterprises, which have an interest that on aggregate exceeds 50% of the voting rights or interest from capital or profit participation of a hybrid entity in Greece. In case said enterprises are located in a jurisdiction that considers the hybrid entity as subject to Greek tax, then the latter is considered as Greek tax resident and taxed on its income to the extent that said income is not taxed differently based on the Greek or any other jurisdiction's legislation.	Analyze the proper qualification and treatment of the relevant entities under the Greek and foreign rules applicable to hybrid entities. Should such analysis lead to the hybrid entity being considered as Greek tax resident, safeguard proper compliance with related obligations.
4	**Guidelines for the application of CFC rules** Detailed guidelines have been issued offering useful clarifications as to the various notions and practical aspects of the new Greek CFC rules application (enacted in 2019), as well as indicative examples for the computation of participation percentages. The guidance spreads over issues such as the underlying income and foreign tax paid, the definition of connected parties for the purposes of Greek CFC rules, as well as the fundamentals for determining the CFC income taxable in Greece and the potential for credit or exemption, under conditions.	Review and assess the potential application of the new Greek CFC rules in view of the recent interpretative guidance in your group legal structure, especially in case of presence in jurisdictions outside the EU/EEA.
5	**Explicit extension of participation exemption to EU/EEA permanent establishments** Administrative guidance clarified that the exemption from corporate income tax on capital gains (subject to conditions) under EU participation exemption, is also extended to Greek permanent establishments of EU/EEA legal persons.	Assess whether, in view of your means of establishment in Greece (e.g. in case established through a branch), the new guidance may impact your exit strategies or holding arrangements.
6	**Development Law "Greece Strong Growth" provides incentives to certain business activities and sectors** Various new aid schemes for speeding up all procedures regarding the evaluation, approval, control and certification of investment plans are provided by recently enacted law in effect from 4 February 2022 onwards. The benefits include also tax exemptions, subsidies, leasing subsidies for the acquisition of new machinery and other equipment, employment cost subsidies and various others.	Perform an in-depth assessment of the investment plans before applying for incentives.
7	**Reduction of capital concentration tax** Capital concentration tax has been decreased to 0,5% for share capital increases of companies made as of 1 October 2021.	Assess the impact of these changes on current financing arrangements for local subsidiaries.
8	**Tax incentives for the relocation of investors, employees and freelancers** Foreign investors changing their tax residency to Greece may enjoy one-off annual taxation (€100k) exhausting all other tax liability for their worldwide income. Conditions apply, such as proceeding with certain investments of at least €500k in value. The incentive is offered for 15 years and may be extended to specific close relatives of the investor. Tax incentives are also offered to relocating employees and freelancers. Subject to conditions, exemption from income tax and special solidarity tax is offered for 50% of the income arising in Greece from private employment or from business activity. The incentive is offered for seven years.	Consider eligibility for these exemptions if relocation is under consideration and assess compliance with the requirements set out in the relevant rules and procedural formalities.

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9	**New guidance relating to family offices and permissible activities** The services that may be offered by Greek family offices, as well as certain other practical aspects relating to their operation were clarified. Broadly speaking, services connected to the private and social life of the relevant family members, administrative support, as well as other financial management, strategic planning and consulting services may be offered.	To the extent that setting up a family office in Greece is under consideration, assess and define the perimeter of eligible services to be offered in such context.
10	**Electronic books (MyDATA)** myDATA (my Digital Accounting and Tax Application) is the new electronic platform by which the Independent Authority for Public Revenue introduced electronic books into the daily lives of Greek businesses. For calendar year 2021, the required data (tax records) relating to revenues had to be transmitted to MyDATA by 30 June 2022. For calendar year 2022, transmission of data both for revenues and expenses is mandatory. The obligation for Customers - Suppliers Lists' filing for calendar year 2021, is fulfilled through the 2021 data transmission in myDATA platform. Any deviations relating to expenses of calendar year 2021 are transmitted by 31 October 2022. From calendar year 2022 onwards, the liable entities, will not have to file Customers - Suppliers Lists, since the obligation to file the relevant information is fulfilled by transmitting data to myDATA.	Review your tax accounting and compliance processes in order to safeguard the timely transmission of all required data. Perform reconciliations between e-books, accounting books and tax returns to identify any gaps and divergencies to be resolved.
11	**VAT on construction, addition or improvement costs on leased properties** Based on recent developments, it has been clarified that expenses incurred for constructions, additions and improvements in leased properties should in principle be deductible for VAT purposes, irrespective of the duration of the lease agreement (till now, a nine-year minimum threshold period applied).	Review the expenses incurred on leased properties in order to assess the potential to recover the input VAT paid.
12	**Administrative guidance on the definition of "exporter" for customs purposes** The Independent Authority for Public Revenue has adopted the definition of the "exporter" for customs purposes, as provided for in article 1 (19) of the Commission Delegated Regulation (EU) No 2015/2446 and published long-awaited instructions on the mandatory intermediation of an "exporter" established within the customs territory of the EU in the context of completion of customs export formalities.	Safeguard that the prerequisites set out in the relevant guidelines are met.
13	**Guidelines for the implementation of the Quick Fixes transposed in the VAT Code** Circular E.2019/2022 provides clarifications for Quick Fixes relevant to call-off stock arrangements, chain transactions, VAT exemption of intra-community supplies of goods and proof of transport in the intra-community supplies of goods.	Safeguard compliance with the relevant formalities in order to secure the proper VAT treatment.

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