

Tax Agenda Greece

July 2023



No.	Fact	Action
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1	<p>Tax incentives to facilitate corporate reorganizations targeted to small- and medium-sized enterprises (SMEs)</p> <p>A 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.</p>	<p>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.</p>
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2	<p>Amendment to thin capitalization rules</p> <p>A taxpayer - member of a consolidated group for accounting purposes, may either:</p> <ul style="list-style-type: none"> ▶ 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. <p>The above provision is applicable from 28 March 2022 onwards.</p>	<p>Assess how the amendments may affect the capacity of your local group entities to fully or partially deduct exceeding borrowing costs.</p>
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Use text boxes above the timeline to plan your actions for coming months

● Compliance ● Risk management ● Cash-flow and ETR impact

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3	<p>Changes to the rules regarding hybrid mismatches</p> <p>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.</p>	<p>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.</p>	● ● ●
4	<p>Guidelines for the application of CFC rules</p> <p>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.</p>	<p>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.</p>	● ● ●
5	<p>Explicit extension of participation exemption to EU or EEA permanent establishments</p> <p>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.</p>	<p>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.</p>	● ● ●
6	<p>Tax incentives for the relocation of investors, employees and freelancers</p> <p>Foreign investors changing their tax residency to Greece may enjoy one-off annual taxation (EUR100k) exhausting all other tax liability for their worldwide income. Conditions apply, such as proceeding with certain investments of at least EUR500k 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.</p>	<p>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.</p>	● ● ●
7	<p>Guidance relating to family offices and permissible activities</p> <p>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.</p>	<p>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.</p>	● ● ●

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8	<p>Electronic books (myDATA)</p> <p>Amendments to the scope of application, the time and process of electronic data transmission to the myDATA digital platform were recently made. In particular, the following key takeaways are noted:</p> <ul style="list-style-type: none"> As of 01 January 2024, the transmission of transaction document summaries through business management software (commercial, accounting, ERP) will be performed in real-time. Entities that use Electronic Invoicing Service Providers are not allowed to transmit invoices' data through any of the other available ways, either for transactions with other entities (B2B), or with the State (B2G). The deadline for the transmission of omissions and discrepancies for the year 2021 by the recipients of the documents is extended until 02 May 2023. For 2022 transactions, revenues' data are transmitted until 31 March 2023, expenses' data until 31 October 2023, omissions and discrepancies until 30 November 2023 and adjusting entries until 31 December 2023. 	<p>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.</p>
9	<p>Extension of EU Parent and Subsidiary Directive (EU PSD) benefits to dividend payments to or from UK tax resident entities for tax year 2021</p> <p>Per L. 4965/2022 (amending article 72 of the Greek Income Tax Code), inbound dividends paid by UK entities to Greek entities are not subject to Greek corporate income tax, while also outbound dividends distributed by Greek entities to UK entities are not subject to Greek dividend withholding tax at source, insofar as the conditions of the EU PSD are met. The relevant provision applies for tax year 2021 and was entered into force as of 30 August 2022.</p>	<p>Assess the potential impact of the extension of EU PSD benefits for any inbound or outbound dividend payments from or to UK tax resident entities.</p>
10	<p>Transfer pricing adjustments following tax audits</p> <p>If, following a tax audit, profits from intragroup transactions that have been subject to tax in Greece are included in the profits of a legal entity, the related party that is subject to tax, may request a corresponding adjustment to its taxable profits. This is carried out by means of a filing of an amending corporate income tax return, accompanied by the audit report issued by the Tax Authorities within a deadline of three months from the notification of the act of the corrected tax assessment to the audited legal person. The new provision entered into force as of 23 September 2022.</p>	<p>Assess the impact of the new rules on your local group entities.</p>
11	<p>Stamp duty on corporate interest-bearing loans and financing acts</p> <p>Law 4972/2022 amended article 63 of the Greek VAT Code, so as to revive the imposition of stamp duty on interest-bearing loans and other financing, as well on the resulting contractual interest, regardless of whether the transactions in question also fall within the scope of VAT. This provision has retroactive effect from 01 January 2021. The deadline for the filing of the relevant stamp duty returns for the affected period and payment of the amounts due shall be 31 December 2022.</p>	<p>Review the loan or similar financing agreements in order to safeguard compliance with the stamp duty filing and payment obligations.</p>

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12	<p>Changes to the double-tax treaty (DTT) framework of Greece</p> <p>On 25 October 2022, new Law 4984/2022 ratified the new DTT concluded between Greece and France. The new DTT fundamentally revises what was provided for in the previous DTT (in force since 1965). The new tax treaty has though not still entered into force, since ratification in France and exchange of mutual notifications is pending.</p> <p>Also, on 17 January 2022, Law 4879/2022 ratified the DTT concluded between Greece and Singapore. Entry into force is set for 01 January 2023.</p> <p>Greece also entered into negotiations with Japan for a new DTT.</p>	<p>Review your local group presence in order to assess whether there is any potential impact arising from the new DTT framework.</p> 
13	<p>Special Solidarity Tax (SST)</p> <p>The imposition of SST is abolished for any income acquired from 01 January 2023 onwards. For tax year 2022, all types of income are exempt from SST except for employment income earned by employees of the public sector and pension income.</p>	<p>Analyze the impact of the SST abolition especially for Greek tax resident individuals earning income from salaries and dividends. Safeguard that tax withholdings are made in accordance with the new rules.</p> 
14	<p>Guidance on the tax treatment of temporary differences in case of distribution.</p> <p>Circular E.2089/21.12.2022 provided guidelines regarding the tax treatment of temporary differences between the accounting and tax base in case of profits' distribution.</p> <p>It is clarified that the distribution of accounting profits, that differ from tax profits due to the existence of temporary differences between the accounting and tax base, on which income tax has been paid, does not lead to double taxation. The filing of amending income tax returns without penalties is possible until 30 June 2023, in case a company has paid income tax both at the time of distribution and at the time of recognition (reversal) of the temporary difference. Monitoring of the tax base is a prerequisite.</p>	<p>Assess the potential tax impact on profit distributions.</p> 
15	<p>VAT application timeline for commercial leases</p> <p>Per new Law 5024/2023, commercial leases may be subject to VAT (instead of stamp duty) if an appropriate application is submitted without any time limitation (even after the first use of the relevant immovable property). Under the new rules, applications may be submitted at any time, but the effective date will be the start of the next taxable period, which could be either a month or a trimester, subject to the approval of the respective application.</p>	<p>Assess the potential to apply for any commercial leases in Greece to be subject to VAT instead of stamp duty.</p> 
16	<p>The obligation to notify the tax office for volume discounts (rebates) is abolished</p> <p>Taxpayers are no longer obliged to notify the tax administration for volume discounts (rebates) in order to have the right to deduct them by the taxable basis of VAT.</p>	<p>No action required. This simplification reduces administrative and procedural responsibility from local businesses.</p> 
17	<p>Conditions for third-party immovable property to qualify as investment goods have been amended</p> <p>The requirement for taxpayers to have the right to use immovable property owned by third parties for at least nine years in order to consider the immovable property as investment goods for VAT purposes has been abolished. However, it is still required that a legal relationship between the taxpayer and the landlord exists.</p>	<p>Assess whether and how the new provision may affect the VAT recovery for expenses relating to constructions or improvements on third-party immovable property.</p> 

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18	<p>Automatic Application Process for Tax Residence Certificates</p> <p>The Greek Tax Administration has fundamentally changed the process for the issuance of the tax residence certificate for the purposes of the implementation of the Double Tax Treaties.</p> <p>The relevant application will going-forward be submitted digitally, while the certificate is also issued in this way.</p> <p>Therefore, the private individual or by the legal representative of the legal person or legal entity may apply for it exclusively through the tax residence certificate issuance application on the digital portal of the Greek Tax Administration ("myaade"), stating also any required information (such as the type of income obtained abroad).</p> <p>A separate application is required for a certificate pertaining to different administrative regions, years or types of income.</p>	<p>Consider the way that this digital process may simplify the issuance of tax residence certificate for local companies.</p>
19	<p>List of Jurisdictions for 2023 Automatic Exchange of Information on Country-by-Country Reporting</p> <p>The Greek Tax Administration provided the list of jurisdictions to which Greece will apply the OECD Automatic Exchange of Information Agreement on Country-by-Country (CbC) Reporting in 2023 concerning information relating to 2021.</p>	<p>Analyze the potential impact of this development based on the jurisdictions where the group is present.</p>
20	<p>Taxation of fees provided in Greece by a permanent establishment of foreign legal persons or entities resident for tax purposes in Switzerland or in a state with non-discriminatory Double Tax Treaty provisions</p> <p>Clarifications were provided by the Greek Tax Administration regarding the tax treatment of fees paid for services provided in Greece by a permanent establishment of a foreign legal person or entity, which is tax resident in Switzerland or in a state with a Double Tax Treaty has been concluded including non-discriminatory provisions (of the same content as that of par. 3 of Article 23 of the DTT between Greece and Switzerland).</p> <p>More specifically, it has been clarified that fees for technical services, management fees, fees for consulting or similar services earned through such a Greek permanent establishment are not subject to withholding tax. Therefore, the treatment already applying to payments to Greek / EU legal persons so far has been extended to these cases, as well.</p> <p>This treatment is still not extended to certain narrowly defined fees (such as the fees paid for technical works).</p>	<p>Assess the potential tax impact on the payments for such fees received by the Greek permanent establishments of a foreign (non-EU) group company.</p>

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