

Tax Alert

Greece: Enactment of various direct and indirect tax hikes

Further to our previous tax alert of this month (*Greece: The impact of the recent social security and income tax reform on business stakeholders*), another major bill was passed on 22 May 2016. This law (ie Law 4389/2016) transforms the tax administration into an independent authority, prescribes as its governing bodies the administrative council and its administrator and stipulates that these bodies will be independent and not subject to the control or supervision of the Minister of Finance.

Other major changes of the new law are the increase, with effect from 1-6-2016, of the standard VAT rate (ie it is increased from 23% to 24%), the abolishment of the special -reduced -VAT rate for certain islands (following the same abolishment last year for the most popular ones) and the postponement of the effective date of application of the increase of the withholding tax on dividend income to dividends received from 1-1-2017 onwards, as opposed to 1-1-2016 stipulated by Law 4387/2016 and discussed in our previous alert. It also corrects the omission of Law 4387/2016 to specify the effective date of computation of the payroll tax with the new income tax rates, on which we referred to in our previous alert. Accordingly, it is clarified that as of the date of promulgation of the new law both payroll tax and solidarity levy will be calculated with the new rates. Furthermore, pursuant to an interpretative circular of the General Secretary of Public Revenues (POL 1064/2016), published on 30-5-2016, the new payroll tax and solidarity levy withholding rates will apply as from the date of promulgation of Law 4389/2016, which is the 27th of May 2016. Thus for the period from January to 26 May 2016 the employer will not bear any responsibility for readjusting the payroll tax and solidarity levy calculations. On the contrary, the appropriate amount of income tax and solidarity levy, as deriving from the reform with Law 4387/2016, will be computed upon filing of the annual income tax return of the employee.

In addition, the new law introduces the following changes in taxation:

Indirect taxes:

- It broadens the scope of application of excise duty to encompass, as from 1-1-2017, the coffee and the electronic cigarette
- It increases, from 1-1-2017, the excise duty on fuels, on cigarettes and from 15-10-2016 on the heating diesel
- It changes the criteria and method of calculation and rates of the registration tax on vehicles and at the same time removes any cars from the scope of application of the luxury tax
- It exempts from excise duty the natural gas that is exclusively used for the production of electricity, with effect from 1-6-2016
- It reduces the excise duty on the natural gas used for the heating of houses
- It introduces, as from 1-6-2016, a duty on the use of cable broadcasting services and as from 1-7-2017 on the fixed telephony
- It introduces, from 1-1-2018, an accommodation tax for the stay in hotels and in rented furnished rooms/apartments
- The tax on games of chance is set to 35% of the gross profits of the game operator

Direct taxes:

- The amount by which the use of company cars by employees and executives is considered as a taxable benefit in kind of the individual is increased, as of 2016, to 80% of the cost of the related car recorded in the books of the employer (until now the relevant percentage was 30%)
- As of 1-1-2016 the rates of the main unified tax on real estate ownership, calculated on the value of land per m² and the tax zone in which it is included, are modified. Moreover the threshold for the imposition of supplementary real estate ownership tax on in rem rights of individuals is lowered to €200,000 as opposed to €300,000 and the rates of the relevant progressive scale are increased. Also a supplementary real estate ownership tax is introduced on the value of real estate properties owned by business entities and used in the context of their business activity. Said tax is calculated at the rate of 0.1%
- The tax on the investments and cash balances of portfolio holding companies and of real estate investment companies is increased. Also the tax on the net assets of real estate investment trusts and other collective investment vehicles is increased (the relevant rates vary depending on the investment focus of the fund)
- The gain from the write-off or write-down of a debt to a credit or financial institution in the context of an out-of-court settlement or following the execution of a judicial order will not be considered as taxable income nor will it be subject to donation tax until 31-12-2017 (with the date referring to the date of settlement or petition to the court)

Tax procedures:

- The penalty for the late filing of the original or amending statement of changes in real estate property data (form E9), pertaining to the years 2010 onwards is reduced to half provided that such statement has already been filed or will be filed by 29-7-2016. To be noted that the relevant penalty, which by virtue of the new law is reduced to half, may reach up to €1,170, for periods until 31-12-2013, if a tax liability arises in relation to the statement filed with delay and up to €500 for later periods.

For more information you may contact:

Dr. Alexandros Karakitis
+30 2107221021 | karakitis.a@kalaw.gr

www.kalaw.gr