

Tax - Breaking News

June 2018



Consistent with our commitment to keep you updated on most significant international tax developments, we summarize below the most important amendments introduced by Law 4549/2018 on “Provisions for the completion of the Agreement on Fiscal Goals and Structural Reforms – Medium-term Fiscal Strategy Framework 2019-2022 and other provisions”.

Income Tax Code (ITC)

- The definition of “center of vital interest” which determines the **residence for tax purposes** of an individual in Greece is redefined in compliance with jurisprudence of the Council of State and in alignment with OECD’s model Tax Convention explanatory comments. “Center of vital interest” is defined as the country where the individual develops his personal, financial and social bonds.
- Income earned by **occasionally occupied taxpayers**, who are not free-lancers nor who exercise agricultural activity, will be taxed based on the tax scale applicable to employees/pensioners/those with business activity, and they will be able to take into consideration the tax credit of EUR 1 900 to 2 100, provided that their actual income does not exceed EUR 6 000 and their imputed income EUR 9 500, respectively. This provision was transitional for years 2014-2017 and has now become permanent. The provision **enters into force as of tax year 2018 onwards**.
- As of tax year 2018 onwards, when determining **profits from business activity**, the disposal of assets by an individual, assets inherited or donated from relatives up to second degree or assets which have been retained for more than five (5) years, will not be taken into consideration.
- Furthermore, as of tax year 2019 onwards, the transfer of individual assets which fall within article 41 (transfer of real estate) and 42 (transfer of securities) of the Income Tax Code (ITC) will be exempted from the determination of profits from business activity.
- Regarding **tax depreciations**, (i) the definition of “financial and economic lease” is replaced with “financial lease”, as defined by law for Greek Accounting Standards, (ii) both domestic and international means of transport for freight are amortised at a tax rate of 12%, and (iii) it is clarified that aircraft, trains, boats and vessels are amortised at the tax rate of 5%, whereas all other means of transporting individuals, at a tax rate of 16%. The provisions **enter into force from tax year 2018 onwards**.
- **The carry-forward of tax losses** is not permitted if a) Company shares’ participation or shares’ voting rights are amended by more than 33% during the tax year and at the same time, b) the company’s business activity results in more than 50% change in its turnover during the year or the following year of the amendment of the participation/voting rights. The new provision includes all legal persons and legal entities and it applies **retroactively as of 1 January 2014**.

- Payments made against **insurance investment contracts** are taken into consideration for **imputed income** purposes, however only for the part which forms an investment product. **The new provision applies as of tax year 2018 onwards.**
 - Imputed income derived from the free grant of use of real estate to the Greek Government or to Public Law Entities **is exempted from tax and from the special solidarity contribution.** In addition, a provision is introduced on the basis of which, imputed income is now explicitly exempted from **the special solidarity contribution** when it derives from the free assignment of residence up to 200 m² to be used as the primary residence for ascendants or descendants. **The new provision applies as of tax year 2018 onwards.**
 - In order to determine the capital gain from the **transfer of securities**, the purchase price of securities acquired through inheritance or donation, is considered to be the value that was used to calculate the applicable inheritance or donation tax or the exemption from such tax. **The provision enters into force as of tax year 2018 onward.**
 - **A special withholding tax** of 5% is introduced on net remunerations for employees paid on a daily wage basis and who provide services for a fixed period shorter than one year. This also applies to tourist guides who are subject to the provisions of article 37 L.1545/1985. **The new provision enters into force as of 14 June 2018** (the Law's publication date in the Government Gazette).
 - A new obligation for **tax withholding of 15%** is introduced on non-distributed profits in case of amendment from single entry to double entry accounting books. **The provision enters into force as of 14 June 2018** (the Law's publication date in the Government Gazette).
 - **Non-cooperative state members' provisions** are amended to align with the compliance criteria imposed by the European Union (EU) regarding tax transparency and exchange of information.
 - Payment of income tax installments of individuals who participate in legal persons and entities who maintain single entry accounting books, will be made in two (2) equal monthly instalments, where the first one is payable by the last working day of September and the second one by the last working day of November of every year.
 - In case of intragroup **dividends** received by a Greek legal person or entity from a Greek or foreign legal person or entity registered in another EU member state and where the exemption of article 48 does not apply, the underlying tax on the distributed profits of the distributing company (and not the amount actually paid by the distributing company) – is credited against the income tax arising from the annual tax return. **The provision enters into force from tax year 2018 onwards.**
 - The provision regarding the **reduction of income tax prepayment** is amended, so that the reduction applies exclusively on business income earned for the first time, regardless of the obligation to commence operation and does not include other income categories.
 - New **tax incentives are introduced for the 2018 tax year** onwards in order (i) to strengthen the employment sector, and (ii) to support the production of audiovisual projects. In addition, depreciation rates are doubled for investment costs relevant to the reduction of water usage and for the achievement of higher energy efficiencies.
- Tax Procedure Code (TPC)**
- The following amendments are made to existing cases where a **guarantee** was required for the commencement of business activity:
 - The guarantee is required only for the commencement of business activity, and is no longer required for intra-community transactions.
 - The obligation to provide a guarantee is extended to the individuals who commence the business activity.
 - The cases where a guarantee is required are redefined and specific cases of insolvency are identified.
 - A guarantee is also required when the bankruptcy or the insolvency led to a general overdue tax liability of at least EUR 100 000 for income tax, VAT, withholding taxes and fines. Special exemptions are provided however, for this guarantee.
 - The liabilities balance is taken into account as an indicator for determining the amount of the guarantee.
- The new provisions will enter into force as of 2019 onwards.**
- Value Added Tax (VAT)**
- Regarding the **taxable amount**, new specific cases are introduced. In particular:
 - For the supply of goods and services between relatives and/or related parties, respective taxable amount is considered to be market value, where the consideration is lower than market value, if (i) the supplier or the recipient are not eligible to fully recover purchase VAT, or if (ii) the underlying supply is subject to a domestic exemption and the supplier does not have a right to recover purchase VAT.
 - For auctions, proceeds are considered the taxable amount.

- The provisions regarding the **special regime for small enterprises** are amended, entering into force from 1 January 2019. From that day onwards, taxable persons carrying out VAT bearing activities for the first time can also fall within the above regime and be exempted from VAT filing and payment obligations. In addition, in order to calculate the amount of the relevant threshold (EUR 10 000), only the supplies of goods and services that are subject to VAT should be taken into consideration; disposals of tangible or intangible investment goods and VAT-exempted transactions that do not give the right to recover purchase VAT should not be taken into consideration. Where the above threshold is exceeded, the transition to the regular VAT regime is mandatory and the VATable persons are obliged to remit VAT regardless of when they file their declaration for transfer to the regular VAT regime. Finally, it is no longer mandatory to remain under the small-enterprise regime for two years, therefore entailing that transfer to the regular VAT regime is possible as from the following year.

Unified Real Estate Ownership TAX (UREOT)

- Especially for tax year 2018, the values taken into consideration are determined by a new decision of the Minister of Finance regarding objective tax values ([Government Gazette B' 2192/12.06.2018](#)).
- The relevant tax tables were amended as follows: (i) certain lower values price zone brackets were extended, resulting in more properties dropping to the lower basic tax brackets, and (ii) the tax free bracket for the additional tax based on the total value of property rights per person was increased from EUR 200 000 to EUR 250 000.
- UREOT will be paid either in one lump sum or in five monthly installments with the last instalment payable in January of the following year. In particular for the tax year 2018, the first installment will be paid by 30 September 2018, on the condition that the UREOT assessment is issued during September 2018.
- The relevant department responsible until now is abolished and an Independent Department for the Valuation and Determination of Real Estate Values is created within the Ministry of Finance. The department falls directly under the jurisdiction of the General Secretary of Fiscal Affairs, whose aim will be the objective determination and the general evaluation of real estate values.

Contact us

Georgia Stamatelou
Partner, Head of Tax
T:+30 210 60 62 227
E:gstamatelou@kpmg.gr

More information at
kpmg.com/gr



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