

# Tax - Breaking News

April 2019



Consistent with our commitment to provide updated information on current tax issues, we summarize recent amendments that impact the shipping community and have been incorporated in the framework of the new law No. 4607/2019 (Gov. Gaz. A' 65/24.04.2019)

**Payment of the Special Contribution of article 43 L. 4111/2013 is extended indefinitely and is also imposed on Greek non-management shipping companies of article 25 L. 27/1975**

- The special contribution of article 43 L. 4111/2013, which is calculated on the annual total amount of foreign exchange currency imported and converted into Euro, and which was imposed only on foreign non-management shipping companies with offices of article 25 L. 27/1975, is **also imposed on Greek shipping companies of article 25 L. 27/1975** that are engaged in shipping activities other than the management or exploitation of vessels, as restrictively described in article 25 L. 27/1975. Moreover, the special contribution imposed on foreign non-management shipping companies with offices of article 25 L. 27/1975 is extended indefinitely (i.e. to foreign exchange currency imported by them also during 2020 and onwards).
- The above obligation of Greek non-management shipping companies of article 25 L. 27/1975 shall start to apply to foreign exchange currency imported by those companies as of 2019 onwards.
- Greek and foreign shipping companies of article 25 L. 27/1975, being engaged in the management and/or exploitation of vessels as their main and/or secondary activity, are not subject to the above special contribution.

- In case the operation of ship management and/or ship exploitation is included as a secondary activity in the shipping companies' operation licence (where their main activity is one of the other non-management shipping activities mentioned in article 25 L. 27/1975), it should be evidenced that the shipping companies have been actually engaged in ship management and/or ship exploitation activity within the five (5) year period of force of their operation licence in order not to be subject to the above special contribution. If actual ship management and/or ship exploitation activity is not evidenced within such a five (5) year period, the special contribution will be imposed and calculated on the foreign exchange currency imported during the year following the above mentioned five (5) year period. This provision shall apply for the first time for companies whose operation licence first 5 year period expires in 2018 in which case the special contribution will be calculated on foreign exchange currency imported in 2019, whereas the respective special contribution will be paid in 2020.

**A 10% tax is imposed on dividends distributed also by Greek non-management shipping companies of article 25 L. 27/1975**

- Tax at the rate of 10% is imposed on individuals who are Greek tax residents, for dividends paid or credited to them as of 2019 onwards by Greek shipping companies of article 25 L. 27/1975, that are engaged in shipping activities other than the management or exploitation of vessels, as restrictively described in article 25 L. 27/1975. We note that until today such tax was imposed only on dividends distributed from foreign shipping companies with offices in Greece, that engaged in non-management activities in Greece.

- Similarly to the case of dividend distribution from foreign shipping companies, payment of such tax exhausts any further tax liability of the beneficiary (shareholder/partner of the above companies) from any tax, duty etc. (including special solidarity contribution) in relation to the respective income.
- The above dividend tax does not apply on dividends that are distributed by companies that are also engaged in the management and/or exploitation of vessels according to their operating license.

**Special payments/bonuses paid by all shipping companies of article 25 L. 27/1975 to members of their Board of Directors, managers, executives and employees are subject to 10% tax with further exhaustion from any other tax liability**

As of 2019, a tax at the rate of 10% is imposed on special payments and bonuses paid by **Greek** shipping companies of article 25 L. 27/1975 to members of their Board of Directors (BoD) managers, executives and employees on top of their regular salary.

- As of 2019, a tax at the rate of 10% is imposed on special payments and bonuses paid by **foreign non-management shipping companies** with offices of article 25 L.27/1975 to their **employees** on top of their regular salary (we remind you that similar special payments/bonuses granted to members of Board of Directors (BoD), managers and executives are subject to 10% tax since 2012).
- As of 2019, a tax at the rate of 10% is imposed on special payments and bonuses paid by **ship management companies** of article 25 L. 27/1975 to members of their Board of Directors (BoD), managers, executives and employees on top of their regular salary.

**Ratification of a New Memorandum on Voluntary Grant between the Greek State and the Shipping Community**

- The New Voluntary Grant is applicable on Greek tax residents, who are the ultimate shareholders or partners or ultimate beneficiaries of ship-owning companies of Greek or foreign flagged vessels (on condition the foreign flagged vessels are managed by a ship management company of article 25 L.27/1975).
- The New Voluntary Grant is determined at a fixed rate of 10% on amounts imported by the above individuals in Greece, which relate to dividend income derived from ship owning companies.
- Payment of the New Voluntary Grant will apply for the first time on dividend income earned in 2018 (declared by the above individuals in their 2019 income tax return) and will exhaust any further tax liability of such individuals from any tax, levy etc. (including special solidarity contribution) in relation to their global dividend income received from ship owning companies.

- The previous Special Voluntary Grant, which was agreed by virtue of the previous Memorandum (determining an “effectively” payment of “double” tonnage tax) is being abolished.

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This Newsletter aims to provide the reader with general information on the above-mentioned matters. No action should be taken without first obtaining professional advice specifically relating to the factual circumstances of each case.

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