



International tax

Greece Highlights 2012

Investment basics:

Currency – Euro (EUR)

Foreign exchange control – There are no restrictions on imports and exports, but the export of foreign exchange must be made through a licensed commercial bank. There is no obligation to convert imported foreign currency into Euros.

Accounting principles/financial statements – IFRS or Greek GAAP. The application of IFRS is compulsory for corporations with listed shares or securities; and for corporations that are consolidated for accounting purposes with a company that uses IFRS if it represents at least 5% of the consolidated turnover, the consolidated assets or consolidated results (after minority rights). IFRS is optional for all other corporations or limited liability companies. Greek GAAP applies in all other cases. Financial statements must be prepared annually.

Principal business entities – These are the corporation (SA), limited liability company (EPE), general partnership (OE) and limited partnership (EE).

Corporate taxation:

Residence – A company that is incorporated in Greece or effectively managed and controlled from Greece is considered Greek resident for tax purposes.

Basis – Resident entities are taxed on worldwide income, while nonresidents are taxed only on Greek source profits.

Taxable income – Corporate tax is imposed on a company's total annual profits before the distribution of dividends, profits, fees to directors and profits to employees. Normal business expenses are deductible.

Taxation of dividends – Dividends distributed as from 2012 (including between domestic companies) bear a 25% withholding tax (21% for dividends distributed in 2011). If the EU parent-subsidiary directive (PSD) conditions are met, no withholding tax applies. Similarly, a lower rate may apply under an applicable double tax treaty.

For profit distributions between domestic companies, the 25% withholding tax will be refunded if the ultimate dividend recipient is an EU parent company that qualifies under the PSD. Where the second distribution is to another Greek company, however, the withholding tax on the second distribution will instead be decreased by the amount of tax (which corresponds to the profits distributed) already withheld.

Capital gains – For corporations, capital gains are taxed as normal business income except for certain capital assets, for which gain may be deferred under certain conditions. Advance taxes also apply on capital gains, the percentage of which depends on the capital asset disposed.

Losses – Losses may be carried forward for 5 years. No carryback of losses is permitted.

Rate – Profits of accounting periods ending after 31 July 2011 are taxed at 20% (24% for profits of accounting periods that ended between 1 August 2010 and 31 July 2011).

The rate for partnerships is 25%, except for the portion of profits attributed to individual general partners, which is taxed at 20%.

Surtax – A surtax of 3% is levied on gross rental income, but the surtax cannot exceed the corporate income tax due.

Alternative minimum tax – No

Foreign tax credit – An ordinary foreign tax credit is available for income tax paid abroad.

Participation exemption – Dividends received (collected) from participations in EU (fulfilling the conditions of the PSD) subsidiaries as from 31 March 2011 are exempt from corporate tax, provided they are sheltered in a tax-free reserve account. However, if such dividends are further distributed, the 25% dividend withholding tax will apply (subject to the PSD or reduction under an applicable treaty).

Holding company regime – No

Incentives – Qualified R&D expenses can be deducted at 150%. Certain investments can qualify for subsidies under investment incentive laws.

Withholding tax:

Dividends – Dividends distributed from 2012 onwards are subject to withholding tax at a rate of 25%.

Interest – The statutory withholding tax on interest paid to a foreign entity without a permanent establishment (PE) in Greece is 40%, unless the rate is reduced under a tax treaty. The EU interest and royalties directive (IRD) allows Greece to apply a 5% withholding tax until 30 June 2013.

Royalties – Royalties paid to a foreign entity without a PE in Greece are subject to withholding tax at 25%, unless the rate is reduced under a tax treaty. The IRD (applicable only to companies having the legal form of an SA) allows Greece to apply a 5% withholding tax until 30 June 2013.

Technical service fees – Technical service fees paid to a foreign entity without a PE in Greece are subject to withholding tax at 25%, unless the rate is reduced under a tax treaty.

Branch remittance tax – Profits remitted by a branch to its foreign head office as from 2012 onwards suffer a 25% withholding tax. The withholding tax applies either at payment or upon mere credit of the profit to the head office account.

Other – Certain other payments (e.g. rental payments for movable assets, management fees, etc.) to nonresidents without a PE in Greece may be subject to a final tax of 25%, unless the rate is otherwise reduced under a tax treaty.

Other taxes on corporations:

Capital duty – A 1% capital duty is due on the nominal capital of corporations.

Payroll tax – Employers are required to operate PAYE withholding.

Real property tax – Annual Real Property Tax is levied on property located in Greece at the first of January each year. Flat tax rates of 0.1% on self-used properties and 0.6% on other real properties apply to companies. There is an annual special tax, subject to exemptions, of 15% on the tax value of properties, which aims to combat off-shore

real property holdings. A special real estate duty also is payable to the municipal authorities at rates ranging between 0.025% and 0.035%. Finally, a special duty on buildings powered by electricity applies (payable through the electricity bill) and is determined by the building area and other factors.

Social security – Employers must contribute to the Greek social insurance fund at a rate of about 28% of gross pay.

Stamp duty – Stamp duty of 1.2%, 2.4% or 3.6% applies, depending on the transaction.

Transfer tax – Real estate transfer tax (RETT) is imposed on the transfer of property at 8% on the first EUR 20,000 and 10% on the balance. A local authority surcharge equivalent to 3% of the RETT also applies. When VAT is due for the supply of new buildings, the above taxes are not levied.

Other – Special tax regimes apply to shipping companies, coordination centers, real estate investment companies and mutual funds.

Anti-avoidance rules:

Transfer pricing – Transactions between related parties (domestic and foreign) must be carried out on arm's length terms and transfer pricing documentation must be prepared.

Thin capitalization – Thin capitalization rules disallow a deduction for interest paid to affiliated entities if the ratio of associated debt to equity exceeds a 3:1 ratio on average per accounting period.

Controlled foreign companies – Quasi-CFC rules apply only for participations in EU transparent entities.

Other – Transactions with black-listed offshore and beneficial tax regimes are subject to anti-avoidance provisions that could result in disallowance of expenses or adjustments to revenue.

Disclosure requirements – Filing and publication of annual financial statements are required.

Administration and compliance:

Tax year – The accounting year generally ends on 31 December or 30 June, although there may be exceptions in the first and last year of operation of a company. Subsidiaries of foreign groups may use other year-end dates.

Consolidated returns – Group taxation is not available.

Filing requirements – Greece operates a self-assessment regime. Corporate entities

must file a tax return within 4 months and 10 days from the fiscal year end. An advance payment of corporate income tax also is required, equal to 80% of the tax due for the preceding year (100% for banks).

Penalties – Penalties apply for late and inaccurate returns or failure to file.

Rulings – No binding rulings are issued, but a taxpayer may submit a question to the Ministry of Finance and receive the administration's view on the subject. While the administration's replies are not legally binding, they are respected and followed by the local tax offices.

Personal taxation:

Basis – Individuals domiciled in Greece are taxed on their worldwide income. Those not domiciled in Greece are subject to tax only on Greek source income. Exceptionally, there is a possibility to apply territorial taxation for an individual residing in Greece, under certain conditions, for a period not exceeding 3 years.

Greece will continue to tax for an indefinite period the worldwide income of an individual that transfers his/her residence to a non-cooperative jurisdiction, with similar provisions applying for migrations to countries with "favorable tax regimes." The provision is applicable as from 31 March 2011 onwards.

Residence – Greece adopted the OECD definition of "residence" for tax purposes, effective as from 31 March 2011 (i.e. immigrations after this date). Consequently, an individual is resident in Greece if he or she resides in Greece or has a habitual abode in the country. An abode will be regarded as "habitual" if the taxpayer stays in Greece more than 183 days within a calendar year.

Filing status – Married persons file a joint return, but each spouse is taxed separately on his/her share of the income.

Taxable income – Individuals are taxed on total net income in Greece. This includes income from employment, from business, professional income and investment income.

Domestic dividends suffer a 25% withholding tax at source. This tax is final for Greek tax resident individuals.

Foreign sourced dividends received by Greek tax resident individuals are subject to a final withholding tax at 25% for dividends received as from 2012 onwards.

Capital gains – Capital gains tax ranges from 0% to 20%, depending on the type of gain realized.

Deductions and allowances – Very limited deductions are allowed for expenses and certain allowances are available. Foreign tax

credits have become restricted to payments in countries with which Greece has a double tax treaty. Previously, Greece granted a unilateral credit (i.e. regardless of whether a treaty existed). The foreign tax credit remains limited by the amount of Greek tax.

Rates – Rates are progressive up to 45% (for income over EUR 100,000). A tax-free amount of up to EUR 5,000 can be built through receipts evidencing expenses incurred. The amount of receipts needed depends on the total taxable income. Failure to gather the required amount results in tax at 10%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty may be levied on certain transactions; the usual rate for individuals is 3.6%.

Capital acquisitions tax – Except for transfer taxes (e.g. on real estate), acquisitions can result in income tax if they cannot be justified by the taxpayers declared revenue (deemed income).

Real property tax – The annual real property tax is imposed on any property right in Greece and is levied as at the first of January each year. After a tax-free level of EUR 200,000, the tax rates range from 0.2% to 1% (effective as from 1 January 2011). Above EUR 5 million, the rate is 2%. A special duty is imposed on an annual basis on the tax value of all buildings supplied with electricity. The duty is payable along with the bimonthly power bill.

Inheritance/estate tax – For close relatives, an inheritance tax from 1% to 10% is levied on the "tax value" of real property after the deduction of a tax-free amount. The latter varies depending on the taxpayer's relationship with the deceased. For other heirs, the applicable rates range from 0% to 40%.

Net wealth/net worth tax – No

Social security – Employees must contribute approximately 16% to the Greek Social Insurance Fund.

Administration and compliance:

Tax year – Calendar year

Filing and payment tax – Individuals must file a tax return by 1 March covering the tax year ending the previous 31 December. The actual filing date is regulated by an annual Ministerial Decision and usually depends on classification of the taxpayer and the last digit of the tax identification number. A 1.5% discount is

granted for the lump sum payment of income tax.

Penalties – Penalties apply for late filing or failure to file or inaccurate filing of a return.

Value added tax:

Taxable transactions – VAT is imposed on the sale of goods, the provision of services and the supply of new buildings.

Rates – The standard VAT rate is 23%, with a 13% reduced rate and 6.5% super reduced rate. Special rates apply to supplies on certain islands. Other supplies are exempt.

Registration – Nonresidents that make taxable supplies of goods or services in Greece are required to register for VAT purposes. There is a threshold of EUR 35,000 for nonresidents performing distant

sales. With respect to Greek residents, the registration threshold is EUR 10,000 for supplies of goods, EUR 5,000 for supplies of services and EUR 10,000 for mixed supplies where only EUR 5,000 is derived from the provision of services; this threshold does not apply for companies and freelancers.

Filing and payment – VAT returns are submitted on a quarterly or monthly basis. The submission of the VAT return must be accompanied by any payment due. However, VAT returns due on or after 1 July 2011 may have their VAT paid in installments, with 40% of the VAT payable at the time the return is submitted and the remainder payable in two equal monthly installments with a 2% surcharge (each installment, however, must be at least EUR 300). Annual clearance VAT

returns also need to be filed. A statistical declaration (Intrastat) and sales list must be submitted with regard to intra-Community transactions.

Source of tax law: Income Tax Code, VAT Code, Inheritance and Donation Tax Code, Stamp Duty Code, Books and Records Code

Tax treaties: Greece has over 50 tax treaties.

Tax authorities: Ministry of Finance

International organizations: EU, WTO, OECD

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