Executive summary

On 16 July 2015, the Greek Government published L. 4334/2015 (Urgent Measures for the negotiation and the conclusion of an agreement with the European Stability Mechanism [E.S.M.]) in the Government Gazette. L4334/2015 introduces significant changes to the valued added tax (VAT) legislation. The publication was confirmed in circular POL 1154/2015.

This Alert summarizes the key amendments to the VAT legislation.

Detailed discussion

Changes to VAT rates

The new law amends certain provisions of the VAT Code (Law 2859/2000) and replaces Annex III thereof (goods and services subject to reduced VAT rate). As a result, various goods and services are reclassified from 13% to a 23% VAT rate. In the case where there is a specific provision in Annex III, a new super reduced VAT rate of 6% replaces the previously applicable 6.5%.

Annex III of the VAT Code is amended to limit the goods and services that are subject to a reduced VAT rate 13%.

As indicated, the following categories of goods and services are now subject to 23% VAT:

- **Goods**: packaged foodstuff, sugar, vinegar, salt, coffee, tea, spices, fats, flowers and some plants, cocoa, prepared or otherwise processed meat and fish as well as food preparations of specific tariff headings, animals, and fertilizers, among others.

- **Services**: transportation of passengers and their luggage, restaurant services, tickets for cinemas, concerts and other events, toll manufacturing services with respect to goods subject to a reduced VAT rate, and provision of specific medical and dental services (excluding those exempted under article 22 the of VAT Code), among others.
In addition, the following categories of goods and services, for which the VAT rate remains at 13%, are explicitly mentioned:

- **Goods:** electricity, gas, water supply, vegetables, olive oil, milk and dairy products, cereals, waters, edible fruit, preparations for child nutrition packaged for retail sale, and specific kinds of pasta, among others.

- **Services:** provision of home care service for children, elderly, sick and disabled people in general.

An important change refers to the reclassification of accommodation services in hotels and similar establishments, including the provision of holiday accommodation and the rental of places on camping or caravan sites as of 1 October 2015 to 13%. The provision's legal wording should be revised, since for the transition period (namely until the aforementioned date), the accommodation services in hotels and similar establishments appear to be subject to the standard VAT rate of 23%.

The super reduced VAT rate is now 6% (from the previously applicable 6.5%), which applies to drugs, vaccines for human medicine and books of specific tariff headings as well as theater tickets.

The changes in VAT rates appear to be effective as of the publication date of the law in the Government Gazette (16 July 2015) and as confirmed in circular POL 1154/2015. However, according to a press release issued by the Ministry of Finance, in order to ensure a smooth transition to the new VAT rates, the Ministry shall take the necessary actions so that application of the new provisions is effective as of 20 July 2015. Further developments are expected on this matter.

**Gradual abolishment of favorable rates (reduced by 30%) applicable in certain Greek islands**

Favorable VAT rates (reduced by 30%), applicable in certain Greek islands, are abolished as follows: favorable VAT rates in developed islands with the highest income per capita are abolished as of 1 October 2015, whereas in less developed islands they are abolished as of 1 June 2016. Favorable VAT rates applicable in remote islands stay in force until 31 December 2016. Clarifications for the application of this provision are expected through the issuance of ministerial guidelines.

**Measures for immediate withholding and remittance of VAT from bank institutions**

In the case of retail transactions exceeding €1,500 and other transactions between businesses exceeding €3,000 that are settled via bank means (especially via credit or debit cards, e-banking, bank deposit for the purpose of settling an invoice or bank check), immediate withholding and remittance of VAT from bank institutions to the Greek State is required. More specifically, bank institutions are obliged to withhold the corresponding VAT and remit it to the Greek State within five days as of the payment date. The bank grants a certificate for the attributed VAT amount to VAT taxable persons, so that the respective output VAT amount (remitted to the Greek State) may be taken into account for the completion of the VAT return. No fee or expenses should be charged by the bank institutions for the supply of the aforementioned service. Ministerial guidelines, where the practical aspects of the aforementioned provision shall be regulated, together with any other issue relating to remittance and refund of VAT, are expected.
For additional information with respect to this Alert, please contact the following:

**Ernst & Young Business Advisory Solutions S.A., Athens**

- Stefanos Mitsios      +30 210 288 6363      Stefanos.Mitsios@gr.ey.com
- Tassos Anastasiadis    +30 210 288 6415      Tassos.Anastasiadis@gr.ey.com
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Indirect Tax

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