
A. Amendments of Income Tax Code (ITC)

A.1. Individuals

Tax residence
- In the context of the provisions concerning the tax residence, the concept of the center of vital interests is amended, in order to be aligned with the interpretative comments of the OECD Model Convention for the Avoidance of Double Taxation of Income, as well as with the Decision 1445/2016 of the Council of the State (separate residence status of spouses under conditions).
- From the tax year 2018 onwards, an individual is considered to have the center of his vital interests in Greece, on condition that he has its personal, economic and social relations in Greece.
Before the introduction of the abovementioned provision, the Tax Administration had issued guidance, according to which cost of acquisition was considered to be the tax paid for the inheritance/donation, together with any other associated expenses.

Income from occasional employment (students, unemployed persons, etc.)
- A provision is introduced (which applied transitionally for the previous tax years as well), according to which, from the tax year 2018 onwards, in case the income of a taxpayer that does not exercise business activity does not exceed a certain threshold (€ 6,000 for actual, and €9,500 for deemed income), said income is taxed as employment income (i.e. the tax deduction due to settlement of retail transactions through electronic means will be available).
- The abovementioned beneficial treatment does not apply for investment income and capital gains.
- In case actual income exceeds € 6,000, the excess amount is taxed as income from business activity (without a tax-free amount).
- The abovementioned provisions apply also to the taxpayers who have terminated their business activity, but only with regard to their income earned after the termination of their business.

Deemed income due to purchase of assets
- From the tax year 2018 onwards, the payments made for the purchase of insurance investment contracts, to the extent the latter constitute an investment product, are taken into account for purposes of deemed income calculation.

Time of income tax payment for individuals participating in legal persons that maintain single-entry accounts
- A provision, with effect from 14.6.2018, is introduced, stating that the payment of tax, assessed on the basis of income tax returns of individual taxpayers participating in legal persons/entities that maintain single-entry accounts, is to be made in 2 equal bimonthly installments (last working day of September and November of each year).

Income from immovable property due to free concession
- From tax year 2018 onwards, deemed income from free concession of immovable property to the Greek State and public organizations is exempt from income tax.
- The abovementioned income, as well as deemed income from free concession of a property of up to 200m², to relatives in the ascending and descending lines (to be used as main residence), are expressly exempted also from special solidarity tax.

Determination of income from transfer of securities
- From tax year 2018 onwards, a new provision is introduced for the determination of the capital gain arising upon transfer of securities, in case the securities have been acquired due to inheritance or donation.
- In this case, the acquisition cost of securities transferred is considered to be the value based on which the relevant inheritance/donation tax was calculated, or the relevant exemption was granted.

Income from business activity
- New provisions are introduced concerning the income from business activity. Specifically:
  - From tax year 2018 onwards, the sale of an asset by an individual shall not qualify as business transaction, in case the asset has been acquired due to inheritance or donation from up to 2nd degree relatives, or has been held for more than 5 years.
  - From tax year 2019 onwards, a single transfer of immovable property or security by an individual will not be considered as a business transaction.

A.2. Legal persons / entities

Tax depreciation
- In the context of the provisions concerning tax depreciation, the concept of financial leasing (previously defined in ITC) is now defined by reference to the concept of financial leasing of L.4308/2014 (Greek GAAP).
- According to L.4308/2014, a leasing qualifies as a financial leasing if it entails the transfer of substantially all the risks and rewards of ownership of an asset. Before the amendment, the definition of financial leasing, which was included in the ITC, was taking into account various factors (present value of rent, interest rate, useful life, comparison with market value etc.).
- Means of transport of goods are depreciated at a rate of 12%, regardless of whether they are used in domestic or cross-border transports. Before the amendment, the depreciation rate for means of transport of goods used in cross-border transports was not clear.
- Means of transport of passengers (including “KTEL”) are depreciated at a rate of 16%. Before the amendment, the depreciation rate (5% or 16%) for various means of transport of passengers was not clear, with the exception of railway trains, ships, vessels and aircrafts, which were and continue to be subject to a 5% depreciation rate.
- The above changes apply from tax year 2018 onwards.

Changes to the special anti-abusive rule for the restriction of the tax loss carry forward
- The special anti-abusive rule related to the restriction of the tax loss carry forward is amended with retroactive effect as from 1.1.2014 and its scope now extends to all legal entities (before the amendment, the scope covered only the Societes Anonymes).
Based on the amended wording,
  a) if there is a change in excess of 33% of the direct or indirect shareholding participation or voting rights in a legal person / entity in a tax year, and,
  b) In addition, in the same and / or the subsequent tax year the business activity of the latter changes in excess of 50% in terms of its turnover, in relation to the tax year immediately preceding the change under (a) above, the provisions for the tax loss carry forward will not apply.

Before the amendment, the special anti-abuse rule applied without the requirement for a change in the company's business activity, but the taxpayer was allowed to prove that the change was done exclusively for commercial or business reasons and not for tax avoidance or tax evasion (rebuttable presumption).

Withholding tax 5% for wage earners with employment contracts of less than 1 year, and for tour guide fees
- From 14.6.2018 a special rate of withholding tax (5%) applies to the net remuneration paid to wage-earners who provide services for a fixed-term of less than 1 year, as well as to tour guides that are subject to the provisions of Article 37 of L.1545 / 1985.

Withholding tax 15% for undistributed profits, in case of a legal person transitioning from double-entry to single-entry accounts
- As of 14.6.2018, a withholding tax (15%) is imposed on undistributed profits in case a legal person / entity transitions from double-entry to single-entry accounts. The tax due is paid in lump-sum until the end of the 2nd month after the end of the tax year for which double-entry accounts were maintained.
- The above applies also when a Societe Anonyme (S.A.), a limited liability company (“EPE”) or a private company (“IKE”) is transformed into a personal company, entailing a transition from double-entry to single entry accounts. In this case, the tax due is paid in lump-sum until the end of the 2nd month after the transformation is completed.

Amendment of the definition of non-cooperative States
- From the tax year 2018 onwards, non-cooperative States are considered to be those non-EU Member States, the status of which regarding transparency and exchange of information in tax matters, has been examined by the Organization for Economic Co-operation and Development (OECD) and has not qualified as 'largely compliant', and which:
  a) Have not concluded and do not apply with Greece a tax administrative assistance agreement or have not signed the Joint Convention between Council of Europe - OECD on Mutual Administrative Assistance in Tax Matters, and
  b) Are not committed to automatic exchange of financial information starting in 2018 at the latest.

Tax credit for dividends deriving from shareholding participations in EU companies, in case the Parent - Subsidiary tax exemption does not apply
From the tax year 2018 onwards, the provision on the tax credit for dividends deriving from shareholding participations in EU companies, in case the Parent - Subsidiary tax exemption does not apply is amended. In particular, in case:
  a) a resident legal person / entity receives dividends from shareholding participations in EU companies, and
  b) the Parent - Subsidiary exemption does not apply, the amount of (1) the corresponding income tax (and not of the tax paid, as provided prior to the amendment), to the extent said corresponding tax relates to the distributed profits, and of (2) the dividend tax withheld, are allowed to be deducted from the amount of tax due.

A.3. Tax incentives

Investment costs to save water and to achieve a higher level of energy efficiency
- A new provision is introduced in Article 24 of the ITC (Tax Depreciation), which provides for a tax incentive. Specifically:
  - The statutory depreciation rates, which are provided for the various assets, are doubled, if their acquisition is related with water saving and with achieving a higher level of energy efficiency.
  - In case that the statutory depreciation rate is higher than 10% (e.g. computer equipment and software, R&D equipment), the increased rate may not exceed 10 percentage points. For this limitation, clarifications should be provided by the Tax Administration.
  - The incentive is not provided for the various means of transport.

Stimulating employment
- A new Article “71Δ” is added to the ITC, which provides for a tax incentive aiming to stimulate employment.
- In particular, employers' contributions pertinent to the creation of new full-time employment relationships, which are deducted from the gross business income, are increased by 50% (and up to 14 times the minimum wage of an unmarried employee over 25 years old) per employment relationship, on the following conditions, that must be met cumulatively:
  a) Increased number of employees in recruitment year compared to the average of previous year; and
  b) Increased wage costs in recruitment year compared to the previous year.

- The above applies to people up to 30 years old and to long-term unemployed persons (registered with Organization for the Unemployed - “OAED”).
- The incentive is also provided in the case of conversion of part-time or rotation contracts or service or project contracts into full-time employment contracts.
The increase, except for the year of recruitment or conversion of the contract into a full-time employment contract, is also provided for a further 4 consecutive years, provided that the average number of employees and the wage costs of each year are not reduced compared to those of the previous year.

Stimulating the production of audiovisual works
- A new Article 71E is added to the ITC, which provides for a tax incentive to stimulate the production of audiovisual works.
- In particular, 30% of eligible costs incurred in Greece for each audiovisual work shall be deducted from the taxable income of a natural or legal person / entity that is subject to tax in Greece and invests in audiovisual works as per Article 20 of L.4487 / 2017.
- In case of co-productions, the amount deducted is calculated according to the percentage of participation of the taxable person in the production.
- The above provisions do not include investments to the extent their amount derives from financial sponsorships of the production of audiovisual works.
- The above percentage of deduction of costs from the taxable income, together with other subsidies received by the taxable person for the same audiovisual work, may not exceed 50% of the cost of production of that work.
- If the incentive results in declaring a tax loss, the loss is carried forward based on the general provisions.

B. Amendments of Tax Procedure Code (TPC)

Provisions of the TPC are amended regarding inter alia the deposit of guarantee for starting a business.

- Deposit of guarantee for starting business
  - Detailed provisions are introduced for the deposit of guarantee for starting business. Particularly:

Guarantee due to bankruptcy or other insolvency event
- The Tax Administration requires the deposit of a guarantee from any natural or legal person / entity that is about to engage in business activity, if:
  i. the natural person himself, at any time during the current and previous 5 tax years, prior to the submission of the declaration of initiation of business, was declared bankrupt or was generally insolvent or was a director, chairman, administrator, chief executive officer or person authorized to manage a legal person / entity or was an "affiliated person" with another natural or legal person / entity that were declared bankrupt or insolvent during the same time as above, or
  ii. a shareholder with a minimum holding of 33% or a partner or a member of the Board of Directors of the legal person / entity has been at any time during the current and previous 5 tax years, prior to the submission of the declaration of initiation of business, director, chairman, administrator, CEO or a person authorized to manage a legal person / entity or was an "affiliated person" with another natural or legal person / entity that was declared bankrupt or generally insolvent during the same period, and
  iii. bankruptcy or other insolvency has resulted in a total principal overdue tax liability in relation to income tax, VAT, employment income withholding taxes and penalties of at least € 100,000 at the time of the filing of the declaration of initiation of business.

Guarantee due to suspension of tax registration number ("TRN")
- Natural persons are required to deposit a guarantee, in case they re-initiate a business activity and during their previous business activity, their TRN had been or should have been suspended.
- The amount of the guarantee in this case is determined by taking into account the amount of tax evasion, the reason for the suspension and any possible recurrence, with a minimum guarantee amount of € 15,000.
- The guarantee shall be forfeited in the event of a new suspension of the TRN.
- The above applies also in the case that a legal person / entity submits a declaration of initiation of business and a shareholder with a holding of at least 33% or a partner or a member of the Board of Directors (BoD) of the latter:
  i. has been at any time during the current and previous 5 tax years, prior to the submission of the declaration, director, chairman, administrator, CEO or person authorized to manage a legal person / entity or was an "affiliated person" with any other natural or legal person / entity whose TRN has been suspended, or
  ii. has been engaged to a business activity, at any time during the current and previous 5 tax years, prior to the filing of the statement, and his TRN had been suspended.
- The above provisions regarding the requirement to deposit a guarantee apply from 1.1.2019 onwards.

C. Amendments of L.4223/2013
(Unified Real Estate Ownership Tax - “ENFIA”)
- A provision is introduced stating that the calculation of the 2018 ENFIA will be made on the basis of the zone prices that were determined with the Act POL.1113/2018 of the Ministry of Finance.
- Certain ENFIA scale brackets relevant to zone prices, which correspond to specific factors used to for the calculation of the main tax (ENFIA) for buildings, are changed as follows:
For zone prices over €1,500/m² the brackets remain unchanged.
- For purposes of calculation of supplementary tax ("ENFIA") for individuals, the tax-free bracket increases from €200,000 to €250,000.
- ENFIA is paid in equal monthly installments. The first installment is paid until the last working day of the month following the issuance of the assessment note (exceptionally for 2018, first installment is to be paid until 30/9), and the following installments are paid until last working day of each next month. Last installment is paid until the last working day of January of the year following (instead of December of the current year that was provided by the law prior to the amendment).

### Previous Regime

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### New Regime

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