



Greece transposes into law Minimum Tax Rate for MNE groups and large-scale domestic groups (BEPS Pillar Two)

- ▶ Greece has transposed into local legislation the European Union's Global Minimum Tax Directive.
- ▶ The relevant legislation includes provisions for Qualified Domestic Minimum Top-up Tax, Income Inclusion Rule and Undertaxed Profit Rule.
- ▶ The Transitional Country-by-Country Reporting Safe Harbor and transitional UTPR Safe Harbor are available.

European Union (EU) Directive 2022/2523 regarding the 15% minimum effective tax rate for multinational enterprise (MNE) groups and large-scale domestic groups with consolidated annual revenues exceeding €750m has been introduced into Greek local legislation, under L. 5100/2024 (*Government Gazette A'* 49/05-04-2024).

In addition to transposing the EU Pillar Two Directive (EU Directive 2022/2523) into Greek tax legislation, the provisions of the L. 5100/2024 are also aligned with the Organization for Economic Co-operation and Development (OECD) Pillar Two model rules.

Effective for Fiscal Years starting from 31 December 2023, a Qualified Domestic Minimum Top-up Tax (QDMTT) and an Income Inclusion Rule (IRR) are introduced.

An Undertaxed Profits Rule (UTPR) will apply for Fiscal Years starting from 31 December 2024.

The legislation also foresees in a Transitional Country-by-Country Reporting (CbCR) Safe Harbor as well as a Transitional Undertaxed Profits Rule (UTPR) Safe Harbor for MNE Groups. In addition, an initial phase of exclusion from the IIR and UTPR for a MNE group is provided in the initial phase of their international activities.

New compliance and filing requirements will be introduced for reporting and collecting the Top-up Tax under the QDMTT and IIR; these requirements are expected to be defined based on Ministerial Decisions to be issued in due time.

Background

On 20 December 2021, the OECD released the Pillar Two Model Rules as approved by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) - (See EY Global Tax Alert, [OECD releases Model Rules on Pillar Two Global Minimum Tax: Detailed review](#), dated 22 December 2021). The Model Rules define the scope and key mechanics for the Pillar Two system of global minimum tax rules, which includes the IIR and UTPR, referred to collectively as the “GloBE rules”.

The Pillar Two Model Rules aim to establish a minimum tax rate for large MNEs on the income generated in the countries where they operate. These rules are presented as a model that jurisdictions can use to develop their own domestic legislation.

On 15 December 2022, the Council of the EU unanimously adopted the directive ensuring a global minimum level of taxation for MNE groups and large-scale domestic groups in the Union (the Directive). (See EY Global Tax Alert, [EU Member States unanimously adopt Directive implementing Pillar Two Global Minimum Tax rules](#), dated 15 December 2022). The Directive intends to ensure the GloBE rules are implemented in a coordinated manner throughout the EU, as adjusted to comply with EU law and taking into account the specifics of the EU Single Market.

Main provisions of legislation

Scope

The rules apply to all MNE groups and large-scale domestic groups with annual consolidated revenues exceeding €750m in at least two of the last four Fiscal Years.

Effect period

Effective for Fiscal Years starting from 31 December 2023 onward, a QDMTT and IIR is introduced. A UTPR will apply for Fiscal Years starting from 31 December 2024.

QDMTT

The QDMTT is computed in line with the OECD Model Rules (including the Substance-based income exclusion) and foresees in the de minimis exclusion. The Transitional CbCR Safe Harbor is also extended to the QDMTT.

Although the domestic QDMTT may be determined based on the accounting standards used for preparing the group's consolidated financial statements, another an option is to prepare the financial statements under the local accounting accounts or other authorized financial accounting standards (conditions apply).

Transitional CbCR Safe Harbor

The legislation includes the Transitional CbCR Safe Harbor - i.e., a temporary measure that allows an MNE to avoid undertaking detailed GloBE rule computations if it can demonstrate, based on its Qualified Country-by-Country (CbC) report, that for a jurisdiction it has met one of the following tests:

- i. GloBE revenue and GloBE income below the de minimis threshold;
- ii. An effective tax rate that equals or exceeds an agreed rate;
- iii. No excess profits after excluding routine profits.

If one of these tests is met, the Top-up Tax in a jurisdiction for a Fiscal Year will be deemed to be zero.

The Transition Period covers all of the Fiscal Years beginning on or before 31 December 2026 but, not including a Fiscal Year that ends on 1 July 2028 or later. The Law confirms that the OECD guidance serves as a source of interpretation for the application of the Pillar Two rules.

Other Safe Harbors

The legislation includes the Transitional UTPR Safe Harbor, reducing the total UTPR Top-up Tax to zero for low-tax component entities established in the jurisdiction of the UPE, provided that the UPE's jurisdiction has a corporate income tax that applies at a rate of at least 20%.

The Transition Period covers Fiscal Years that run no longer than 12 months, begin before 31 December 2025 and end before 31 December 2026.

The legislation includes a transitional exclusion under the IRR and UTPR by reducing the total IRR / UTPR Top-up Tax amount to zero for MNE groups that are in the initial phase of their international activity.

Administration and compliance

Greek constituent entities will not be required to file a Top-up Tax information return with local tax administration, if the return has been filed by either the:

- i. Ultimate parent entity (UPE) located in a jurisdiction that has, for the reporting fiscal year, a qualifying competent authority agreement in effect with Greece
- ii. Designated filing entity located in a jurisdiction that has, for the reporting fiscal year, a qualifying competent authority agreement in effect Greece

If the return has been filed by the UPE or a designated filing entity, the Greek constituent entity or the designated filing entity shall notify Greek tax administrators of the identity of the entity that is filing the Top-up Tax information return and the jurisdiction where that entity is located.

Deadline

The Top-up Tax information return and/or any relevant notifications shall be filed with the Greek tax administration no later than 15 months after the last day of the reporting Fiscal Year. This deadline is 18 months for the Transition Year (i.e. for FY2024).

If a Top-up Tax (IRR, UTPR or QDMTT) arises for a Greek constituent entity, the entity should submit all the data for the computation of the Top-up Tax until the end (working day) of the next month of the return deadline.

Lastly, the Top-up Tax should be paid through the end (last working day) of the month after the submission deadline for the computation data.

Application and next steps

It is difficult to understate the importance for businesses to assess and map (i) the potential impact of the Pillar Two Global Minimum Tax on their tax positions, (ii) potential disclosures in their financial statements, (iii) availability of the required datapoints in their systems and (iv) their overall compliance processes.

For the Greek UPE's with consolidated turnover of more than €750m, there is now an obligation to monitor their effective tax rate per country, determine their CbC filing obligations, calculate any additional taxes in each country and determine any additional tax due in Greece for any profits realized in other countries that have not been taxed at least with 15%.

Greek subsidiaries and the Greek branches of MNE Groups with consolidated turnover of more than €750m are mainly required to determine their reporting obligations, as well as any local tax if they benefit from reduced taxation due to incentives under Greek legislation. In any case, Greek subsidiaries and branches should be able to provide requisite Pillar Two information to their MNE group.

As a next step, the Greek tax administration is expected to publish additional clarifications on the submission process, penalties for noncompliance, etc.

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