

Recent developments in the Greek tax treatment of A) dividends from shipbroking & related companies and B) bonuses paid to their personnel and to the personnel of ship-management companies.

Further to the issuance of Decision A.1175/2023 of the Independent Authority for Public Revenue (IAPR), please be reminded below of the tax treatment applicable on the taxation of A) dividends from shipbroking & related businesses and B) of bonuses paid to the personnel of such companies and of ship-management companies after the amendments introduced with L. 5036/2023 :

A. Taxation of Dividends from Shipbroking and Related Businesses (*not ship-management*)

Tax rate for dividends

Payment period from 2012 to 2022 for foreign companies of this kind and from 2019 to 2022 for domestic companies of this kind

A 10% final personal income tax for the recipient is imposed on dividends received by an individual tax resident in Greece that derive from:

- a) foreign companies of any type or kind that have offices or branches in Greece for the purpose of:
 - i. chartering, insurance, charter settlements, brokerage of purchases, shipbuilding, chartering

or insuring of Greek or foreign flagged vessels, with over 500 gross tonnage, excluding passenger ferries and commercial ships operating on domestic voyages;

- ii. representing ship-owning companies; and
- iii. companies with the same purpose as above with regard to dividends paid or credited from 2012 to 2022;

and

- b) domestic companies established with the same purpose as those in a. above for dividends paid or credited from 2019 to 2022 (*a provision originally introduced with art. 53 L.4607/2019*).

Payment period from 2023 onwards for both domestic and foreign companies of this kind

According to the amendments introduced with L.5036/2023, dividends paid or credited to a tax resident of Greece from the above companies from 2023 onwards are subject to 5% final personal income tax for the recipient individual tax resident of Greece.

- ▶ The above is not applicable on dividends paid by companies, which -according to their license of registration in Greece- are also involved in the management of ships under Greek or foreign flag.
- ▶ The above do not affect the Greek personal income tax treatment of dividends paid to individuals who are tax residents of Greece & shareholders or partners or beneficial owners in ship-owning companies with ships under the Greek flag or under foreign flag, provided that their management [of foreign flag vessels] is carried out by a company established in Greece under article 25 pf L. 27/1975 regime (i.e. in connection to the dividends these individuals receive therefrom).

Time when the dividend tax is due

Payment period from 2012 to 2019

- ▶ Tax due on dividends as per the above is payable by the recipient of the dividends.
- ▶ Tax on dividends received from 2012 to 2019 are payable in one instalment on submission of the declaration within the following month of the dividend payment or credit in Greece or abroad.

Payment period from 2020 onwards

- ▶ Tax due on dividends as per the above is payable by the recipient of the dividends.
- ▶ For dividends received from 2020 onwards, tax is payable within 5 working days from the date of filing of the declaration; this must be filed by the last working day of the month following the payment or credit of the dividend in Greece or abroad.

B. Taxation of bonuses to personnel etc of the above companies & ship-management companies

A 10% final personal income tax is imposed on extraordinary remuneration and bonuses paid on top of the regular salary:

- ▶ to members of the Board of Directors, directors and executives of companies falling under 1.a above i.e. foreign shipbroking & related companies (such treatment being in effect since 2012 already),
- ▶ to employees of companies falling under 1.a above i.e. foreign shipbroking & related companies (such treatment being in effect already with L. 4607/2019 from 2019 onwards)
- ▶ to members of the Board of Directors, directors, executives and employees of companies falling

under 1.b above i.e. Greek shipbroking & related companies (such treatment being in effect already with L. 4607/2019 from 2019 onwards)

- ▶ to members of the Board of Directors, directors, executives and employees of foreign ship-management companies or undertakings established in Greece (such treatment being in effect already with L. 4607/2019 from 2019 onwards).

Tax due on such extraordinary remuneration and bonuses as per the above is payable by the recipient in a way similar to the above (*about payment of tax on dividends by the shareholder*).

By reference to the above and further to the provisions introduced with Laws 4607/2019 and 5036/2023 and the positions adopted by the Greek tax administration (*Circular E.2113/2019, Decision A.1175/2023 etc*) it derives that bonuses paid to employees of Greek and foreign shipbroking & related companies and ship-management companies continue being subject to a 10% final personal income tax (*whilst the tax rate is 5% for bonuses and extraordinary remunerations paid to employees of all other Greek etc companies under the general rules*) without any proper justification for this.

This appears even more strange after the enactment of Law 5036/2023, which introduced a 5% tax rate for dividends paid to shareholders of shipbroking & related companies (*previous rate was 10%*) i.e. a rate equal to the 5% rate applicable for dividend payments of all other Greek etc companies under the general rules.

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