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Most important Tax amendments introduced by Law 4446/2016 and Voluntary Disclosure Program (VDP).

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Published in the Official Government Gazette A'240/22.12.2016 Law 4446/2016, which, inter alia, concerning the Voluntary Disclosure Program of undeclared funds, introduces measures designed to encourage tax payers using electronic payment methods rather than cash, amendments to Bankruptcy Code, Administrative Justice, Duties-Fees, amendments to Law 4270/2014 and other provisions. The most important changes are summarized as follows:

Voluntary Disclosure Program (VDP)

Greek Tax payers are allowed to report undeclared income or income declared incompletely or incorrectly. Taxpayers may participate in the VDP by filing the relevant tax returns or statements starting from 22 December 2016 until 31 May 2017. Additionally, no other fines will be imposed nor are other administrative or criminal penalties triggered for the filed returns, while any enforcement measures taken will be withdrawn. The main features of the above mentioned program are summarized as follows:

Scope of Program

The returns or statements can relate to any tax, duty or contribution included in the Code of Tax Procedures (e.g. income tax, gift tax, inheritance tax, VAT, real estate tax, special solidarity tax, etc.), regardless of the statute of limitation. The VDP will apply on the condition that the deadline for filing the initial tax return expired on or before 30 September 2016.

Tax Obligations from participating in VPD

Main Tax

Where a taxpayer discloses previously unreported funds and files the relevant tax returns, the main tax due will be calculated based on the tax rate that applied in the year in which the funds should have been declared.

Additional Taxes

- 8% on the main tax due for returns that will be filed up to 31 March, 2017.
- 10% on the main tax for tax returns that will be filed after 31 March 2017 and up to 31 May 2017.

The additional tax imposed above is further adjusted according to the below rates, whereas it is rounded to the nearest digit:

Taxes applicable for calendar year	Rate of Adjustment
• Up to 2001	+25%
• 2002	+23%
• 2003	+20%
• 2004	+16%
• 2005	+15%
• 2006	+12%
• 2007	+10%
• 2008	+6%
• 2009	+5%
• 2010 onwards	+0%

Tax Audit

In case that a tax assessment is notified, following completion of a tax audit on issues related to said tax audit, Voluntary Disclosure rules do not apply.

Electronic transactions

The value of cash transactions permitted is reduced to EUR 500 from EUR 1 500. For all companies operating in Greece is now mandatory to accept electronic means of payment for their transactions with customers.

Income Tax Code (ITC)

Tax payers are encouraged to use electronic payment methods rather than cash from 1st January and onwards. More specific, a minimum value of expenses must be incurred by individuals via electronic payment, depending on the individuals' level of income.

For the determination of the income tax reduction the following scale applies related to electronic transactions :

- 10% of income for income up to EUR 10 000.
- 15% of income for income from EUR 10 000.01 up to EUR 30 000.
- 20% of income for income exceeding EUR 30 000 with a maximum value (ceiling) of expenses of EUR 30 000, regardless of income level.

The above rates and scales are progressive.

In case that the tax payer fails to make the minimum scale of payment via electronic method, individual's income tax assessment will be increased by 22% on the difference between the amount required and the amount declared.

- Medical expenses incurred via electronic payment are taken into account for the calculation of the tax credit.

Other amendments

- From 2017 and onwards, the capitalization or distribution of profits that have not been taxed will be taxed as profits arising from business activity, regardless of the existence of tax losses at the time of capitalization or distribution.
- Payroll expenses in order to be deductible for the employer must be effected via electronic payment.
- The taxable value of a company car will be calculated as a percentage of the retail price of the car before taxes and on the base of their age, and will be considered a taxable fringe benefit for the employee, partner or shareholder, as follows:

PTRP in EUR	Rate %
• 0 - 12 000	4%
• 12 001 - 17 000	7%
• 17 001 - 20 000	14%
• 20 001 - 25 000	18%
• 25 000 and higher	22%

Moreover, the above value will be reduced:

- by 10% for company cars that are three to five years old,
- by 25% for company cars that are six to nine years old and
- by 50% for company cars that more than 10 years old.
- Unemployed and working on an occasional basis persons who are not obliged to tax register as a freelancer / trader, will continue to be taxed in 2017 according to the scale applicable to employees if their total annual income and imputed income do not exceed EUR 6 000 and EUR 9 500, respectively.
- It is clarified that retroactively, as of 1 January 2014, it is possible to transfer and offset losses incurred abroad from business activity carried out through a permanent establishment in European Union/European Economic Area member states with which Greece has a Double Tax Treaty pursuant to which profits are not tax exempt.
- A public lottery is introduced where it takes into account all transactions effected via electronic payment. The total amount to be distributed will not exceed EUR 12 million annually.

Tax Procedure Code (TPC)

New procedural infringements

- A fine of EUR 100 is imposed in case of failure to transmit data on tax information for invoices issued between traders which from now on constitutes a procedural infringement
- A kind of procedural infringement constitutes the failure to report or the inaccurate reporting in the Registry System for Maintenance of Bank Accounts and carries a fine of EUR 2 500.

Transfer Pricing

For late or non-filing of the summary information sheet and for the non-filing of the TP documentation file with the tax authorities for inter-company transactions before 1st January 2012, the system of penalties in force from 1 January 2012 up to 31 December 2013 applies, provided that the relevant case is pending before the tax or judicial authorities. In addition, the current penalties of the TPC for such infringements shall apply if they are more favorable for the taxpayer regardless of whether a case is pending and regardless of the timing of the transaction.

VAT Code

- Increase of the upper threshold of the annual turnover of special VAT regime payers that may be subject to the scheme, from EUR 500,000 to EUR 2 million.
- VAT payers that opt for the VAT remittance upon collection scheme are subject to the following requirements:
 - Must pay output VAT due to the State at the time consideration is received from the customer/ recipient of the invoice and not at the time the invoice is issued for the relevant supply of goods or services; and

- Must deduct the relevant input VAT incurred at the time the relevant invoices are settled with their suppliers instead of at the time the invoices are received.
- The reduced (by 30%) VAT rates will continue to apply in the islands of the municipalities of Evros, Lesbos, Chios, Samos and Dodecanese (except for Rhodes and Karpathos) for 2017.

In case you have further questions please contact us:

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