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L. 4646/2019 is a new tax bill recently ratified by the Greek Parliament introducing amendments to the Income Tax and Procedural Code and providing significant tax cuts to both legal entities and individuals. With the new tax bill Greece adopts a new non-domicile regime for foreign tax payers high net wealth individuals, improves the rules for the deductibility of corporate expenses, providing capital gain tax relief for Greek holding entities under certain conditions and providing also vat relief and tax incentives for individuals investing in new real estate properties constructed after 2006 and properties requiring renewal.

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A. Corporate Income Taxation

Reduction to dividend distribution withholding tax

Deduction of corporate expenses

Bad debts

Reduction of the income tax rate

- Dividends or profits distributed by local business entities keeping double entry books will be subject to reduced withholding tax from 10% currently to 5% as of 01.01.2020 onwards.
- As of 1.1.2020 rental expenses will be considered as tax deductible expenses only in case of their payment throughout electronic means or throughout a payment service provider.
- New increased depreciation rates are provided for passenger transportation means, cargo and mass transit in comparison to the old ones (16%, 12% and 5%, respectively) in case of zero or low (up to 50 g CO₂/km) emissions.
- Any expenses related to corporate social responsibility actions will be deductible in the tax year in which they were occurred only in case the company has achieved profitable accounting results.
- A thirty per cent (30%) super-deduction is provided for specific environmental costs as of 01.01.2020 and concerns purchasing of monthly or annual public transportation cards, leasing of zero or low-emission cars up to 50 g CO₂/km, having a pre-tax retail price of up to 40.000 euros, purchase, installation and operation of publicly accessible zero or low-emission charging points for vehicles up to 50 g CO₂/km and depreciation of zero or low-emission cars up to 50 g CO₂/km, having a pre-tax retail price of up to 40.000 euros.
- As of 1.1.2020, bad debts the total amount of which does not exceed the amount of three hundred (300) euros per counterparty, including VAT, may be written-off after a 12-month period regardless of whether the appropriate actions have been taken in order to ensure collection of the relevant amounts provided that *it can be proven that debtors are aware of the write-off, where possible*.
- Corporate Income tax rate currently has been reduced from 28% to 24% as of the financial year 2019 for any corporate income gains business entities.

Tax exemption for capital gains derived by Greek holding companies from the sale of shares in Greek and other EU subsidiaries

- Capital gains derived from the sale of shares in Greek and EU subsidiaries are tax exempt as of 1.07.2020 under the following conditions:

- 1) *If they do have a minimum participation of 10% and*
- 2) *A minimum holding period of at least twenty-four (24) months*

Tax exemption on interest on listed corporate bonds of the bondholders

- As of 01.01.2020, corporate bond interest income is tax exempted in the case that is acquired by foreign legal entities not having a permanent establishment in Greece under the conditions that the bonds are listed on an EU trading venue or on a regulated market outside the E.U. and supervised by a special authority accredited by IOSCO. The same apply to interest on bonds issued by credit cooperatives operating as credit institutions. Additionally, such income is not subject to withholding tax

Debt forgiveness

- The income of a business deriving by a creditor's resignation from debt collection under a mutual agreement or judicial settlement, under its business cooperation, is considered as business income, without prejudice to the relevant specific provisions of art. 62 of L. 4389/2016 while in such cases donation tax is not applicable.

Recalculation of the 2018 advance tax payment

- Only for the fiscal year 2018, the tax advance assessed on the submitted income tax return, will be recalculated to 95% of the respective tax due.
- In case that the relevant amounts have been already settled down the difference will be refunded.

Countries with a preferential tax regime

- Countries with a preferential tax regime are considered those whose tax profits, income or capital arises at a rate equal or less than 60% against 50% of the Greek corporate income tax rate in force.

B. Individual Income Taxation

Non-dom tax regime

- The new non-domicile regime introduces alternative taxation on foreign source income earned by individuals (and/or their relatives) who transfer their tax residence to Greece under the following conditions:

A) They can prove that they or their relatives or a legal entity in which they hold the majority of shares, invests in real estate or moveable assets or shares of legal entities based in Greece exceeding the amount of 500.000 euros and shall be completed within a period of 3 years. This condition is not required in case of an individual who has obtained a residence permit due to investment activity in tax of euros 100.000 on an annual basis, regardless of the level of their foreign source income. In case where a relative utilizes respective provisions, they should pay a lump sum tax of 20.000 euros on an annual basis not exceeding a period of 15 tax years. In case the persons who have opted for the non -dom regime earn taxable income arising in Greece, this will be taxed according to the general provisions of the Income Tax Code. In the event of non-payment of the full amount of the lump-sum tax, the special regime will be abolished, and the taxation for these persons will be on their worldwide income accordingly to the general provisions as of the tax year in question onwards. The persons opting for the regime do not have to proceed to the declaration of any income earned abroad.

B) The individual was not a Greek tax resident for the previous 7 of the 8 years prior to the transfer of his/her tax residence in Greece

- New tax rates have been introduced through the reduction of the introductory rate of 22% to 9% for the part of income up to ten thousand euros (10.000 euros) and the reduction of the rate applied for income exceeding 10.000 euros by 1%.

Greek tax residents: New tax rates and income tax reductions

Income	Tax Rate
Up to 10.000	9%
10.001-20.000	22%
20.001- 30.000	28%
30.001-40.000	36%
Over 40.000	44%

Income tax reductions as of 1.1.2020 are amended as follows:

Taxpayer category	Current reduction	New reduction
Having no dependent children	1.900	777
Having 1 dependent child	1.950	810
Having 2 dependent children	2.000	900
Having 3 dependent children	2.100	1.120
Having 4 dependent children	2.100	1.340
For each additional child	-	220

Benefits in kind

- All provisions regarding benefits in kind are restated. The excess amount of 300 euros is considered as benefit in kind.
- The taxable base of company cars is being recalculated by introducing a new progressive scale, on the base of the retail price before taxes of the vehicle. The ceiling for tax exemption, applicable only to tool cars, is increased from 12.000 to 17.000 euros.

Stock options

- Stock options will be exempt from salaried income taxation and taxed as capital gains at a rate of 15% provided they are held for at least 24 months. In case they relate to small start-up entities, they will be taxed at a rate of 5% provided that they are held for at least 36 months under certain conditions.

Income tax reductions for donations

- As of 1.1.2020, the income tax reduction relating to donations made to charitable entities is doubled and will arise to 20% of the value of donations under conditions. The total amount of donations cannot exceed 5% of the taxable income.

Incentive for upgrading of buildings

- An income tax reduction, equal to 40% of the amount of expenditure for the provision of related services taking place from 01.01.2020 to 31.12.2022 is provided and will be distributed over a period of 4 years, limited to an expenditure of 16.000 euros.

Amendments to the Procedural Tax Code Statute of Limitations

- Extension of the SOL for 10 years as of 1.1.2018 onwards, in the case that no tax return has been filed within the five-year period and in the case that newly known information arises and is taken into consideration by the Tax Administration Authority, appearing that the actual tax liability exceeds a previous tax assessment.

Joint liability of directors

- The new provisions in order to have joint liability of directors of legal entities are the following :

*Amendments to
the VAT Code*

- The directors had one of the positions mentioned in the law either during the operation of legal entity or at the time of its winding-up, dissolution, merger or during its liquidation
- The legal person's debts became due during their term of office under any of the positions mentioned
- The debts were not paid due to the director's fault. The burden of proof for the non-existence of fault lies with the directors.
- Suspension of the right of input VAT deduction for all unsold immovable property with a construction permit issued from 01.01.2006 onwards and of the amount of the settled VAT in the tax year of settlement in the case of the tax deducted prior to the commencement of suspension. No taxation of the building developer's contracting in the developer opting for the VAT suspension regime, especially in the case of exchange-in kind-transactions.

*Amendments to
shipping taxation
and establishment
of e-books*

- Extension of the application of the tonnage tax regime, beyond ship owning companies and their shareholders and partners to bareboat charterers and lessees in case of ship leasing agreements and their shareholders and partners up to the level of UBO.
- A new obligation has been established for entities subject to the provisions of Greek Accounting Standards: to maintain electronic books and documents as well as electronic invoices with the obligation to transmit them electronically to the Independent Authority of Public Revenue (IAPR)

Donations tax

- It is not deemed as a donation, the acquisition of property considered as income tax according to the provisions of ITC.



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