

NEWSLETTER – APRIL 2023

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A number of developments took place in March concerning tax, social contributions and general financial and real estate matters in Greece. Although the main highlight was arguably the announcement of a 9.4% increase in the minimum wage, which took effect on 1 April 2023, several other changes are also worth noting, particularly those introduced by multi-bill No. 5036/2023 and new Law No. 5024/2023.

Some of the highlights include the following:

Announcement on the upcoming increase in the minimum wage, effective as of 1 April 2023

Greece has a government-mandated minimum wage, calculated on the basis of 40-hour working week. A joint announcement made by the Prime Minister and the Minister of Labor and Social Security on 17 March confirmed that the upcoming increase in the minimum wage that will take effect on 1 April will be 9.4%, as opposed to 5.5%, which was the prevailing scenario. This comes as a response to the hit that Greek household incomes have been facing due to persistently high inflation.

Consequently, as of April 2023, the monthly gross minimum wage will be EUR 780, rather than EUR 713, which was the minimum wage (pre-tax) set in May 2022, following two previous increases. Accordingly, the minimum daily wage for blue-collar workers will be set at EUR 34.84 gross, while there will also be a respective increase in the unemployment benefit, which will be set at EUR 479.00 gross per month.

This change will also entail impending increases in a variety of other benefits and allowances that are dependent on the minimum wage: these include, among others, the unemployment benefit for self-employed workers, remuneration rates for new job programmes, the special unemployment benefit, the unemployment benefit for suspension of work, special seasonal benefits for employees in the tourism and catering sector, the special maternity leave allowance, the parental leave allowance, the compensation of students in the Vocational Apprenticeship Schools under the auspices of the Labor Employment Office (OAED), the compensation for work experience programmes, etc.

This increase will also benefit employees who had completed at least three years of employment on 14 February 2012, as they will receive an additional payment of up to 30%, depending on their years of service.

Exemptions from ENFIA (Single Real Estate Property Tax)

ENFIA is a tax imposed on Greek real estate introduced during the crisis as a temporary tax.

Based on Arts. 22-27 of Law No. 5024/2023, various properties will be exempt from the 2023 ENFIA tax. This exemption shall apply to properties located in areas affected by natural phenomena and disasters, areas

under forced expropriation, outside urban planning zones, as well as relocated settlements and communities or historical monuments and works of art.

To benefit from this exemption, eligible property owners must submit an application for the year 2023 to the tax administration, which shall be valid for the next two years.

Retroactive real estate levies and municipal fees

Another development that has given rise to considerable concern is that certain property owners might be obliged to pay retroactive real estate levies and municipal fees for undeclared square meters.

This comes due to a recent modification of the regulation on municipal revenues concerning the statute of limitations introduced by Law No. 5027/2023. Said modification stipulates that fines for undeclared square meters will remain "live" not for 5 years, as is the case with the statute of limitations in the public sector, but rather from the time of construction of the property. As a consequence, these levies and fees will be imposed by the Ministry of Interior and municipalities and may extend as far back as 65 years (!).

Contributions of shares – capital gains taxation deferral for individuals

Art.28 of newly enacted Law No. 5024/2023 amends Art. 42, par. 4 of the Income Tax Code, providing for a deferral on capital gains tax, provided certain conditions are met, whilst it also amends certain VAT rules that were previously applicable. More specifically, the new provisions will apply in cases of Greek tax residents who contribute domestic or foreign securities, such as shares, to cover or increase the capital of Greek or foreign legal entities or persons in exchange for securities issued by the recipient in question.

The main conditions that must be met for the application of this deferral are the following:

- a) The contributor of the securities must be an individual tax resident in Greece and the sole shareholder/partner of the recipient legal entity;
- b) The recipient must be established in a tax cooperative jurisdiction (not necessarily in the European Union); and
- c) The scope of the recipient entity's business

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objective must relate to commercial, production or agricultural activities, or the provision of services.

The practical effect of this amendment is that, for those cases meeting the above-mentioned criteria, capital gains taxation will only occur upon the actual transfer of the securities in question in the recipient entity that was acquired in exchange for the contribution, and not at the time of the contribution of the domestic or foreign securities.

This new measure applies from 24 February 2023 onwards and stands as a very welcome development, as it is expected to render the setting up of Greek holding companies an even more attractive and tax-efficient investment vehicle for high net-worth individuals.

Application to subject commercial leases to VAT

Another important change introduced by Law No. 5024/2023 relates to the timing of the application to subject a commercial lease to the VAT regime.

Under previously applicable provisions lessors opting to subject their commercial leases to VAT had to file a relevant application before the first use of the property or within 30 days of the beginning of the accounting period. Now, under the newly amended provisions, the application may be submitted either before or at any time after the property's first use, in which case the choice to be subjected to VAT will apply from the next tax period following the submission of the application.

Definition of capital goods for VAT purposes

Law No. 5024/2023 also removes the condition of the minimum duration of the right to use a property for at least 9 years from the definition of capital goods.

Henceforth, the classification (for the purposes of Art. 33 of the VAT Code) of buildings or other types of structures constructed by a business on non-owned immovable property as investment goods, the existence of a legal relationship under which a right to use the property in question is granted will suffice. Consequently, the new Law abolishes the requirement that real estate has to be used either by the legal entity which owns it for its business activities or pursuant to the terms of a lease agreement for 9 years, in order for it to qualify as a capital good for VAT purposes.

This is an anticipated development in view of Judgment No. 1108/2021 issued by the Council of State, which set out that a taxable person has the right to deduct VAT on the costs of construction, additions or improvements to leased property irrespective of the duration of the lease.

Abolition of the obligation to notify tax authorities of volume discounts granted to clients

Based on previously applicable provisions, volume discounts granted to clients had to be notified 4 months in advance to the tax authorities before the issuance of

the first credit invoice. Pursuant to further changes introduced by Art. 31 of Law No. 5024/2023, this is now abolished, and taxable persons are no longer obliged to proceed to such notification to be able not to include volume discounts in the taxable value.

Overdue short-term rental residence declarations and related fines

Certain changes and cancellations of fines are also foreseen for short-term property leases, according to recent decisions announced by the government. Therefore, in the case of overdue declarations of short-term rental residences, an independent administrative fine of EUR 100 will be imposed. Nevertheless, the fine in question will not be imposed if the income resulting from the late short-term rental declaration has been included in the income tax return of the relevant tax year.

Applicable fines for late income tax submissions

New multi-bill No. 5036/2023 introduced two important changes to previously applicable fines related to income tax returns that taxpayers may benefit from.

More specifically, the fines referred to in Art. 54, par. 2 of the Fiscal Procedure Code on late income tax returns shall not be imposed in cases of submission of:

- a) an overdue initial income tax return of a natural or legal person or legal entity, in relation to which the amount of tax due is up to EUR 100;
- (b) an overdue amended income tax return of a natural or legal person or legal entity, where the additional amount of tax payable in relation to the original return is up to EUR 100.

Changes concerning property transfers

A number of important changes have been introduced with regard to property transfers in Greece, as the real estate market is showing signs of recovery, with interest to invest in Greece being on the up. Most of these changes are designed to simplify and accelerate the process of property transfers, making it easier for interested parties to conclude the process.

Two key developments in this respect due to be put in place shortly include the following:

- (a) Changes in the issuance of the Certificate on Payment of Real Estate Tax (TAP), which is required in the context of real estate transfers, its duration, and the required paperwork. Particularly for unelectrified properties, the process is simplified substantially.
- (b) A new platform is set to be implemented in the coming days, via gov.gr, which will enable the electronic transfer of real estate properties, whereby all related paperwork will also be filled electronically. This pilot process is expected to become compulsory in November 2023.

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