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## NEWSLETTER – MAY 2023



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The month of April had some interesting developments in store for tax matters in Greece, involving various issues. From newly introduced changes to the tax treatment of dividends for ship brokering and other shipping entities, to recently released guidance on the taxation of capital gains from the alienation of real estate properties located in Greece held by individuals, it was certainly a productive month.

Some of the key highlights are summarized as follows:

### **Changes to the tax treatment of dividends for ship brokering and other shipping entities**

In accordance with the newly enacted Law No. 5036/2023 (Gov. Gazette A'77/28.3.2023), several changes have been introduced in relation to the tax treatment of dividends for ship brokering and other shipping entities:

1. Dividends paid or credited from the year 2023 onwards by ship brokering and other shipping entities falling under article 25 of Law 27/1975 (excluding ship management entities) will be subject to a dividend tax rate of 5%.
2. Dividends paid or credited up to and including the year 2022 will be subject to a dividend tax rate of 10%.

In this context, it is important to note that the aforementioned dividend tax rates do not apply to dividends distributed by shipping entities involved in managing Greek or foreign-flagged ships, as specified in their operating license. Such dividends are considered tax-exempt.

### **Real Estate tax (ENFIA) payment due for 2023**

The Independent Authority for Public Revenues has recently released the annual property tax (ENFIA) for the tax year 2023.

Said tax applies to all property owners, including those owning plots, lands, houses, apartments, parking lots, rights to build on top of the last floor or lofts. To fulfill their tax obligations for 2023, property owners are required to access their online tax accounts and locate the clearance report indicating the assessed tax amount.

Property owners have two options for paying the tax:

- a) Lump Sum Payment: Property owners can choose to pay the entire tax amount in one lump sum by the deadline, which is the end of May 2023 (specifically, May 31st). It must be highlighted that there are no cash redemption benefits available for this payment option.
- b) Monthly Installments: Property owners may also opt for the instalment plan. The tax can be paid in ten equal monthly instalments, with the first one due on May 31st, 2023.

In view of the forthcoming Parliamentary elections due to take place on 25 June 2023, an extension of the deadline for the filing of supplementary and/or amending ENFIA tax returns to 30 June 2023 has just been announced.

It is essential that property owners access their tax accounts online and promptly identify the clearance report indicating the assessed tax amount for 2023 to ensure compliance with their tax obligations.

### **Extension of reduced VAT rates until the end of 2023**

In Greece, various support measures have been implemented for the year 2023. As part of these measures, the reduced VAT rate of 13% for specific categories has been extended for an additional six months, now valid until the end of 2023. The categories benefiting from this reduced VAT rate include passenger transport, coffee and non-alcoholic beverages, cinemas, gyms, and similar services.

Additionally, the reduced VAT rate of 6% on goods related to public health has been extended until 30 June 2023. This reduced rate applies to products necessary for personal hygiene and protection, ensuring affordability and accessibility for such essential items.

In essence, these measures aim to provide continued support to the affected sectors and promote economic recovery by offering reduced VAT rates for specific goods and services.

### **Newly released guidance on the taxation of capital gains from the alienation of real estate properties located in Greece held by individuals**

The Independent Authority for Public Revenues has recently issued guidance (Circ. E.2031/2023) regarding the taxation of capital gains resulting from the sale of real estate properties in Greece owned by individuals, whether they are local or foreign taxpayers. According to the Greek Income Tax Code (L. 4172/13), as a general rule, individuals are subject to a 15% tax on capital gains. Notwithstanding this, however, an exception has been put in place for individuals who sell real estate assets, as these gains are currently exempt from taxation until 31 December 2024.

In this context, it is important to note that individuals who are not registered with Greek tax authorities as conducting business activities in Greece may be subject to individual income taxes up to 44%, along with fines and penalties, if they execute at least three real estate sales transactions within a two-year period. The starting

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point for this two-year period is the date of the first real estate contract for the sale of the property. Selling multiple properties to the same buyer with one or more contracts on the same day is considered a single transaction. If, however, the properties are sold to the same buyer with contracts concluded on different dates, they are considered separate transactions. The criterion for determining the number of transactions is based on the number of different contracts concluded, not the actual number of real estate properties sold.

It should also be borne in mind that for real estate transactions that occurred prior to the 2019 tax year, even a single real estate sale could be considered a business activity aimed at realizing gains, depending on the specific circumstances of each case. Factors that will be taken into account include the acquisition price, selling price, duration of property ownership, and any new constructions or improvements made to the property.

Lastly, it is important to remember that several exemptions apply to the aforementioned rules. For instance, the tax implications mentioned above do not apply in cases where the real estate properties are

transferred to the taxpayer through inheritance or donation from close relatives up to the second degree. Additionally, if the taxpayer has owned the properties for more than five years, the tax rules mentioned above will also not be applicable. The rationale behind this is that, in these cases, the main purpose of acquiring the real estate properties was not to generate capital gains.



**ECOVIS Hellas Ltd., a member of Ecovis International, is a company of accountants, tax consultants and business advisors, based in Athens, Greece. We offer extensive tax, accounting, financial, and business consulting services of the highest standard to a wide range of local and international businesses.**

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