Greece Inbound Structuring and Taxation Guide

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ECOVIS HELLAS

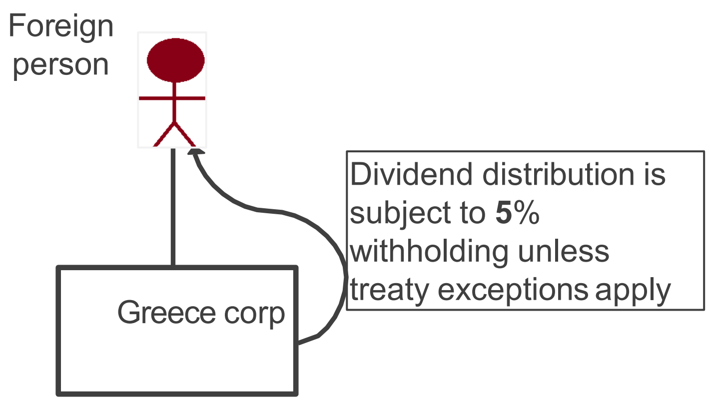
Inbound Greece Tax Regime

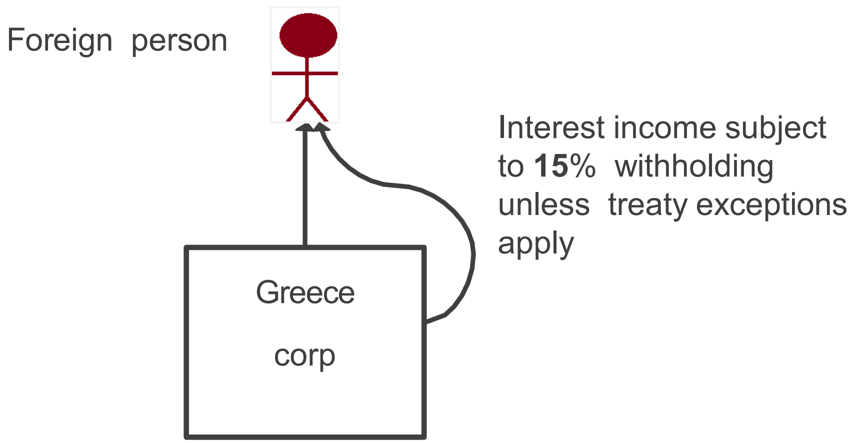
The main regimes for Entity or Individual foreign taxation on Greek sources of Income are:

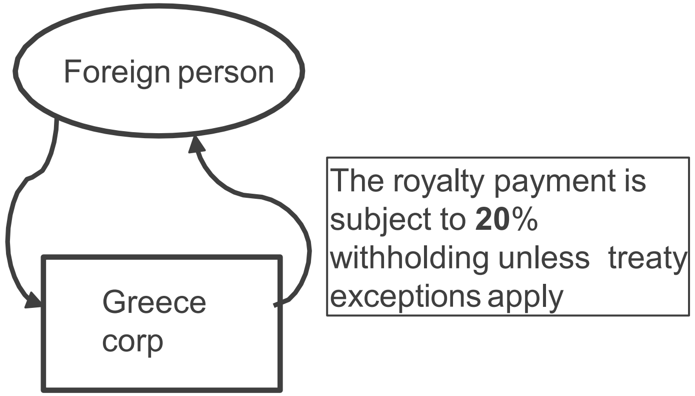
- Determinable, Annual, or Periodical Personal Income from employment and pensions sourced in Greece;
- Income effectively connected with business profits from a Greek trade or business;
- Determinable Income from Investment in Real Estate Properties (Rental Income);
- Passive income derived from Dividends/Royalties/Interest sourced in Greece;
- Capital Gains from the alienation of real estate properties and stock exchange;

- All things considered, this type of income includes any Greece source fixed, determinable, annual, or periodical income, including, but not limited to, interest, dividends, salaries, wages, premiums, royalties, annuities, compensations, remunerations, and emoluments derived by a foreign person or entity;
- Passive income is subject to gross basis taxation with no offsetting deductions;
- Tax is required to be withheld by the payor of Greece's source income.

Passive Income Sourced into Greece



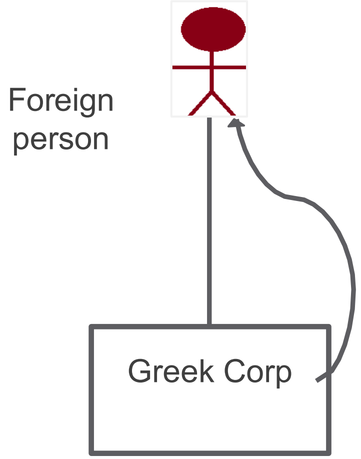




Passive income received by foreign tax-payers is subject to taxation in Greece as follows unless treaty exceptions apply:

- Dividends are taxed at the rate of 5%
- Interest at the rate of 15%
- Royalties at the rate of 20%.
- Income derived from surplus arising from the transfer of Greek Government Bonds and/or Greek Treasury Bills by foreign legal entities that do not maintain a PE in Greece is being tax exempted.

Capital Gains from Disinvestment



Capital gains arising from the sale of **listed shares** are tax exempted, when the seller is a non-Greek tax resident individual, provided that, the owner is a tax resident in a jurisdiction in which Greece has a Double Tax Treaty in place.

For non-listed shares/stakes or listed shares when the following conditions are cumulatively met, the applicable tax rate **is 15%:**

• the individual shareholder seller holds at least *0.5%* of the share capital of the listed entity; and

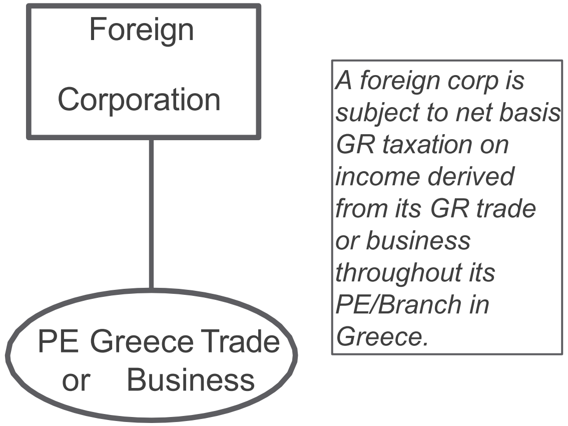
• The individual shareholder seller has acquired his/her shares on or after January 1, 2009.

Careful examination regarding the tax treatment of each type of investment income should be applied since there are various tax exemptions like capital gains from the sale of Greek and EU/EEA corporate bonds as well as capital gains from the sale of Greek and EU/EEA UCITS which are tax exempted.

Exercise of Stock Options
Shares acquired upon exercise retained for a period exceeding 24 months, or 36 months under certain conditions, are taxed as capital gains at a flat tax rate of 15%, or 5% for shares of start-ups and certain conditions which should cumulatively be met.

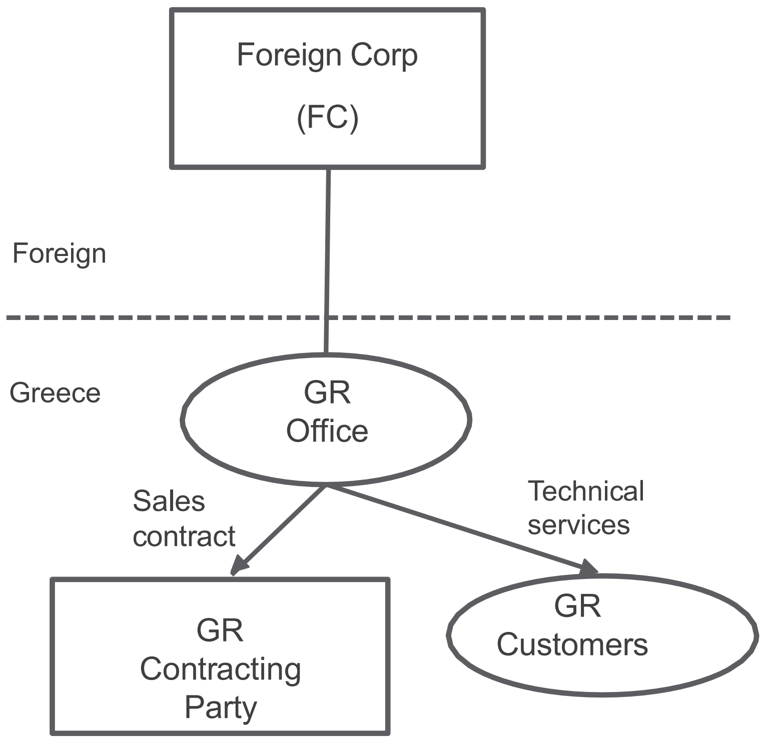
Free Shares
Capital gain arising from the sale of free shares given by companies to their employees within the framework of a share plan, which requires the achievement of specific goals or the occurrence of a certain event, is classified as capital gain and taxed at a flat tax rate of 15%.

Income from Trade or Business in Greece



- Non-residents and foreign corporations are **subject to net basis income taxation on their taxable income** which is effectively connected with the **conduct of a trade or business within Greece** at the same rates as their domestic counterparts;
- Whether a foreign person is **engaged** in a GR trade or business **depends on** the facts and circumstances of each particular case;
- The determination is based on the **nature** and **extent** of the foreign person's economic activities in Greece (either directly or through a Greek Branch, a fixed place of business an agent, partnership, or estate);
- In general, a GR trade or business exists if those activities are "**considerable, continuous, and regular**" e.g., more than 3 transactions within six months or two years in the case of real estate;
- A foreign corporation is also subject to a **22% branch profits tax**, while repatriation of its profits (dividend equivalent amount) which consists of the corporation's after-tax earnings and profits that are effectively connected with the corporation's GR trade or business from that business towards the foreign corporation's head office, is free of tax.

Income from Trade or Business in Greece (continued)



Example #1

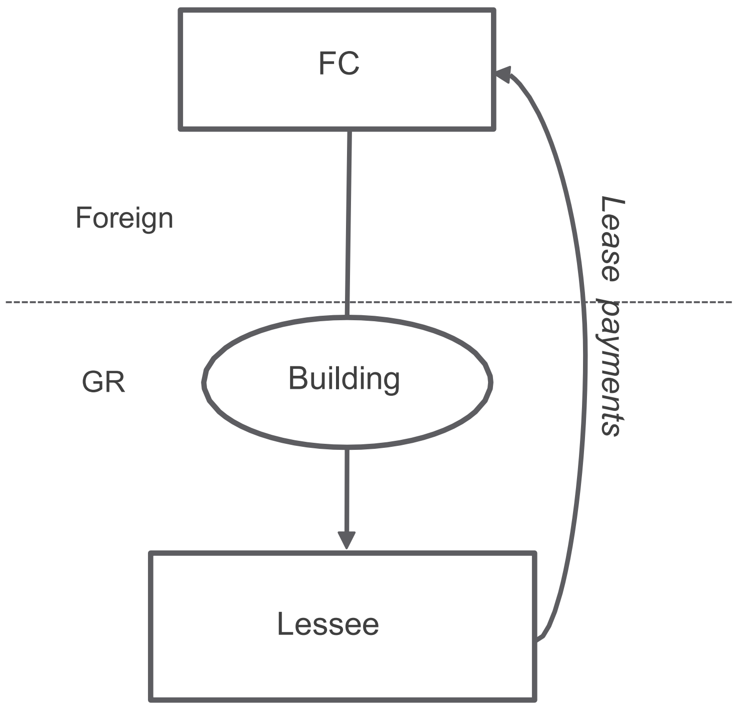
Facts

- FC is a foreign corporation (FC) engaged in the manufacture, sales, and servicing of equipment.
- FC has an office in Greece which executes contracts to deliver parts to OEMs (Original Equipment Manufacturers) in Greece in addition to providing technical support services at the Greek OEM customer locations.

Analysis

- FC has a Greek office with employees who are actively involved in the negotiation and execution of sales contracts with US OEMs;
- The GR office also has technical support specialists generating services income from the provision of after-sales services at the GR OEM customer locations;
- FC appears to be engaged in GR business activities that are regular, continuous, and substantial;
- The income attributable to the activities of FC's GR office is expected to be treated **as income effectively connected with Greece and be subject to net basis taxation at the same 22% rate as a domestic corporation**.

Rental Income sourced in Greece



Example #2

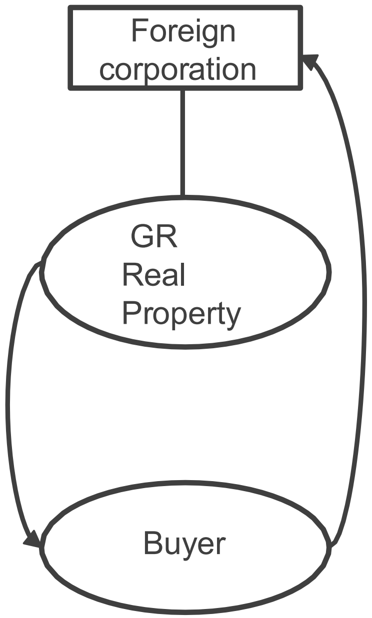
Facts

- FC (non resident company) **owns a building** in Greece
- The building is **leased** in Greece;
- FC derives **annual lease income** from the building.

Analysis

- FC only owns a building and does not provide any services in Greece;
- FC does not maintain any office or fixed place of business in Greece;
- Whether a building constitutes a PE or not is related to the double tax treaty (DTT), Greece has concluded with the other country that the **FC is tax resident, if applicable**;
- The rental income did not constitute income effectively connected with trade or business, however according to DTTs Greece has reserved taxation rights to incomes derived from real estate located in Greece, thus **rental income is always taxable** in Greece.

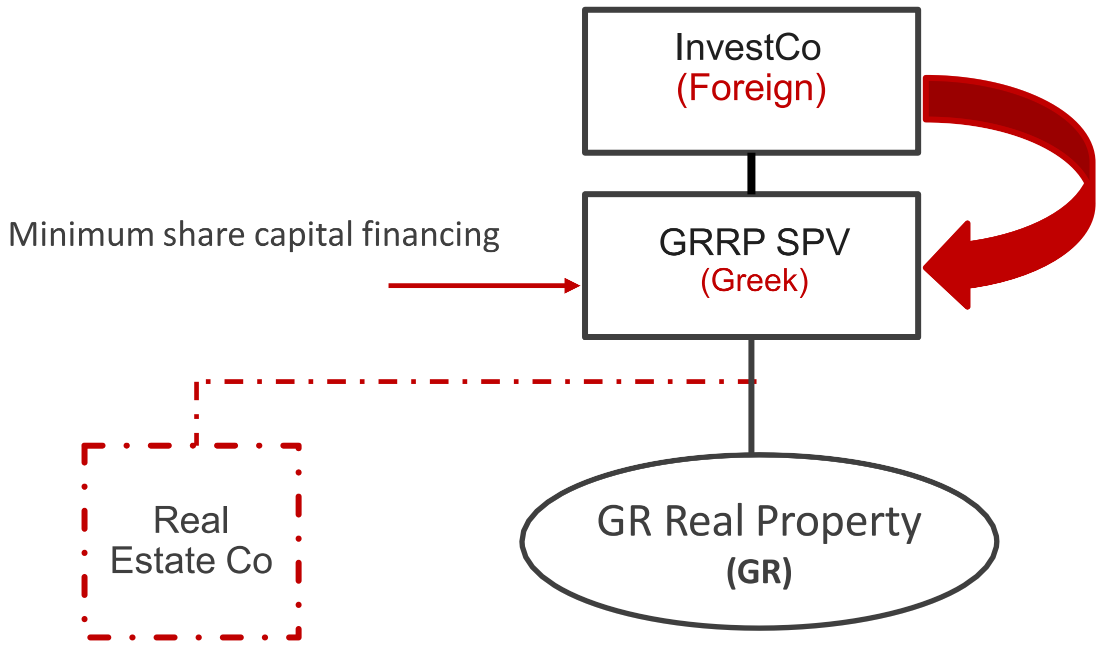
Capital Gains from Real Estates Located in Greece



- Gain or loss of a nonresident corporation from the disposition of a Greek Real Property Interest (**GRPI**) is treated as **business profits and taxed at normal tax rates**, while the FC is liable to fill in a **corporate tax return**;

- Capital Gains realized by foreign individuals might be considered as **business activities** and foreigners to be liable to pay **self-employment tax**;

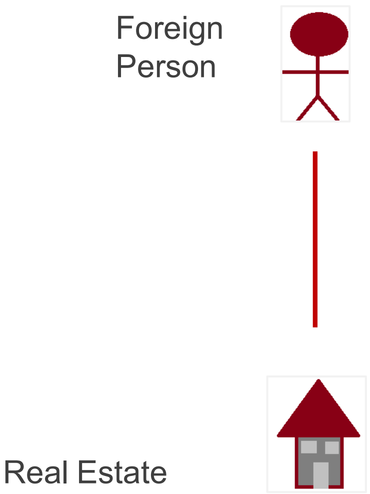
Ownership via a GR Real Property Holding SPV "GRRP SPV"



GRRP Special Purpose Vehicle ("**GRRP SPV**"), means that any Greek corporation with a fair market value equals or exceeds 50% of the sum of its Greek interests in real estate properties located inside or outside Greece.

- Derive benefit from *tax-free acquisition financing* with the issuance of bond loans;
- Deduct depreciation from *taxable profits*;
- Impose Real estate tax (enfia) from taxable profits;
- Take advantage of share deals instead and relief from capital gains;
- Further, capital gains derived from the sale of shares in an EU/GR subsidiary are *tax-exempt* in case the participation is greater than 10% and has been maintained for at least 24 months.

Direct ownership of Real Estate by Non-Residents Individually



Advantages

- Simplicity;
- No additional entity tax return;
- Non-Taxable upon disposition until 31.12.2024 (under conditions).

Disadvantages

- All income (i.e., 95% of the gross rental income are taxed under the name of the foreigner;
- Rental income taxed at the rate of 15% -45% but associated expenses (e.g., depreciation, interest, estate tax, fixtures and fittings do not reduce taxable rental income;
- Annual Greece tax filings required with regards to the foreign person;
- Disposition might be taxable under conditions (e.g. more than three transactions within two years).

Summary - Inbound Structuring and Taxation

1.Corporate Income Tax (CIT): Greece imposes corporate income tax on the *profits* of companies. The standard corporate *income tax rate is 22%.* Non-resident companies are liable to pay corporate taxes only on revenues generated from sources within the country.

2.Value Added Tax (VAT): Greece has a *VAT system that applies to goods and services*. The standard VAT rate is *24%,* with reduced rates for certain categories of goods and services.

3.Withholding Taxes (WHT): Greece may impose withholding tax on *certain types of income paid to non-residents*, including *dividends, interest, and royalties*. The rates can *vary* depending on tax treaties between Greece and the country of residence of the investor.

4.Capital Gains Tax: *Capital gains* derived from the sale of certain assets may be subject to capital *gains tax*. The tax rate can depend on various factors, including the *legal type* of the investor (individual/corporation) and/or the *nature* of the asset.

5.Double Taxation Treaties: Greece has entered into *double taxation treaties with various countries* to avoid the same income being double taxed in both Greece and the investor's home country. These treaties can impact the taxation of inbound investments.

6.Legal Structures: The choice of legal structure for the investment, such as forming a subsidiary or branch, can affect the tax treatment. Each structure may have different implications for corporate taxation.

7. Since tax laws are complex and subject to change, it is strongly recommended to consult with a tax professional with expertise in Greek tax law to ensure accurate and current information tailored to your specific situation for making *informed investment decisions*.

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