

DOING BUSINESS IN GREECE 2015



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DOING BUSINESS IN GREECE

FEBRUARY 2015

INTRODUCTION

This publication has been prepared by the International Bureau of Fiscal Documentation (IBFD) on behalf of BDO Member Firms and their clients and prospective clients. Its aim is to provide the essential background information on the taxation aspects of setting up and running a business in this country. It is of use to anyone who is thinking of establishing a business in this country as a separate entity, as a branch of a foreign company or as a subsidiary of an existing foreign company. It also covers the essential background tax information for individuals considering coming to work or live permanently in this country.

This publication covers the most common forms of business entity and the taxation aspects of running or working for such a business. For individual taxpayers, the important taxes to which individuals are likely to be subject are dealt with in some detail. We have endeavoured to include the most important issues, but it is not feasible to discuss every subject in comprehensive detail within this format. If you would like to know more, please contact the BDO Member Firm(s) with which you normally deal. Your adviser will be able to provide you with information on any further issues and on the impact of any legislation and developments subsequent to the date indicated below.

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TABLE OF CONTENTS

CORPORATE TAXATION	9
INTRODUCTION	9
1. CORPORATE INCOME TAX	9
1.1. TYPE OF TAX SYSTEM	9
1.2. TAXABLE PERSONS	9
1.2.1. <i>Residence</i>	10
1.3. TAXABLE INCOME	10
1.3.1. <i>General</i>	10
1.3.2. <i>Exempt income</i>	11
1.3.3. <i>Deductions</i>	11
1.3.3.1. <i>Deductible expenses</i>	11
1.3.3.2. <i>Non-deductible expenses</i>	12
1.3.4. <i>Depreciation and amortization</i>	12
1.3.5. <i>Reserves and provisions</i>	13
1.3.5.1. <i>Bad and doubtful debts</i>	13
1.3.5.2. <i>Capital gains/loss reserve</i>	13
1.3.5.3. <i>Reserves from tax-free income</i>	13
1.3.5.4. <i>Other</i>	14
1.4. CAPITAL GAINS	14
1.5. LOSSES	14
1.5.1. <i>Ordinary losses</i>	14
1.5.2. <i>Capital losses</i>	14
1.6. RATES	15
1.6.1. <i>Income and capital gains</i>	15
1.6.2. <i>Withholding taxes on domestic payments</i>	15
1.6.2.1. <i>Dividends</i>	15
1.6.2.2. <i>Interest</i>	15
1.6.2.3. <i>Other</i>	15
1.7. INCENTIVES	16
1.7.1. <i>Investment incentives</i>	16
1.7.2. <i>Tonnage tax</i>	16
1.7.3. <i>Offshore offices</i>	17
1.7.4. <i>Offshore engineering and civil construction companies</i>	17
1.7.5. <i>Rate freeze for foreign investments</i>	17
1.7.6. <i>Incentives for mergers</i>	18
1.7.7. <i>Merger incentives for small and medium-sized businesses</i>	18
1.7.8. <i>Reliefs in the Aegean islands</i>	19
1.7.9. <i>Strategic investments</i>	19
1.7.10. <i>Research and development</i>	19
1.8. ADMINISTRATION	19
1.8.1. <i>Taxable period</i>	19
1.8.2. <i>Tax returns and assessment</i>	20
1.8.3. <i>Payment of tax</i>	20
1.8.4. <i>Rulings</i>	20
2. TRANSACTIONS BETWEEN RESIDENT COMPANIES	20
2.1. GROUP TREATMENT	20
2.2. INTERCOMPANY DIVIDENDS	20
3. OTHER TAXES ON INCOME	21
4. TAXES ON PAYROLL	21
4.1. PAYROLL TAX	21
4.2. SOCIAL SECURITY CONTRIBUTIONS	21

5. TAXES ON CAPITAL	21
5.1. NET WORTH TAX	21
5.2. REAL ESTATE TAX	21
5.2.1. <i>State real estate tax</i>	21
5.2.2. <i>Local real estate duty</i>	22
5.2.3. <i>Special tax on immovable property</i>	22
6. INTERNATIONAL ASPECTS	23
6.1. RESIDENT COMPANIES	23
6.1.1. <i>Foreign income and capital gains</i>	23
6.1.2. <i>Foreign losses</i>	23
6.1.3. <i>Foreign capital</i>	23
6.1.4. <i>Double taxation relief</i>	23
6.2. NON-RESIDENT COMPANIES	24
6.2.1. <i>Taxes on income and capital gains</i>	24
6.2.2. <i>Taxes on capital</i>	24
6.2.3. <i>Administration</i>	25
6.3. WITHHOLDING TAXES ON PAYMENTS TO NON-RESIDENT COMPANIES	25
6.3.1. <i>Dividends</i>	25
6.3.2. <i>Interest</i>	25
6.3.3. <i>Royalties</i>	25
6.3.4. <i>Other</i>	26
6.3.5. <i>Withholding tax rates chart</i>	26
7. ANTI-AVOIDANCE	28
7.1. GENERAL	28
7.2. TRANSFER PRICING	28
7.3. THIN CAPITALIZATION	29
7.4. CONTROLLED FOREIGN COMPANY	29
7.5. OTHER ANTI-AVOIDANCE RULES	30
8. VALUE ADDED TAX	31
8.1. GENERAL	31
8.2. TAXABLE PERSONS	31
8.3. TAXABLE EVENTS	31
8.4. TAXABLE AMOUNT	31
8.5. RATES	32
8.6. EXEMPTIONS	32
8.7. NON-RESIDENTS	32
9. MISCELLANEOUS TAXES	32
9.1. CAPITAL DUTY	32
9.2. TRANSFER TAX	33
9.2.1. <i>Immovable property</i>	33
9.2.2. <i>Shares, bonds and other securities</i>	33
9.3. STAMP DUTY	33
9.4. CUSTOMS DUTY	33
9.5. EXCISE DUTY	33
INDIVIDUAL TAXATION	35
INTRODUCTION	35
1. INDIVIDUAL INCOME TAX	35
1.1. TAXABLE PERSONS	35
1.2. TAXABLE INCOME	35
1.2.1. <i>General</i>	35
1.2.2. <i>Exempt income</i>	36
1.3. EMPLOYMENT INCOME	36
1.3.1. <i>Salary</i>	36

1.3.2.	<i>Benefits in kind</i>	37
1.3.3.	<i>Pension income</i>	37
1.3.4.	<i>Directors' remuneration</i>	37
1.4.	BUSINESS AND PROFESSIONAL INCOME	38
1.5.	INVESTMENT INCOME	38
1.5.1.	<i>Dividends</i>	38
1.5.2.	<i>Interest</i>	38
1.5.3.	<i>Royalties</i>	38
1.5.4.	<i>Income from immovable property</i>	39
1.6.	CAPITAL GAINS	39
1.6.1.	<i>Immovable property</i>	39
1.6.2.	<i>Shares</i>	40
1.7.	PERSONAL DEDUCTIONS, ALLOWANCES AND CREDITS	41
1.7.1.	<i>Deductions</i>	41
1.7.2.	<i>Allowances</i>	41
1.7.3.	<i>Credits</i>	41
1.8.	LOSSES	42
1.8.1.	<i>Losses from business activities</i>	42
1.8.2.	<i>Capital losses from the transfer of immovable property</i>	42
1.8.3.	<i>Capital losses from shares, participations, etc.</i>	42
1.9.	RATES	42
1.9.1.	<i>Income and capital gains</i>	42
1.9.1.1.	<i>Income from employment</i>	42
1.9.1.2.	<i>Income from business</i>	43
1.9.2.	<i>Withholding taxes</i>	43
1.9.2.1.	<i>Employment income</i>	43
1.9.2.2.	<i>Professional income</i>	44
1.9.2.3.	<i>Investment income</i>	44
1.10.	ADMINISTRATION	44
1.10.1.	<i>Taxable period</i>	44
1.10.2.	<i>Tax returns and assessment</i>	45
1.10.3.	<i>Payment of tax</i>	45
1.10.4.	<i>Rulings</i>	45
2.	OTHER TAXES ON INCOME	45
3.	SOCIAL SECURITY CONTRIBUTIONS	46
4.	TAXES ON CAPITAL	46
4.1.	NET WEALTH TAX	46
4.2.	REAL ESTATE TAX	46
4.3.	LOCAL REAL ESTATE DUTY	46
5.	INHERITANCE AND GIFT TAXES	47
5.1.	TAXABLE PERSONS	47
5.2.	TAXABLE BASE	47
5.2.1.	<i>General</i>	47
5.2.2.	<i>Exemptions</i>	47
5.3.	PERSONAL ALLOWANCES	48
5.4.	RATES	48
	<i>Category I</i>	48
	<i>Category II</i>	48
	<i>Category III</i>	49
5.5.	DOUBLE TAXATION RELIEF	49
6.	INTERNATIONAL ASPECTS	49
6.1.	RESIDENT INDIVIDUALS	49
6.1.1.	<i>Foreign income and capital gains</i>	49
6.1.1.1.	<i>Employment income</i>	49

6.1.1.2.	<i>Business and professional income</i>	49
6.1.1.3.	<i>Investment income</i>	49
6.1.1.4.	<i>Capital gains</i>	50
6.1.2.	<i>Foreign capital</i>	50
6.1.3.	<i>Double taxation relief</i>	50
6.2.	EXPATRIATE INDIVIDUALS	51
6.3.	NON-RESIDENT INDIVIDUALS	51
6.3.1.	<i>Taxes on income and capital gains</i>	51
6.3.1.1.	<i>Employment income</i>	51
6.3.1.2.	<i>Business and professional income</i>	51
6.3.1.3.	<i>Investment income</i>	51
6.3.1.4.	<i>Capital gains</i>	52
6.3.2.	<i>Taxes on capital</i>	52
6.3.3.	<i>Inheritance and gift taxes</i>	52
6.3.4.	<i>Administration</i>	52
KEY FEATURES		53

GREECE

This chapter is based on information available up to 28 February 2015.

Introduction

Companies are subject to corporate income tax, social security contributions, value added tax and real estate duties. There are no significant local taxes.

There are no business areas of Greece to which the tax system does not apply.

On 23 June 2013, the new Income Tax Code (Law 4172/2013) was published in the Official Gazette. The new Code of Tax Procedure (Law 4174/2013), which integrates the rules relating to (income) tax compliance, collection and assessment tax, VAT, the real estate tax, and all other taxes, was published in the Official Gazette on 26 July 2013. Both new laws, as amended and currently in force, generally apply from 1 January 2014.

The currency is the euro (EUR).

1. Corporate Income Tax

1.1. Type of tax system

The corporate income tax is levied on the profits realized by the companies and other legal entities specified by Greek tax law.

Greece applies:

- a final withholding tax on dividends and other profit distributions to individual shareholders; and
- a double classical system with a participation exemption in respect of legal entities shareholders. Corporations (AEs) and limited liability companies (EPEs) receiving dividends or profits from other AEs or EPEs without enjoying the beneficial treatment of the participation exemption regime may credit the corporate income tax paid and the tax withheld on those distributions against their income tax liability.

Although not clear from the statutory wording, a final withholding tax should also be considered as levied on outbound dividends, unless a relevant tax treaty provides otherwise or the EU Parent-Subsidiary Directive applies.

1.2. Taxable persons

The following legal entities are subject to corporate income tax:

- resident corporations (AEs), limited liability companies (EPEs), private capital companies, general and limited partnerships;
- state and municipal enterprises aiming at profits;
- cooperatives and their unions;
- joint ventures;
- civil companies;
- non-resident enterprises operating in Greece, whether as a corporation or in another company form, and non-resident organizations of any kind having as their objective the acquisition of economic benefits; and
- resident or non-resident not-for-profit entities governed by public or private law, including foundations.

The following entities are, inter alia, exempt from corporate income tax:

- portfolio investment companies and UCITS resident in Greece or an EEA State; and
- shipping companies.

This survey is restricted to the taxation of AEs and EPEs, as well as corresponding foreign-incorporated entities. All these entities are referred to as “companies”.

1.2.1. Residence

In principle, a legal entity is considered as a Greek tax resident if, for any given tax year:

- it is incorporated or established under Greek law;
- it has its registered seat in Greece; and/or
- its place of effective management is in Greece, for any period during the tax year.

1.3. Taxable income

1.3.1. General

A company's taxable business profit is equal to the aggregate revenues of the business transactions of the taxpayer entity after the deduction of business expenses, depreciation and bad-debt provisions. All revenues derived by a company are, in principle, considered business income.

Revenues arising during the tax year from the sale of assets (capital gains, *see* section 1.4), as well as liquidation proceeds, are included in the revenues from business transactions.

Capitalization or distribution of profits, on which no corporate income tax has been paid, also falls within the definition of taxable business profit.

Intra-group dividends are exempt from tax under certain conditions (participation exemption regime, *see* section 2.2.) whereas taxation of capital gains from reorganizations is different under certain conditions.

A company is taxed on its total annual profits before distribution. The profits are taxed at the company level; distributed dividends are subject to further taxation by way of withholding at source, unless the participation exemption applies.

Failure to maintain and present accounting books or records or the financial statements in accordance with the laws on accounting principles may result in the tax authorities determining the taxable income on the basis of any available information or indirect audit methods.

Before 1 January 2014, for corporate income tax purposes, there were five categories of taxable income:

- A-B: income from immovable property (land and buildings);
- C: income from movable property (investment income);
- D: income from business;
- E: income from agriculture; and
- F: income from other sources.

1.3.2. Exempt income

Certain items of income are excluded from the tax base for corporate income tax purposes, as long as they are not distributed or capitalized. They include:

- intra-group dividends and other profit distributions from resident entities under conditions (see section 2.2);
- dividends from EU companies under conditions (see section 6.1.1.);
- capital gains from the contribution of business segment(s), including the conversion of a branch to a new company;
- interest arising from government bonds, treasury bills and EFSF bonds acquired in the framework of the Private Sector Involvement for the Greek debt restructuring (PSI);
- gains from the exchange of old Greek state bonds or corporate bonds guaranteed by the state under the PSI; and
- capital gains from the transfer of shares of ship-owning companies, from the exchange of securities and from mergers and divisions.

Before 1 January 2014, the following items of income (also) constituted exempt income:

- interest on loans from foreign sources granted by foreigners and secured by Greek ships;
- capital gains from the transfer of shares listed on the Athens Stock Exchange or on a foreign stock exchange (if the shares are transferred before 1 January 2014); and
- gains from the exchange of old Greek state bonds or corporate bonds guaranteed by the state under the PSI.

1.3.3. Deductions

1.3.3.1. Deductible expenses

In determining the net income of a company (resident or non-resident), deductions of all expenses, with the exception of certain expenses (see section 1.3.3.2.), are allowed from the gross income if they are:

- properly recorded and substantiated;
- based on real transactions at market value; and
- incurred in the regular course of business.

Research and development (R&D) expenses, in the absence of any special provision, are generally deductible in the year in which they were incurred. See section 1.7.10. for R&D incentives.

In general, interest paid by a company is deductible from its gross income, provided the loan relates to its business. However, interest on loans by third parties (except for bank loans, interbank loans and corporate bond loans) is not deductible to the extent it exceeds the interest rate on open (revolving) accounts of non-financial enterprises, as published in the Bank of Greece Bulletin of Conjunctural Indicators for the prior period closest to the loan date.

If interest is paid between associated enterprises, its deductibility is subject to the transfer pricing requirements (see section 7.2.). The deductibility of interest expenses is also subject to the thin capitalization provisions (see section 7.3.).

1.3.3.2. Non-deductible expenses

The following types of expenditure are, inter alia, not deductible:

- any expense incurred, exceeding an amount of EUR 500, which was not paid by means of bank payment;
- unpaid social security contribution costs;
- provisions in excess of those described in section 1.3.5.;
- fines and penalties of any kind, including surcharges;
- (corporate) income tax, including the entrepreneurial duty and extraordinary contributions, as well as non-deductible input VAT;
- imputed rental income for real property self-use, to the extent it exceeds 3% of the property's objective value;
- expenses for the organization of meetings, conferences and festivities (including stay and meals) of clients and employees, to the extent that (i) they exceed the amount of EUR 300 per person; and (ii) the total annual expenses exceed 0.5% of the annual gross income of the enterprise;
- entertainment expenses (unless this is the enterprise's main business activity);
- private expenses for consumption purposes;
- expenses paid to legal entities or individuals who are resident of a non-cooperative state or a state with a preferential tax regime (*see also* section 7.5.), unless the taxpayer proves the authenticity of the transaction; and
- expenses related to tax-free intra-group dividends (such as finance costs and interest on loans for the acquisition of participations that distribute tax-exempt dividends).

1.3.4. Depreciation and amortization

Tax depreciation of tangible assets is compulsory. If a company does not charge depreciation at the allowable rate in any financial year, it waives its right to deduct the corresponding amount in the future. As an exception, new businesses (and only for the first 3 financial years following the year in which they commenced operations) may apply depreciation to all assets at a rate of 0%.

Fixed assets whose acquisition cost is up to EUR 1,500 may be fully expensed in the year they were purchased.

A mandatory depreciation on a straight-line basis applies to all fixed assets (other than land, which is not depreciable). The main rates of depreciation are the following:

- 4% for buildings, offices, dwellings, warehouses, stations and constructions;
- 5% for public means of transportation, including aircraft, trains and vessels;
- 10% for machinery, equipment in general (other than computers and software) and all other tangible assets;
- 10% for goodwill, trademarks and patents (unless the economic life is finite);
- 10% for leasing rights (unless the lease agreement provides for a term other than 10 years);
- 20% for computers (PCs, main and peripheral) and software; and
- 33.33% for research and development expenses related to fixed assets (as increased by 30%, *see also* section 1.7.10).

1.3.5. Reserves and provisions

1.3.5.1. Bad and doubtful debts

Provided that all appropriate actions have been taken (and formal requirements are met) to secure the right to collect the respective claims, the taxpayer may allocate a (tax deductible) amount to a bad debt provision. The tax deductible amount that may be allocated to the provision depends on the size of the claim, and the period of time that has passed since it became due. For claims up to EUR 1,000 unpaid for more than 12 months, 100% of the claim may be allocated to the provision. For claims exceeding this amount, the allocation is 50% (more than 12 months overdue), 75% (more than 18 months overdue) or 100% (more than 24 months overdue).

Bad-debt provisions may not be formed, inter alia, for debts:

- of partners, shareholders and subsidiaries with a minimum participation of 10% (under conditions);
- covered by an insurance or guarantee; and
- of the state or local authorities (of guaranteed thereby).

The bad debt provision (or part thereof) is directly recalled and transferred to the profits of the taxpayer if the claim is rendered collectible or is written off.

Special rules apply for the formation of bad-debt provisions with regard to banks, leasing and factoring companies.

Before 1 January 2014, an amount up to 0.5% of turnover from the supply of goods or services (excluding certain sales) to businesses, or 1% of sales on credit of certain commonly consumed goods, could be deducted from the taxable income and allocated to a bad debt provision.

1.3.5.2. Capital gains/loss reserve

With effect from 1 January 2014, no deferment of taxation applies in respect of capital gains derived by resident companies, other than in respect of the non-capitalized and/or undistributed capital gains that are exempt (*see* section 1.4. for exempt capital gains).

Before that date, gains and losses from certain securities (e.g. listed and unlisted shares, bonds and certain derivatives) could be transferred to a special reserve (and set off against each other therein), providing for a deferral of taxation.

1.3.5.3. Reserves from tax-free income

For balance sheets drawn up as from 31 December 2014, a legal entity subject to corporate income tax may not maintain tax-free reserves, except for those in respect of investment or development laws, sale and lease back transactions and special statutory provisions.

Existing tax-free reserves formed and capitalized or distributed before 1 January 2014 were subject to a final tax at the rate of 15%. Such reserves still in place after that date must be set off at the end of the tax year against tax losses of the last 5 years, unless they were distributed or capitalized before 31 December 2014, in which case a final tax at the rate of 19% applied.

The above provisions constitute a retroactive taxation, which might be considered as contrary to constitutional provisions.

Exempt income (*see* section 1.3.2.) is recorded in special reserve accounts.

1.3.5.4. Other

Other special reserves may be maintained only in respect of investment or development laws or by virtue of special statutory provisions.

1.4. Capital gains

With effect from 1 January 2014, gains from the sale of all kinds of assets are taxed as part of the legal entity's ordinary income. The gain is calculated as the difference between the sales price and the book value of the asset.

The only exempt capital gains are those arising from:

- the contribution of assets against securities;
- the exchange of securities, mergers and divisions; and
- the transfer of the registered seat (as long as the gains are not capitalized or distributed).

Before 1 January 2014, capital gains were generally taxed at a (non-final) rate of 20%. Gains derived from sale of shares listed on the Athens Exchange or on a foreign stock exchange were exempt (if transferred to a special reserve and under conditions), as were gains derived from the exchange of old Greek state bonds or corporate bonds guaranteed by the state under the programme known as the Private Sector Involvement (PSI) in the Greek debt restructuring. Gains derived from unlisted shares were taxed at 5%.

1.5. Losses

1.5.1. Ordinary losses

Losses incurred by all types of company may be carried forward for 5 years. Previous years' losses are set off in priority to subsequent years' losses. Loss carry-backs are not permitted.

With effect from 1 January 2014, in the case of a merger, losses of absorbed companies may be carried forward by the absorbing company. Before that date, such losses could not be carried forward, unless specified under incentive legislation.

For foreign losses, *see* section 6.1.2.

1.5.2. Capital losses

A company may deduct from its profits any losses realized due to deterioration, loss or depreciation of capital assets. Accordingly, losses realized from the sale or destruction of capital assets are deductible only from the profits of the year in which they are realized. If no profits were made in the particular year, capital losses increase the amount of ordinary losses and, in this way, they may be carried forward.

Losses incurred by legal entities from the exchange of old Greek bonds for new ones under the programme known as the Private Sector Involvement (PSI) in the Greek debt restructuring are tax deductible in (30) equal amounts over the duration ending at the maturity of the new bonds.

Before 1 January 2014, losses from the sale of any shares or from the revaluation of shares and bonds in general were not deductible from the profits but were transferred to a reserve (*see* section 1.3.5.4. to be set off against future gains from the sale of listed shares.

1.6. Rates

1.6.1. Income and capital gains

The rate of corporate income tax is 26% for fiscal year 2014 (balance sheets prepared on or after 1 August 2013), and thereafter. The rate was previously 20%.

1.6.2. Withholding taxes on domestic payments

The following rules apply to resident companies and non-resident companies having a permanent establishment in Greece. For non-resident companies without a permanent establishment in Greece, *see* section 6.3.

1.6.2.1. Dividends

Dividends (distributions of profits) by resident companies to resident corporate shareholders are subject to a withholding tax.

The rate of the withholding tax is 10% regarding dividends paid out of profits approved by the competent corporate bodies on or after 1 January 2014.

The rate of the withholding tax was 25% on dividends paid in 2012 and 2013 if they were paid out of profits arising from balance sheets prepared on or after 1 August 2011 and before 1 January 2014, and 21% before that.

For dividends received under the participation exemption regime, *see* section 2.2.

For withholding tax on inbound dividends, *see* section 6.1.1.

1.6.2.2. Interest

A 15% withholding tax is levied on interest from:

- government bonds and treasury bills;
- bonds issued by resident and non-resident companies (including banks and insurance companies) and other debentures, as well as any loan relationships, including income from premiums, repo and reverse repo transactions and payments arising from titles, bonds and other (loan) securities; and
- interest from (bank) deposits.

Interest payments in respect of bank loans (local or foreign), including late payment interest, as well as interest of interbank deposits, are exempt from withholding.

Before 1 January 2014, a 20% withholding tax was levied on interest on loans between businesses in Greece (if no bank was involved).

For withholding tax on foreign-source interest, *see* section 6.1.1.

1.6.2.3. Other

No withholding tax applies to local royalty payments.

A 3% rate applies to contractors for fees received regarding technical public projects and lessors of public, municipal or port proceeds.

Withholding tax is imposed at 8% on service fees and 4% on the consideration for the sale of goods if paid by the state.

In all the above cases, the tax withheld is credited against the final income tax liability of the recipient.

1.7. Incentives

Greece has a comprehensive range of incentives. The incentives are available both to Greek investors and to foreign investors participating in Greek enterprises. Only tax incentives are discussed below.

1.7.1. Investment incentives

Under the investment incentive regime (Law 3908/2011) - as amended mainly by Law 4146/2013 - which is in force as from 1 February 2011, tax exemptions may be granted with respect to qualifying investment projects, in the amount equal up to 50% of the qualifying cost of the investment plan. The tax-exempted amount depends on the size of the qualifying enterprise (investment vehicle) and on the prefecture where the investment plan is implemented. For this purpose, Greece is divided in three zones, where the tax exemptions are granted as follows:

- zone A (Attica and Viotia): exemptions vary from 15% to 25% of the investment;
- zone B (prefectures with a gross national product exceeding 75% of the country's average): exemptions vary from 30% to 40% of the investment; and
- zone C (prefectures with a gross national product less than 75% of the country's average): exemptions vary from 40% to 45% of the investment.

The exemption applies starting from the financial year during which the decision of completion and initiation of the productive operation of the investment is taken. During this financial year, the exemption may not exceed one third of the total approved amount of the exemption. During the following financial year, the exemption (including the exemption from the first financial year) may not exceed two thirds of the total approved amount of the exemption.

The balance is settled in a period of 8 financial years (10 financial years for new enterprises), following the year when the decision of completion and initiation of the productive operation of the investment plan was issued.

The tax-exempt profits are recorded in a tax-free reserve and may not be distributed or capitalized (otherwise they become taxable).

1.7.2. Tonnage tax

Resident and non-resident companies owning and operating Greek-flagged ships are exempt from (corporate) income tax. They are, however, subject to a tonnage tax regime. With effect from 1 January 2013, the tonnage tax is extended to vessels flying a foreign flag if they are managed by a Greek or foreign ship management company established in Greece.

There are 2 categories of ship, namely:

- cargo vessels and tankers over 3,000 tons (or between 500 and 3,000 tons if they ship goods to foreign ports), passenger ships extending their routes to foreign ports, as well as floating drills over 5,000 tons and oil rigs over 15,000 tons; and
- all other ships.

The tax liability for vessels of the first category is calculated on the basis of the age of the vessel, a certain charge (in US dollars) per registered ton according to the age of the vessel, the gross tonnage of the vessel and the respective rate applying to the specific gross tonnage. For vessels of the second category, the tax is calculated by multi-

plying the registered tons by a fixed amount (in euro) varying according to the registered tonnage. The tonnage tax, as determined for 2010, is increased by 4% per year for the period 2011-2015 (the increase is applied on the previous year's tax).

1.7.3. Offshore offices

To comply with the EU policy on tax haven regimes (Code of Conduct), the tax exemptions applicable to offices of Law 89 have been abolished in respect of such offices established on or after 1 January 2002. For offices already existing on 31 December 2001, the exemptions have been abolished as from 1 January 2006. The abolition does not affect the offices of shipping companies, which enjoy tax incentives under Laws 27/1975 and 378/1968 (Law 3427/2005 and Circular POL 1228/20.09.2002).

New offices, as well as existing ones (for which the tax shelter regime has been abolished as from 1 January 2006), are subject to the following rules:

- the exclusive objective of offices of Law 89 will be the supply of services to the head office or to other associated entities abroad, such as consulting, accounting, internal and quality control, drafting of contracts and studies, marketing and advertising, data processing, gathering of information, research and development;
- an authorization by the Minister of Finance is necessary for the offices to qualify for the application of the regime of Law 89; and
- the offices of Law 89 must employ at least four employees on the completion of 1 year following the issuance of the ministerial decision for their establishment and their annual operating expenses must be at least EUR 100,000.

Greek companies fulfilling the above conditions may opt for the application of the regime of Law 89. The gross income of offices of Law 89 is calculated by adding a deemed profit percentage rate, which applies to their expenses including depreciation and excluding income tax. The profit rate is defined by a ministerial decision following a proposal of the competent committee and may not be less than 5%. In case the deemed gross income calculated as above is lower than the gross income resulting from the records in accounting books, the latter applies for income tax purposes. The profits are subject to the ordinary income tax rate and indirect tax exemptions will no longer apply (customs duties).

1.7.4. Offshore engineering and civil construction companies

Offshore engineering and civil construction companies carrying out projects outside Greece benefit from a complete tax exemption, provided (i) that 80% of their total personnel is composed of Greek nationals in total, and at least 60% of each category of personnel are Greek nationals, (ii) they have deposited a special guarantee with a recognized credit institution in Greece and (iii) they import a minimum amount of USD 50,000 annually to cover expenses.

1.7.5. Rate freeze for foreign investments

Under Law 2687/1953, foreign investors are secured against any increase in the rates of income tax on undistributed profits during the first 10 years from the establishment of the company. In addition, there is a reduction of, or a total exemption from, customs duties and other levies on the import of machinery, spare parts, etc. as well as from municipal taxes and levies imposed by harbour authorities. The incentive also applies for the first 10 years. The law, however, is currently inapplicable because of its potential incompatibility with the EU Code of Conduct on harmful tax competition.

1.7.6. *Incentives for mergers*

Mergers and transformations effected under Law 1297/1972 enjoy incentives in the form of exemptions from various taxes and duties, e.g. exemption from stamp duty, exemptions from real estate transfer tax and deferral of income tax on gains arising from the revaluation of assets at the time of the merger until the dissolution of the company or the distribution of the gains.

These benefits apply provided that: (i) the company resulting from the merger will have a paid-up capital of at least EUR 300,000 in the case of an AE, or at least EUR 146,735 in the case of an EPE, and (ii) in most cases, 75% of the AE's shares or the EPE's parts will not be transferable for the first 5 years following the merger. The restriction on transferability does not apply to mergers of AEs.

Since its adoption, Law 1297/1972 has been extended periodically. On 10 April 2012, however, it has been extended indefinitely with retroactive effect from 31 December 2011.

Law 2166/1993 provides for a simpler procedure for the restructuring of companies (transformations, absorptions, mergers, splitting, contributions). The main tax benefits of this law are as follows:

- no revaluation gains are recognized, since assets and liabilities are transferred to the new company at the book values confirmed either by a certified auditor or by the tax authorities; and
- exemption from real estate transfer tax, stamp duty and other taxes imposed on contracts and, in most cases, capital duty.

The application of Law 2166/1993 is subject to the following two conditions:

- the businesses being transformed must maintain double-entry accounting books and have published financial statements for a period of at least 12 months (before the restructuring); and
- the company resulting from the merger must have a paid-up capital of at least EUR 300,000 in the case of an AE or at least EUR 146,735 in the case of an EPE.

With effect from 1 January 2014, the tax losses of the absorbing company may be carried forward, see section 1.5.1.

Mergers between banks are regulated by a special legislative framework (Law 2515/1997).

1.7.7. *Merger incentives for small and medium-sized businesses*

A special incentive regime (Law 3296/2004) in the form of a reduced corporate income tax rate and of benefits identical with those provided by Law 1297/1972 (see section 1.7.6.) applies for mergers effected by 31 December 2011 between small and medium-sized businesses in order to form an AE or EPE.

The incentive is subject to the condition that none of the involved businesses has the legal form of an AE. The newly created company, which must have a minimum capital of EUR 60,000 in the case of a partnership, EUR 120,000 in the case of an EPE and EUR 200,000 in the case of an AE, is taxed at a corporate income tax rate reduced by 10 percentage points in its first financial year and by 5 percentage points in the second year.

In practice, Law 3296/2004 is extended periodically. It has, however, not been extended (yet) for periods after 31 December 2011. As a consequence, mergers and acquisitions effected as of 1 January 2012 formally fall outside the scope of the aforementioned law.

1.7.8. Reliefs in the Aegean islands

The rates of corporate income tax (*see* section 1.6.1.) are reduced by 40% for companies resident in any Aegean island with a population of less than 3,100 and for any income earned from activities on such islands. The reduction applies until 31 December 2015 for income tax.

1.7.9. Strategic investments

Under Law 3894/2010, as amended mainly by Law 4072/2012, certain incentives are provided for eligible strategic investments. Strategic investments include investment in the sectors of industry, energy, tourism, transportation and communications, the provision of health services, waste disposal management, and for high-technology applications and innovations, if the investment:

- exceeds EUR 100 million; or
- exceeds EUR 40 million and creates at least 120 new jobs; or
- exceeds EUR 15 million in assigned industrial areas or EUR 3 million for approved projects under the investment portfolio fund JESSICA; or
- creates at least 150 new jobs.

Strategic investments may be subject to special tax incentives by virtue of statutory provisions that will have to be introduced, such as a fixed tax regime for a certain period of time, special methods for the calculation of a tax base, tax-free reserves, VAT refund and exemption, or reduction of duties and special taxes.

1.7.10. Research and development

For certain research and development (R&D) expenses (determined by Decree), the deductible amount of expenses is increased by 30% (i.e. 130% of expenses may be deducted). In order to qualify for the increased deduction, the R&D expenses that relate to purchases of fixed assets must be capitalized and amortized in equal annual instalments over a period of 3 years.

1.8. Administration

1.8.1. Taxable period

Corporate income tax is imposed each fiscal (tax) year on the total net income from all sources with reference to the previous fiscal year. The fiscal year coincides to the state budget year covering the relevant calendar year. Legal entities that maintain double-entry accounting books may opt for closing the tax year on 30 June. Exceptionally, foreign legal entities whose participation in the domestic legal person or entity exceeds 50% maintain the option to close the accounting period at a date other than 31 December or 30 June.

Income must be calculated by reference to the financial year, which covers a 12-month period normally ending on 30 June or 31 December, as mentioned above. When a company commences, ends or suspends its activities, the financial year may cover a period of less than 12 months. The tax year cannot exceed a period of 12 months.

The balance sheet, the profit and loss account and the appropriation of the profit/treatment of loss table, as well as the notes to the financial statements (annual financial statements), must be prepared within 4 months following the end of the financial year (3 months for EPEs). Accounting is required to conform to the financial year as provided by corporate income tax law.

1.8.2. Tax returns and assessment

Resident companies, branches of non-resident companies and non-resident companies must file their annual income tax return between 1 February and 30 May of the next tax year.

Companies that are subject to a mandatory audit by certified auditors must, for tax years 2014 and 2015, receive a tax certificate from their auditors.

1.8.3. Payment of tax

The final corporate income tax and the advance tax are payable in eight equal monthly instalments, the first one being paid with the filing of the income tax return.

The advance tax is equal to 80% (100% for Greek banks and branches of foreign banks) of the income tax. For new businesses, the advance tax is reduced by 50% in the first 3 financial years. Credit is given for the advance tax paid in the previous year. If a company has paid excess advance tax, part or all of the excess may be refunded.

1.8.4. Rulings

No advance ruling system applies. Companies may file written questions with the tax authorities. The answers received are not binding for tax auditors. The company will, however, not be subject to any fines if it acts in accordance with the answers given.

With effect from 1 January 2014, advance pricing agreements may be entered into for a period of up to 4 years (subject to approval of the chosen transfer pricing method).

2. Transactions Between Resident Companies

2.1. Group treatment

No group taxation exists in Greece. All entities are taxed separately, and profits and losses cannot be shifted between group companies.

2.2. Intercompany dividends

With effect from 1 January 2014, a participation exemption regime applies. Under the regime, intra-group dividends distributed and received by a resident corporate shareholder are exempt from corporate income (and withholding) tax, provided that:

- the distributing company has one of the forms listed in Annex I, section A of EU Directive 2011/96/EE (the Parent-Subsidiary Directive);
- the recipient of the dividends holds a minimum participation of 10% of the share capital or voting rights of the distributing entity;
- the distributing entity is not resident of a non-cooperative country; and
- the participation is held for a period of at least 24 months (if the participation is held for a shorter period, the exemption may still apply, provided that the taxpayer grants to the state a guarantee equal to the amount of tax that would have been payable).

Before 1 January 2014, dividends received by resident companies from their participation in other resident companies (AEs) were deducted from their gross income for purposes of income tax calculation, unless tax-free income was included in the distributing AE's gross income and a distribution of profit took place.

For foreign-source dividends, see section 6.1.1.

3. Other Taxes on Income

There are no local income taxes, with the exception of a municipal tax on gross revenues applying to (i) entertainment businesses and (ii) food catering businesses (restaurants, clubs, etc.). The rates are 5% and 0.5%, respectively.

4. Taxes on Payroll

4.1. Payroll tax

No payroll taxes are imposed on companies, other than the social security contributions.

4.2. Social security contributions

The Social Insurance Institution (IKA) provides employees with certain benefits in the case of unemployment, sickness, disability, retirement and death. Employers must pay IKA contributions calculated on the employees' monthly gross remuneration, including salaries and wages, bonuses and fringe benefits, as well as any profit distributions to employees up to a ceiling amount. With effect from 1 January 2013, the maximum monthly salary for social security purposes is EUR 5,543.55 for all employees.

The standard rate of the IKA contributions payable by employers is 24.56%. The percentage is increased in the case of heavy or hazardous work.

5. Taxes on Capital

5.1. Net worth tax

There is no net worth tax.

5.2. Real estate tax

5.2.1. State real estate tax

With effect from 1 January 2014, the new unified annual real estate tax (Real Estate Ownership Tax - REOT) is introduced. This tax replaces the state real estate tax (FAP) and the state real estate duty.

The REOT is imposed on real estate property in Greece owned by individuals or legal persons on 1 January of every year.

The legal rights that are subject to the REOT are:

- full and bare ownership;
- usufruct;
- preserved occupation;
- surface rights;
- exclusive use of a parking spot, auxiliary space and pool; and
- in exceptional situations, possession and occupancy rights.

Every owner of real estate (person or legal entity) is liable for the new tax, unless an exemption applies (*see below*). In cases of co-ownership, the tax will be assessed according to the percentage of each co-owner (special rules apply with respect to usufruct).

The following entities are, inter alia, exempt from the REOT:

- the Greek state;
- local administration authorities (municipalities, etc.), only if they use the property themselves or grant it for free to the Greek state;
- foreign states (for real estate functioning as an embassy or residence of a diplomatic agent in general);
- non-governmental legal entities for property used for cultural, athletic, educational, etc. reasons; and
- the monasteries of Mount Athos.

In addition, the following properties are exempt from the REOT:

- property condemned or designated for public use or environmental protection purposes; and
- property released from expropriation, when the decision is not implemented, as well as for expropriated property for which no compensation has been paid.

REOT consists of a main and a supplementary tax. The main tax due is calculated based on coefficients relating to the surface, the usage, the age and the location of the real property (tax rates per fiscal area). The supplementary tax is imposed on the total value of the real estate property at a rate of:

- 0.25% for legal entities; and
- 0.1% to 1% for individuals with a tax-free value of EUR 300,000.

The tax is payable either in equal monthly instalments or in a lump sum.

Before 1 January 2014, state real estate tax (FAP) was imposed annually on the value of immovable property, including land and buildings at rates varying from 0.1% to 0.6% (0.3% for non-profit organizations). The state real estate duty was levied on buildings supplied with electricity, and at a rate which corresponds to the value of a square metre applicable in the area where the building is located (certain exemptions applied).

5.2.2. Local real estate duty

The local real estate duty (TAP) is payable annually to local authorities. It is calculated on the value of immovable property, including buildings. The rate, set by the local councils, varies between 0.025% and 0.035% of the assessed value of the property. This duty is deductible for corporate income tax purposes.

5.2.3. Special tax on immovable property

Under Law 3091/2002, companies and other legal formations including trusts with the right of ownership or usufruct on immovable property located in Greece are subject to an annual tax of 15% on the value of the property (the “objective value”).

This tax does not apply to, inter alia, qualifying listed companies, certain shipping companies, state-owned companies, religious entities, the Greek state or other states.

6. International Aspects

6.1. Resident companies

For the concept of residence, see section 1.2.1.

6.1.1. Foreign income and capital gains

Resident companies are subject to tax on their worldwide income and capital gains. Thus, income and capital gains from foreign sources are included in the company's taxable income.

Dividends received from foreign sources are included in the taxable income of a resident company, unless the participation exemption applies (see section 2.2.). For foreign tax credit, see section 6.1.4.

The tax administration has clarified that payment of foreign-source dividends effected in Greece is not subject to Greek withholding tax. Foreign-source interest is subject to withholding tax at the rate of 15% when repatriated in Greece.

No withholding tax is levied on dividends received under the participation exemption regime (see section 2.2.), or dividends received under the Parent-Subsidiary Directive (2011/96/EU).

The 15% withholding tax does, in any case, not apply to interest paid by EU companies under the Interest and Royalties Directive (2003/49/EC), as in force.

Before 1 January 2014, foreign dividends or interest whose payment was effected in Greece were subject to a 20% withholding tax. The tax so withheld was credited against the recipient shareholder's final corporate income tax liability. Foreign-source royalties were also taxed as ordinary income of a resident company, but no withholding tax applied.

6.1.2. Foreign losses

Losses incurred by a resident company from its business activity abroad can neither be set off against domestic income nor be carried forward, unless resulting from income arising in EU or EEA Member States and provided it is not exempt on the basis of a double tax treaty concluded by Greece.

6.1.3. Foreign capital

There is no net worth tax. Foreign immovable property is not subject to real estate duties in Greece.

6.1.4. Double taxation relief

In the absence of a tax treaty, a resident company is entitled to a credit for foreign tax paid on foreign-source income against the Greek corporate income tax payable on that income. The amount of the credit is limited to the amount of Greek tax attributable to the foreign-source income (overall limitation).

With respect to foreign dividends not subject to the participation exemption, the foreign tax credit is granted for:

- in the case of an EU resident subsidiary which does not satisfy the conditions of the Parent-Subsidiary Directive, the withholding tax suffered in the foreign country, any withholding tax levied in Greece and arguably the underlying corporate income tax paid by the EU subsidiary; and
- in the case of a non-EU resident subsidiary, the withholding tax suffered in the foreign country and any withholding tax levied in Greece.

Where the conditions of the Parent-Subsidiary Directive apply (i.e. a participation of more than 10% exists continuously for at least 2 years), dividends are exempt (see section 6.1.1.).

Where the double taxation relief provided by a tax treaty is more advantageous than unilateral relief, the treaty relief is applied. If, however, unilateral relief offers more advantages, the unilateral relief applies. For a list of tax treaties in force, see section 6.3.5.

6.2. Non-resident companies

Non-resident companies are those which are not incorporated in Greece (for the effective management criterion, see section 1.2.1.). Non-resident companies carrying on business in Greece through a permanent establishment retain their status as non-resident.

6.2.1. Taxes on income and capital gains

Non-resident companies having a permanent establishment in Greece are liable for Greek corporate income tax on income and capital gains derived through the permanent establishment. In addition, Greek-source income (e.g. interest, royalties, capital gains) derived directly by the non-resident company is attributed to its permanent establishment (force-of-attraction principle) unless a tax treaty provides otherwise.

The computation of income of permanent establishments is made on the basis of the same rules as those applying to resident companies (see section 1.3.). Before 1 January 2014, a permanent establishment could, unless a tax treaty provided otherwise, deduct a portion of the operating costs of the head office, which should not exceed 5% of the permanent establishment's administrative expenses incurred in Greece.

The rate of corporate income tax for non-resident companies is generally the same as the normal rate that applies to resident companies (see section 1.6.1.).

Companies without a permanent establishment in Greece are taxed on their Greek-source income (e.g. dividends, interest, royalties and services in Greece), unless a treaty provides otherwise, through withholding at source, which extinguishes their income tax liability in Greece (see section 6.3.).

With effect from 1 January 2014, non-resident companies without a permanent establishment in Greece are not subject to capital gains tax. Before that date, such gains were subject to rates of 5% (for gains on certain non-listed shares) or 20% (for gains on the sale of participations in, inter alia, partnerships and patents, unless a tax treaty applied). Gains derived from the sale of shares listed on the Athens Stock Exchange purchased before 1 January 2014 were (and still are) exempt.

Foreign shipping companies operating ships in Greece under foreign flags are exempt from Greek corporate income tax on the basis of reciprocity (but subject to the tonnage tax applicable to ships under the Greek flag, see section 1.7.2.).

6.2.2. Taxes on capital

There is no net worth tax. Non-resident companies are subject to real estate taxes (see section 5.2.) with respect to immovable property located in Greece.

6.2.3. Administration

A non-resident company with a permanent establishment in Greece is taxed by assessment in the same manner as resident companies (*see* section 1.8.). Otherwise, taxation of non-resident companies is normally effected through withholding taxes, which, although not directly derived from statutory wording, should be considered as extinguishing the income tax liability (*see* section 6.3.) of the non-resident taxpayer. The tax certificate requirement (*see* section 1.8.2) does apply to permanent establishments (i.e. branches of foreign entities) in Greece, which are subject to a mandatory audit by certified auditors.

6.3. Withholding taxes on payments to non-resident companies

6.3.1. Dividends

Dividends/profits distributed to non-resident companies without a permanent establishment in Greece by AEs or EPEs are subject to a 10% withholding tax for distributions approved by the general meeting of shareholders on or after 1 January 2014, unless otherwise provided by a tax treaty or the EU Parent-Subsidiary Directive. The rate before 1 January 2014 was 25%.

6.3.2. Interest

Interest arising from Greek sources and paid to non-resident companies without a Greek permanent establishment is subject to withholding tax at the rate of 15%, unless otherwise provided for by a tax treaty or the Interest and Royalties Directive.

Before 1 January 2014, interest was exempt if derived from government bonds, corporate bonds and bank deposits in foreign currency. A 15% final withholding tax rate applied to interest on bank deposits in euro and from repo transactions. A 33% final withholding tax rate applied to other, non-exempt, interest.

The EU Interest and Royalties Directive (2003/49), implemented in Greece by Law 3312/2005, precludes any taxation on interest and royalty payments to associated EU companies. Under a transitional regime, Greece could levy a withholding tax on interest and royalties at 5% between 1 July 2009 and 30 June 2013. This reduction applies provided that the recipient is an associated company of the paying company and is resident in another EU Member State. Two companies are “associated companies” if (i) one of them holds directly at least 25% of the capital of the other or (ii) a third EU company holds directly at least 25% of the capital of the two companies. A continuous minimum holding period of 2 years is required. The relevant companies must have a legal form listed in the Annex of the Directive and be subject to a corporate income tax.

By virtue of the EU-Switzerland Savings Agreement, Greece exempts interest and royalty payments to recipients resident in Switzerland under essentially the same conditions as those laid down in the EU Interest and Royalties Directive (subject to the transitional regime).

6.3.3. Royalties

Royalties arising from Greek sources and paid to non-resident companies without a permanent establishment in Greece are subject to withholding tax at the rate of 20%.

Before 1 January 2014, royalties paid to non-resident companies without a permanent establishment in Greece were subject to final withholding tax at a rate of 25% (unless a lower rate is provided under a tax treaty).

For withholding tax rates on royalties under tax treaties, see section 6.3.5.

For the royalties covered by the EU Interest and Royalties Directive, see section 6.3.2.

6.3.4. Other

Fees for technical services, management services, consulting services and fees for similar services, rendered in Greece by non-residents not having a permanent establishment in Greece, are subject to a withholding tax at a rate of 20% (25% before 1 January 2014); this withholding tax shall be considered as final.

6.3.5. Withholding tax rates chart

The following chart contains the withholding tax rates that are applicable to dividend, interest and royalty payments by Greek companies to non-residents under the tax treaties in force as at the date of review. Where, in a particular case, a treaty rate is higher than the domestic rate, the latter is applicable.

In general, a reduced treaty rate may be applied at source if the appropriate residence certificate has been presented to the relevant tax office and a copy of the withholding tax return is provided to the bank making the payment.

	<i>Dividends</i>		<i>Interest¹</i>	<i>Royalties²</i>
	<i>Individuals, companies</i>	<i>Qualifying³ companies</i>		
	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Domestic Rates				
<i>Companies:</i>	10	0	0/15	0/20
<i>Individuals:</i>	10	n/a	15	20
Treaty Rates				
<i>Treaty With:</i>				
Albania	5	5	5	5
Armenia	10	10	10	5
Austria	15	5	8	7
Azerbaijan	8	8	8	8
Belgium	15	5	5/10 ⁴	5
Bulgaria	10	10	10	10
Canada	15	5	10	0/10 ⁵
China (People's Rep.)	10	5	10	10
Croatia	10	5	10	10
Cyprus	25	25	10	0/5 ⁶
Czech Rep.	- ⁷	- ⁷	10	0/10 ⁸
Denmark	38	38	8	5
Egypt	10	10	15	15
Estonia	15	5	10	5/10 ⁹
Finland	47	47	10	0/10 ⁸
France	- ⁷	- ⁷	10	5
Georgia	8	8	8	5
Germany	25	25	10	0
Hungary	45	45	10	0/10 ⁸
Iceland	15	5	0/8 ¹⁰	10

	<i>Dividends</i>		<i>Interest¹</i>	<i>Royalties²</i>
	<i>Individuals, companies</i>	<i>Qualifying³ companies</i>		
	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
India	₇	₇	₇	₇
Ireland	15	5	5	5
Israel	₇	₇	10	10
Italy	15	15	0/10 ¹⁰	0/5 ⁸
Korea (Rep.)	15	5	8	10
Kuwait	5 ¹¹	5 ¹¹	5	15
Latvia	10	5	10	5/10 ⁹
Lithuania	15	5	10	5/10 ⁹
Luxembourg	38	38	8	5/7 ⁸
Malta	10	5	8	8
Mexico	10	10	10	10
Moldova	15	5	10	8
Morocco	10	5	10	10
Netherlands	35	35	8/10 ⁴	5/7 ⁸
Norway	40	40	10	10
Poland	₇	₇	10	10
Portugal	15	15	15	10
Qatar	5	5	5	5
Romania	45	45	10	5/7 ⁸
Russia	10	5	7	7
San Marino	10	5	10	5
Saudi Arabia	5	5	5	10
Serbia	15	5	10	10
Slovak Rep.	₇	₇	10	0/10 ⁸
Slovenia	10	10	10	10
South Africa	15	5	0/8 ¹⁰	5/7 ⁸
Spain	10	5	0/8 ¹⁰	6
Sweden	0 ¹²	0 ¹²	10	5
Switzerland	15	5	7	5
Tunisia	35	35	15	12
Turkey	15	15	12	10
Ukraine	10	5	0/10 ¹⁰	10
United Kingdom	₇	₇	0	0
United States	₇	₇	0/ ₁₃	0
Uzbekistan	8	8	10	8

1. Many treaties provide for an exemption for certain types of interest, e.g. interest paid to the state, local authorities, the central bank, export credit institutions or in relation to sales on credit. interest paid to public bodies and institutions or in relation to sales on credit. Such exemptions are not considered in this column.
2. The withholding tax on rental payments may also be reduced under the provisions on royalties in various tax treaties. The text of the relevant treaty should be consulted.

3. Unless stated otherwise, the reduced treaty rates given in this column generally apply if the recipient company holds directly or indirectly at least 25% of the capital or the voting power, as the case may be, of the company distributing dividends.
4. The lower rate applies to interest paid to a bank or other financial institution. Special conditions may apply.
5. The lower rate applies to royalties paid for copyrights of cultural or artistic works, excluding films etc.
6. The rate is 5% on royalties for films, other than films shown on TV.
7. The domestic rate applies; there is no reduction under the treaty.
8. The lower rate applies to royalties paid for copyrights of literary, artistic or scientific work, including films, etc.
9. The lower rate applies to equipment rentals.
10. The lower rate applies, inter alia, to interest paid by public bodies.
11. No withholding tax is due if dividends are paid to local authorities, government agencies or financial institutions.
12. The domestic rate would apply if Greece applied the dividend deduction system.
13. If the US company controls more than 50% of the voting power in the Greek company paying the interest, the domestic rates apply. If 50% or less is held, the domestic rates apply to any interest in excess of 9%; otherwise the interest is exempt.

7. Anti-Avoidance

7.1. General

With effect from 1 January 2014, a general anti-avoidance provision applies. Pursuant to such rules, any artificial (series of) arrangement(s) which has been put into place for the essential purpose of avoiding taxation and leads to a tax benefit, may be disregarded by the tax authorities. The tax authorities will treat these arrangements for tax purposes by reference to their economic substance.

Before 2014, no general anti-abuse provisions existed.

7.2. Transfer pricing

With effect from 1 January 2014, the arm's length rule applies to all transactions between associated companies.

For transfer pricing purposes, companies are considered as associated in the following cases:

- they are associated due to the participation of a company in another company by owning directly or indirectly equity, shares or capital participations of at least 33% based on the value or number of shares, the rights to profits or the voting rights;
- they are associated with any other company owning directly or indirectly equity, shares, voting rights or capital participations of at least 33% based on the value or number of shares, the rights to profits or the voting rights in one of the associated companies; and
- they are associated with any other person (individual or legal entity) with which there is a relationship of direct or indirect substantial administrative or economic dependence or control; or the person (individual or legal entity) exercises dominant influence or has the power to exercise dominant influence on the decision making of the company; or if the two entities have a relationship of direct or indirect substantial administrative or economic dependence or control or the power of dominant influence by a third person (individual or legal entity).

This principle also applies to a non-resident company and its permanent establishments in Greece, with regard to transactions between them, and to a resident company and its permanent establishments abroad.

Under these provisions, transactions between resident associated companies must also be documented.

An exemption from the documentation requirement regarding transactions between associated where the total value of the transactions between them does not exceed the amount of EUR 100,000 or EUR 200,000 in total if the gross revenue of the relevant accounting period for the associated companies does not exceed EUR 5 million.

For advance pricing agreement procedures, see section 1.8.4.

Further to the above, Greek and cross-border business restructurings shall conform to the arm's length principle, otherwise the taxable results of the involved entities are adjusted.

7.3. Thin capitalization

Before 1 January 2014, any accrued interest on loans or credits which was paid or credited to associated enterprises, as defined for transfer pricing purposes, was deductible on the condition that the proportion of these loans or credits to the net assets of the enterprise did not exceed the ratio of 3:1 on average per fiscal year. Accrued interest on loans and credits exceeding this ratio is not deductible. Exempt from the thin capitalization rules were, inter alia, leasing and factoring companies and credit institutions.

With effect from 1 January 2014, the amount of net interest expenses (i.e. the amount of interest expenses that exceeds the interest income) is deductible up to the following percentages of EBITDA (for tax purposes):

- 60% as of 1 January 2014;
- 50% as of 1 January 2015;
- 40% as of 1 January 2016; and
- 30% as of 1 January 2017.

The legislation provides for a safe harbour, whereby net interest expenses up to EUR 5 million are fully tax deductible until 31 December 2015, and up to EUR 3 million as of 1 January 2016. Any non-deductible amount as per the above thin capitalization provisions may be carried forward without any time limitation.

The above thin capitalization provisions do not apply to credit institutions, leasing and factoring companies or special purpose companies to the extent that they relate to the performance of a (public) concession agreement or a public private partnership contract entered into until 31 December 2014.

7.4. Controlled foreign company

With effect from 1 January 2014, CFC legislation has been introduced. Under this legislation, the non-distributed income of a foreign legal entity (the CFC) is included in the taxable income of a resident legal entity taxpayer, provided that the following conditions are cumulatively met:

- the CFC's primary class of shares is not traded on a regulated market;
- the Greek taxpayer, together with any related persons, holds, directly or indirectly, a participation of more than 50% in the shares, voting or capital rights or profits of the CFC;

- the CFC is subject to taxation in a non-cooperative state, or a state with a preferential tax regime (i.e. a regime providing for taxation which is 50% lower than the amount that would have been payable under Greek income tax legislation); and
- over 30% of the net income before taxes of the CFC arises from one or more of the following:
 - interest or other income from financial assets;
 - royalties or other income from intellectual property; or
 - income derived from:
 - dividends and shares transfer;
 - movable assets;
 - real estate property (unless the State of the entity would not be entitled to tax that income, according to an agreement with a third country); or
 - insurance, bank and other financial activities.

In the event that the CFC is an EU or EEA tax resident and an agreement for the exchange of information exists, the rules described above do not apply, unless it is deemed that the business activity of the CFC constitutes an arrangement aiming at tax avoidance.

Before 1 January 2014, there was no CFC legislation in Greece.

7.5. Other anti-avoidance rules

In addition to the measures mentioned above, some specific anti-avoidance provisions apply.

If the taxpayer cannot prove that expenses relate to normal and real transactions that do not result in a transfer of profits, income or capital with the aim of tax evasion or avoidance, and such expenses are payable to tax residents of:

- a non-EU country which does not have a convention with Greece and at least another 12 countries for exchange of information (non-cooperative countries); or
- a country with an income tax rate equal or less than 50% of the Greek income tax rate (i.e. countries with a preferential tax regime);

those expenses will not be deductible. A ministerial decision, issued on an annual basis, lists the non-cooperative countries, as well as the states with a “preferential tax regime”.

With effect from 1 January 2014, if a change of more than 33% in the (in)direct ownership of the share capital or of the voting rights of an enterprise occurs in a tax year, the losses incurred in that year (and the 5 years before that year) may not be carried forward. Carry-forward may nevertheless take place if the taxpayer proves that the change in ownership has taken place exclusively for commercial purposes, and is not aimed at tax evasion or avoidance.

Also with effect from 1 January 2014, the beneficial (neutral) tax treatment in respect of contributions of assets in exchange for securities, exchanges of securities, mergers and transfers of the registered seat of a European company does not apply in cases where the respective transactions aim at tax evasion or avoidance.

8. Value Added Tax

8.1. General

Introduced in 1987, the Greek VAT legislation has been amended to conform with the EU VAT Directives. The tax is designed to be borne by the ultimate consumer of goods and services. The general principle is that VAT incurred by an entrepreneur on his purchases can be offset against the VAT charged by this entrepreneur on his sales and the difference is payable to or recoverable from the tax authorities.

Greece has implemented the amendments introduced by Directive 2008/8, which is effective from 1 January 2010. The amendments concern the place of supply of services. According to the new rules, the principle is that the place of supply of services to a taxable person is the place where the recipient has his business establishment, while the place of supply of services to a non-taxable person is the place where the supplier's business is established.

8.2. Taxable persons

Taxable persons for the purposes of VAT are:

- every individual or legal entity or enterprise, either Greek or foreign, engaged in an independent economic activity in Greece;
- the state, or state or municipal authorities, with respect to transactions which can also be performed in the private sector;
- with respect to the importation of goods (from a non-EU country), the owner of the imported goods under customs legislation; and
- every person that occasionally supplies buildings.

In general, all businesses must register for VAT before they start operations. No registration threshold exists.

8.3. Taxable events

VAT is levied on the following transactions:

- the supply of goods (including the supply of new buildings for which the building licence was issued after 1 January 2006) and services by entrepreneurs in Greece;
- the importation of goods into Greece;
- the intra-Community acquisition of goods (in this case the VAT liability is nil if the acquirer carries out transactions that are subject to VAT or zero-rated activities); and
- leases of property used for the exercise of professional activities, if the taxable person opts to subject this activity to VAT.

8.4. Taxable amount

The taxable amount is the consideration for goods and services, excluding the VAT itself. In the case of the supply of new buildings for which the building licence was issued after 1 January 2006, the deemed sales price is taken into account if it is higher than the contractual consideration. The amount may be increased by the value of any services directly connected with the transaction, e.g. insurance and transportation costs, commissions, and by subsidies. In the case of imports, the taxable amount is the c.i.f. value of the goods plus customs duties.

8.5. Rates

The standard VAT rate is 23% from 1 July 2010. The reduced rates have been increased as of 1 January 2011. A reduced rate of 13% applies to goods deemed to be necessities, such as fresh food products, transportation, electricity, mineral water, as well as to certain professional services, coffee shops, writers, composers, artists, and (non-exempt) services of doctors and dentists. A reduced rate of 6.5% applies to newspapers, periodicals, books, theatre tickets, pharmaceuticals and hotel accommodations.

For the region of the Dodecanese, the Cyclades and Eastern Aegean islands, the above rates are reduced to 16%, 9% and 5%, respectively.

8.6. Exemptions

The exemptions provided by the VAT law can be classified into two broad categories, namely exemptions without a right of deduction of input tax and exemptions with a right of deduction of input tax (zero rating).

Examples of the former are the supply of services of social or cultural nature (medical services, educational services, etc.), as well as insurance, financing and most banking activities provided to EU residents. Examples of zero-rated transactions are exportation, the international transit of goods and transactions in relation to shipping.

8.7. Non-residents

Non-residents established in Greece are taxable in the same manner as residents. Other non-residents who make taxable supplies in Greece must appoint a tax representative in Greece to account for VAT, unless they provide only reverse-charge type of services. However, following the enactment of Law 2992/2002, where the supplier is a taxable person resident in another EU Member State without a permanent establishment in Greece, the VAT liability remains with that person directly. With effect from 1 January 2006, that person has no obligation to appoint a tax representative (although the Greek tax authorities do not apply it currently).

EU residents, and non-EU residents on the condition of reciprocity, who are not established in Greece and who receive services or purchase goods from Greek businesses subject to VAT, are entitled to claim refund of VAT under certain conditions.

9. Miscellaneous Taxes

9.1. Capital duty

Any kind of contribution to the share capital on the formation of a company (AE or EPE) is not subject to any capital duty.

The increase in a company's capital is subject to a capital duty at the rate of 1%, unless the increase is the result of the compulsory revaluation of immovable property, or of the capitalization of profits, reserves or provisions other than the share premium reserve.

The contribution of assets or working capital by a non-resident company to its branch in Greece, both on formation and during operation, is subject to the 1% capital duty. However, if the non-resident company has its seat or permanent establishment in an EU Member State, the contribution is exempt from this tax.

Profit-sharing loans and loans used for a capital increase are immediately subject to the capital duty (not at the time of capitalization). No capital duty is due when shares are issued.

9.2. Transfer tax

9.2.1. Immovable property

A real estate transfer tax is imposed on the sale of land and buildings acquired by 31 December 2005 or after that date, provided that VAT was imposed on the first transfer. The same applies to component parts permanently connected with the land or buildings if their separation would result in considerable decrease in value. The tax is borne by the buyer. The rate is 3% of the objective or market value, whichever is higher.

9.2.2. Shares, bonds and other securities

A transfer tax is levied on the proceeds from the sale of shares listed on the Athens Exchange or on any other recognized stock exchange in the world. The rate is currently 0.20%.

As regards shares listed in Athens, the tax is settled through the clearing mechanism of the stock exchange. For shares listed on stock exchanges abroad, the seller (resident of Greece) must file a return and pay the tax.

The 0.20% tax has also been imposed on OTC stock lending.

9.3. Stamp duty

Stamp duties are imposed at varying rates on certain transactions which are exempt from VAT, such as:

- 3.6% on rents/lease of properties used for business purposes but not for residential purposes;
- 2.4% on various insurance transactions;
- 2.4% on the issuance of loans between businesses or between individuals and companies and payment of interest on such loans. Loans granted by banks operating in Greece or abroad and interest payments on such loans are exempt; and
- 1.2% on payment of directors' fees.

A stamp duty is also due in case of a purchase of an existing business as a going concern. The issuance of bonds by corporations (AEs) is exempt from stamp duty.

9.4. Customs duty

Customs duties no longer apply to goods that originate from an EU Member State. Customs duties are imposed on imports from countries outside the European Union on the basis of the EU common customs tariff.

9.5. Excise duty

Excise duties on tobacco, alcohol and mineral oils are imposed within the range provided by EU law.

GREECE

This chapter is based on information available up to 1 February 2015.

Introduction

Individuals are subject to national income tax. Income derived from immovable property is also subject to income tax. Inheritance and gift taxes apply. Social security contributions are also levied. There are no local income taxes. There is no net wealth tax. For VAT and miscellaneous indirect taxes, *see* Corporate Taxation sections 8. and 9., respectively.

On 23 June 2013, the new Income Tax Code (Law 4172/2013) was published in the Official Gazette. The new Code of Tax Procedures (Law 4174/2013), which integrates the rules relating to (income) tax compliance, collection and assessment tax, VAT, the real estate tax, and all other taxes, was published in the Official Gazette on 26 July 2013. Both new laws generally apply from 1 January 2014.

The currency is the euro (EUR).

1. Individual Income Tax

1.1. Taxable persons

Resident individuals are subject to national income tax on their worldwide income.

An individual is considered a tax resident of Greece if:

- the individual maintains a permanent or principal residence or usual abode in Greece; or
- the individual has their centre of living interests (i.e. personal, financial or social relations) in Greece.

An individual who is physically present in Greece for a period exceeding 183 days, including short breaks of stay abroad, is considered a tax resident in Greece from the first day of his presence in the country.

Married persons are taxed separately, but certain modifications apply (*see* section 1.10.2.). Children under the age of 18 are taxed, in principle, jointly with their parents but, again, certain modifications apply (*see* section 1.10.2.).

A partnership is treated as a separate taxable person.

1.2. Taxable income

1.2.1. General

With effect from 1 January 2014, there are four categories of income for individuals, each with a different tax treatment:

- income from employment and pensions (*see* sections 1.3.1. and 1.3.3.);
- income from business activities (*see* section 1.4.);
- investment (capital) income (dividends, interest, etc.) (*see* section 1.5.); and
- capital gains income (sale of real estate, shares, bonds, etc.) (*see* section 1.6.).

Each of these four categories is subject to different tax rates, *see* section 1.9.

Before 2014, individual income tax was imposed on the taxpayer's total net income. The term "income" was not defined in the law but generally includes all income which is not expressly exempt.

For income tax assessment purposes, the income of individuals was divided into the six categories, namely income from (i) movable property, (ii) immovable property, (iii) business, (iv) agriculture, (v) employment and (vi) professional services and other sources.

1.2.2. Exempt income

The following types of income from employment and pensions, amongst others, are exempt from individual income tax:

- salaries of foreign diplomats and of persons working for the European Union or an international organization;
- alimony received following a court order or an agreement legalized by a notary public;
- pensions and reliefs granted to war veterans and war victims;
- salaries or pensions paid to persons who are severely handicapped to a degree equal to or greater than 80%; and
- unemployment benefits, provided the taxpayer's total income from other sources does not exceed EUR 10,000 per annum.

Although not specified by the Income Tax Code, foreign officers of merchant navy ships flying the Greek flag are taxed at a flat rate of 15% and foreign lower crew members are exempt.

1.3. Employment income

1.3.1. Salary

Gross income from employment (and pension) activities is subject to income tax at the rates mentioned in section 1.9.2.1. Employment income includes, inter alia, income for services rendered by an individual:

- as a director (or Board Member) of a legal entity (taxation at source for certain members of a Board of Directors is abolished with effect from 1 January 2014);
- as a salaried lawyer; or
- on the basis of written agreements for the provision of services if certain thresholds are met.

Gross income received from employment (and pensions) also includes, inter alia, the following:

- the lump-sum or periodic receipt of insurance annuities regarding group pension plans, taxed at the rates indicated in section 1.9.2.1.;
- termination payments (subject to withholding tax, *see section 1.9.2.1.* for the applicable rates);
- any benefit received prior to the commencement of the employment relationship;
- stock options on listed shares (before 2014, this form of income was considered as freelancer's income); and
- any other benefit received in return of a current, past or future employment relationship.

Exempt from employment income are (under conditions):

- meal vouchers up to EUR 6 per day;

- travel expenses; and
- insurance premiums for health and medical expenses (up to EUR 1,500 annually).

1.3.2. *Benefits in kind*

Benefits in kind are treated as taxable income, provided their market value exceeds EUR 300 in any one tax year.

Company cars

The benefit of a company car provided to employees, shareholders or partners of a legal entity is generally equal to 30% of the depreciation cost and other relevant expenses. Before 2014, the taxable benefit was calculated as a percentage (ranging from 15% to 30%) of the manufacturing price of the car.

Loans

With effect from 1 January 2014, the taxable benefit of a loan provided to an employee, partner or shareholder for which there is a written loan agreement, is the difference between the interest actually paid and the market interest set by the Ministry of the Economy. In the absence of a written loan agreement, the benefit is equivalent to the loan advanced. Advances that exceed 3 times the monthly salary constitute a loan. Before 1 January 2014, there was no valuation method for this type of benefit.

Dwelling

Where employees, partner or shareholders of a legal entity are granted a residence owned by that legal entity, the annual taxable benefit is equal to 3% of the objective value. If the residence is rented out to one of these individuals, the benefit is equal to the rent (as was the case before 1 January 2014).

1.3.3. *Pension income*

Pensions are treated as employment income and are also taxed under a withholding system discussed in section 1.9.2.1.

Pensions and reliefs granted to war veterans and war victims are exempt (see section 1.2.2.).

1.3.4. *Directors' remuneration*

With effect from 1 January 2014, the remuneration of directors, partners and administrators is treated as employment income (see section 1.3.1.).

Before 1 January 2014, remuneration received by directors or partners of a corporation or a limited liability company was considered as either income from:

- movable property (for remuneration for attending board meetings) subject to a 40% final withholding tax and stamp duties (in case there was no employment contract); or
- business activities or employment for services rendered under a specific employment contract, subject to either a 40% withholding tax or progressive rates, depending on the circumstances.

Bonuses (i.e. benefits in cash paid in addition to the regular remuneration and overtime payment) paid to the executives of credit institutions were generally taxed at the general progressive tax rates before 1 January 2014.

1.4. Business and professional income

The previous distinction (before 1 January 2014) between business income, professional income (earned by, amongst others, lawyers, doctors, dentists, veterinary surgeons, psychologists, physiotherapists, economists, business consultants, accountants, tax consultants, computer analysts, computer programmers and singers), partnership income and income from agriculture, is now abolished. All such income is now considered as business income.

The net (taxable) profits are determined by deducting from gross income the allowable business expenses, depreciation and bad debts written off. Gross income also includes the proceeds from the sale of business assets.

The allowable expenses are those that are incurred in the normal course of business, are actual, are recorded in the books of account and are substantiated by proper documentation.

For a general overview of the deductibility of expenses, see Corporate Taxation section 1.3.3.

1.5. Investment income

Capital income is defined as the income earned by an individual either in cash or kind in the form of dividends, interest, royalties, as well as from immovable property.

1.5.1. Dividends

Dividends are subject to withholding tax at a rate of 10% (see section 1.9.2.3.).

Dividends distributed in 2013 by resident companies were subject to a final withholding tax at the rate of 25%.

1.5.2. Interest

Interest is defined as income derived from debt claims of any kind (including profit participating loans), as well as income from deposits, state securities, titles and bonds (secured or not) and every kind of loan relation, including premiums, repos/reverse repos and rewards deriving from bonds or securities. Such income is subject to withholding tax at a rate of 15% (see section 1.9.2.3.).

The following interest earned by individuals is tax exempt:

- interest from bond loans and treasury bills of the Greek state; and
- interest from bonds issued by the European Financial Stability Facility (EFSF) in application of the programme for the restructuring of the Greek debt.

However, the ITC does not specify whether the exemptions of Law 3156/2003 on bond loans, as well as the current exemption from withholding tax for non-Greek resident bondholders, are maintained.

1.5.3. Royalties

Income from royalties is defined as income earned as an exchange for the use or the right of use of, amongst others, copyrights on literary, artistic or scientific works (including films and software for commercial exploitation or for personal use), patents, trademarks, etc. Such income is subject to a withholding tax at a rate of 20% (see section 1.9.2.3.).

Before 1 January 2014, royalties received by residents were included in the general taxable income (subject to progressive rates). Copyright royalties were, however, subject to withholding tax.

1.5.4. *Income from immovable property*

Income from immovable property is defined as income derived from:

- leasing;
- self-use; and
- free-of-charge use

of land and buildings. The presumptive determination of the leasing value of the property is abolished with effect from 1 January 2014.

The presumptive income in the case of self-use or free-of-charge use is equal to 3% of the objective value (as determined by the Ministry of Finance) of the property. Free-of-charge use of residences up to 200 m², to be used as the principal residence by relatives in ascending or descending line, is tax exempt.

In the case of landlords who are individuals, the tax deductible expenses are limited to 5% of the amounts paid for repairs, maintenance, renovation, etc.

Before 1 January 2014, the 1.5% surtax imposed on such income increased to 3% for dwellings whose area exceeded 300 square metres or buildings rented to businesses, is abolished.

Income earned from immovable property is taxed at a rate of 11% on the first EUR 12,000 and at a rate of 33% on any excess (the same rates as in 2013).

1.6. *Capital gains*

1.6.1. *Immovable property*

Capital gains arising from the transfer of immovable property are subject to individual income tax at a flat rate of 15%, provided these transfers do not constitute a business activity.

Transfer includes, amongst others, the expropriation of real estate, cases of establishment of usufructs in return for a consideration, etc.

Capital gain is defined as the difference between the acquisition price and sale price. This gain is then reduced by taking into consideration an inflation adjustment, based on the number of years of ownership, as follows:

<i>Years of ownership</i>	<i>Reduction (%)</i>
1	100
2	98.2
3	96.4
4	94.7
5	93.0
6	91.2
7	89.5
8	87.8
9	86.1
10	84.5
11	82.8

<i>Years of ownership</i>	<i>Reduction (%)</i>
12	81.1
13	79.5
14	77.9
15	76.4
16	74.8
17	73.2
18	71.7
19	70.2
20	68.7
21	67.2
22	65.7
23	64.2
24	62.8
25	61.5
Over 26	60

If the acquisition price is not indicated, it is considered to be the value on which the real estate transfer tax was determined at the time of acquisition. If the value cannot be determined, it is considered as being zero. The sale price is always the price indicated on the transfer agreement at the time of transfer.

Before 1 January 2014, the acquisition price was generally the objective value (see section 1.5.4. above) or, in the absence of such, on the basis of the transfer values of similar assets.

For the treatment of losses incurred from the sale of real estate, see section 1.8.2.

An exemption of up to EUR 25,000 is granted to the amount as adjusted above for inflation, provided the taxpayer has held the property for at least 5 years prior to the transfer, and has not transferred any other real estate property during this holding period.

The transfer of immovable property is also subject to a 3% transfer tax on the sale price (see also Corporate Taxation section 9.2.1).

With effect from 1 January 2015, the transfers of immovable property that take place between 1 January 2015 to 31 December 2016 are not subject to the capital gains tax.

1.6.2. Shares

Individuals are subject to income tax on the capital gains derived from the transfer of certain securities, as well as the transfer of a business as a whole, provided these transfers do not constitute a business activity. Capital gains derived from the following transfers are taxable:

- shares (listed or unlisted);
- participations in partnerships;
- state bonds and treasury bills or corporate bonds; and
- derivative products.

The capital gain is generally the difference between the acquisition and sales price as indicated on the related documents issued by the financial institution involved in the transfer. Special rules may apply for the calculation of the capital gain on unlisted shares. In cases where the acquisition price cannot be determined, it is considered as zero.

For the treatment of losses incurred from the sale of shares, bonds and participations, see section 1.8.3.

The capital gains derived from the above transfers are taxed at a flat rate of 15%.

A transfer tax of 0.20% is also levied for shares listed on the Athens Stock Exchange.

Listed shares acquired after 1 January 2009 are exempt from the 15% capital gains tax, provided the seller owns less than 0.5% of the share capital of the company whose shares are sold.

Before 1 January 2014, capital gains derived on shares were subject to either a 5% tax rate (for unlisted shares) or exempt (for shares listed on the Athens Stock Exchange). Gains from the transfer of a sole business or participation in a partnership or a limited liability company were exempt (if transferred to certain persons due to retirement) or taxed at 5% or 10%, depending on which category (I or II, respectively) the business or participation was transferred to (see section 5.4. for a definition of the category).

1.7. Personal deductions, allowances and credits

1.7.1. Deductions

Social security contributions to IKA (see section 3.) are fully deductible.

1.7.2. Allowances

There are no personal allowances.

1.7.3. Credits

The following tax credits are currently available:

Tax reduction for living expenses

Individual taxpayers earning employment income, including pensions, may qualify for a tax reduction in respect of their and their family's qualifying living expenses if such expenses are at least 10% of the taxable income. The maximum reduction is EUR 2,100, which applies if the taxpayer's taxable income is EUR 21,000. For income exceeding EUR 21,000, the reduction is phased out by EUR 100 for every EUR 1,000 of additional income (rounded down to thousands), which means that the credit is zero for income exceeding EUR 42,000.

In order to claim this tax reduction, the taxpayer must be able to present receipts proving that his living expenses are at least 10% (25% before 1 January 2014) of his taxable income. If the value of such receipts does not reach the required amount, tax at the 22% rate (the lowest income tax rate) is calculated on the deficit.

The qualifying living expenses are decided by the Minister of Finance.

Medical expenses and disability

A credit is granted equal to 10% of the annual expenses of a taxpayer and his dependants paid to doctors and hospitals that are not covered by social insurance funds or insurance companies. The credit is calculated as 10% of the expenses, limited to EUR 3,000, for the part of the expenses that exceed 5% of the taxable income. Qualifying

medical expenses also include those paid for unmarried or widowed children who suffer from an incurable disease, or who are mentally retarded or blind, and whose total annual taxable income does not exceed EUR 6,000.

Donations

A credit of 10% of the amount of donations to the state, state universities, the church, other public institutions and philanthropic institutions is granted. The credit cannot, however, exceed 5% of the total declared family income.

Such donations must be deposited to a specific bank account of the donee, opened for this purpose. A credit in the amount of donated medical equipment and ambulances to state hospitals is also granted.

Only donations of at least EUR 100 qualify for these credits.

Residents of an EEA State deriving at least 90% of their worldwide income from sources in Greece may also claim these credits mentioned above.

1.8. Losses

1.8.1. Losses from business activities

An individual taxpayer's business losses can be carried forward and set off against the business profits of the following 5 years.

For losses incurred from business and professional activities abroad, *see* section 6.1.1.2.

1.8.2. Capital losses from the transfer of immovable property

Capital losses suffered by an individual from the transfer of immovable property (*see* section 1.6.1.) may be carried forward indefinitely and set off against the profits from the same source.

1.8.3. Capital losses from shares, participations, etc.

Capital losses suffered by an individual regarding the transfer of shares, participations, etc. (*see* section 1.6.2.) are carried forward indefinitely and set off against the profits from the same source.

Before 1 January 2014, a loss in any category of income could be deducted from income of the taxpayer's other categories in that same year. The individual taxpayer's business losses were treated in the same way as the losses of companies, i.e. they were set off against income of other categories for the same year, any balance being carried forward for 5 years. Losses could not be carried back or transferred to a spouse.

1.9. Rates

1.9.1. Income and capital gains

Different income tax rates apply to the four sources of taxable income (*see* section 1.2.1.).

1.9.1.1. Income from employment

The following income tax rates apply to taxable income from employment (salaries and pensions; *see* sections 1.3.1. and 1.3.3., respectively) earned from 1 January 2014 onwards.

Taxable income (EUR)	Rate (%)
Up to 25,000	22
Next 17,000	32
Over 42,000	42

The same rates and brackets applied in 2013.

Greek officers of merchant navy ships flying the Greek flag are taxed at a flat rate of 15%; Greek lower crew members are taxed at a flat rate of 10%.

For the period from 1 January 2014 until 31 December 2015, for taxpayers who are residents of islands with less than 3,100 inhabitants, the first taxable income bracket of EUR 25,000 is increased by 50%.

1.9.1.2. Income from business

For taxable business income derived by an individual (as opposed to an entity of any legal form), the applicable tax rates are 26% on income up to EUR 50,000, and 33% on any excess (same as for 2013).

For taxpayers who commence their activities on or after 1 January 2013, the 26% rate is reduced by 50% for the first 3 financial years, provided their taxable income does not exceed EUR 10,000.

Business income from agricultural activities is taxed at a flat rate of 13%.

Any increase of one's property which cannot be substantiated or is the result of an illegal activity is considered as business income and is taxed at 33%.

For the period from 1 January 2014 until 31 December 2015, for taxpayers who are residents of islands with less than 3,100 inhabitants, the first taxable income bracket of EUR 50,000 is increased by 50%.

1.9.2. Withholding taxes

1.9.2.1. Employment income

Salaries, wages and pensions are subject to withholding tax at source by the employer under the pay-as-you-earn system.

The tax to be withheld is calculated as follows:

- calculate the net annual salary;
- establish the annual tax payable by applying the tax scale for individuals (see section 1.9.1.);
- apply the tax reduction for living expenses (see section 1.7.3.); and
- discount the tax thus calculated by 1.5%.

Termination payments

With effect from 1 January 2014, recipients of termination payments are entitled to a deduction of EUR 60,000 (i.e. the first EUR 60,000 is not taxable). Any remainder is taxed as follows:

Taxable income (EUR)	Rate (%)
Next 40,000	10
Next 50,000	20
Over 150,000	30

Lump sums or periodic receipts of insurance annuities

Lump sums or periodic receipts of insurance annuities regarding group pension plans are subject to a final withholding tax at the following rates:

- 15% for any periodic receipt;
- 10% for lump sums not exceeding EUR 40,000; and
- 20% for lump sums exceeding EUR 40,000.

The above rates are increased by 50% in case of premature buyout/redemption. Premature buyout/redemption is not considered present where the beneficiary is entitled:

- to a pension;
- has reached the age of 60; or
- the receipt is due to termination of his employment or the bankruptcy of the employer.

1.9.2.2. Professional income

The state and enterprises making payments exceeding EUR 300 (per payment) to self-employed persons are required to withhold tax at a rate of 20%. Self-employed persons include doctors, lawyers, accountants and other professionals.

1.9.2.3. Investment income

Dividends (and other distributed profits) are subject to a 10% (25% before 1 January 2014) withholding tax. This withholding tax exhausts any further tax liability.

Interest income (*see* section 1.5.2.), unless exempt, is subject to a 15% withholding tax. This withholding tax exhausts any further tax liability.

Before 1 January 2014:

- interest from government bonds and treasury bills, bonds issued by resident companies (including banks and insurance companies) and bank deposits, as well as on income (treated as interest) from repo transactions was subject to a 15% withholding tax; and
- interest on loans was subject to a 20% withholding tax.

This tax was creditable against the taxpayer's final income tax liability.

Royalties (*see* section 1.5.3.) are subject to a 20% withholding tax. This withholding tax exhausts any further tax liability.

Before 1 January 2014, only copyright royalties were subject to the 20% withholding tax.

For withholding tax on foreign-source dividends, interest and capital gains, *see* section 6.1.1.

1.10. Administration

1.10.1. Taxable period

The taxable period is the tax year. For individuals this corresponds to the calendar year.

1.10.2. Tax returns and assessment

All resident individuals aged 18 and over, as well as non-residents with Greek-source income, are obliged to file a tax return.

If the tax assessed is less than the tax withheld, the difference is refunded to the taxpayer; otherwise, the tax due is collected (see section 1.10.3.).

Tax returns for the 2014 tax year are due between 1 February and 30 June 2015. Normally, the tax is assessed on the basis of the income declared by the taxpayer in his tax return. If the declared income cannot be accepted as the base for tax assessment, the tax authorities may base the assessment on the taxpayer's presumptive income (i.e. an income established by the tax authorities that would justify the taxpayer's personal spending). The minimum presumptive income is set at EUR 3,000 for single taxpayers and EUR 5,000 for married couples.

Spouses file a joint return but each spouse is liable for the tax payable on his or her share of the joint income. Tax credits (see section 1.7.3.) are apportioned to each spouse according to the income earned by each one of them. Losses incurred by one of the spouses may not be set off against profits of the other.

The current Income Tax Code does not specify whether the provision of the previous (pre-2014) regime, whereby the income of one spouse derived from a business owned by the other is added to the latter's income and taxed in his or her name, is still applicable.

The income of children under the age of 18 is taxed in the name of the father or, if applicable, the child's custodian. Income of a child is taxed separately if:

- it is earned by the child personally; or
- it is pension income paid to the child upon the death of one of the parents.

1.10.3. Payment of tax

Taxpayers (with the exception of salaried persons and pensioners) make an advance payment for their estimated tax liability for the next tax year, which is equal to 55% of the taxpayer's income tax for the current year.

The assessed final income tax is payable in three equal bi-monthly instalments, the first one due on or before the last working day of the month following that on which the taxpayer is notified by the tax authorities. However, all instalments must be paid within the tax year of assessment.

If the tax assessed is less than the tax withheld, the difference is refunded to the taxpayer.

1.10.4. Rulings

No advance ruling system applies with respect to individual taxpayers.

2. Other Taxes on Income

There are no local income taxes.

Special solidarity contribution

For the tax years 2010-2014, a special social solidarity contribution is imposed on the annual net individual income exceeding EUR 12,000 (earned or deemed). An exemption applies to certain categories of taxpayers, e.g. unemployed, blind, etc.

The contribution is charged as follows:

<i>Taxable income (EUR)</i>	<i>Rate (%)</i>
0 - 12,000	0
12,001 - 20,000	1
20,001 - 50,000	2
50,001 - 100,000	3
Over 100,000	4

Special annual entrepreneurial levy

With effect from the tax year 2013, professionals (accountants, doctors, lawyers, etc.) and individuals carrying on business are subject to an annual levy of EUR 650. Before 2013, the levy was:

- EUR 500 if this group of taxpayers carried on their business in a city which (i) had more than 200,000 inhabitants, or (ii) was classified as a tourist resort; and
- EUR 400 if carried on in another place.

3. Social Security Contributions

Both employers and employees must pay contributions to the Social Insurance Institution (IKA). For employees, the contribution is withheld by the employer.

The current general rate of the IKA contribution payable by office (white collar) employees is 15.5% and that payable by industrial (blue collar) workers engaged in heavy work 18.95%. The contribution is calculated on the basis of the employee's monthly gross remuneration, including salaries and wages, bonuses and fringe benefits, as well as any profit distributions to employees.

The monthly ceiling for 2015 is EUR 5,543.55 per employee; no contribution is due on any remuneration exceeding these ceilings. These contributions are fully deductible for income tax purposes.

Most self-employed persons must make monthly, lump-sum, contributions to the Insurance Organization for Liberal Professions (OAEE). For those who were insured prior to 1 January 1993, the compulsory monthly payments range from EUR 245.20 to 605.64 and, for those insured at a later date, from EUR 210.71 to 709.01 (for 2015), in both cases depending on the number of years the person has been insured. An additional monthly lump-sum of EUR 15 is payable to the OAEE's Solidarity Fund by all the insured persons.

For the social security contributions payable by employers, see Corporate Taxation section 4.2.

4. Taxes on Capital

4.1. Net wealth tax

There is no wealth tax.

4.2. Real estate tax

See Corporate Taxation section 5.2.

4.3. Local real estate duty

See Corporate Taxation section 5.2.3.

5. Inheritance and Gift Taxes

5.1. Taxable persons

Inheritance, gift and parental gift tax is imposed by the state on property acquired by inheritance or gift. The tax is not imposed on the estate of the deceased nor on the donor but separately on each beneficiary in respect of his share in the estate or on each donee in respect of the gift. Liability for inheritance tax arises at the time of death and the liability for gift tax when the donee receives the gift.

5.2. Taxable base

5.2.1. General

Taxable inheritances and gifts include transfers of all immovable and movable property located in Greece regardless of the nationality or residence of the deceased/donor. Movable property outside Greece is also subject to the tax if the deceased/donor was a national or resident of Greece at the time of death. No tax is due on inheritances received by Greek charitable organizations or on movable property abroad which belonged to a Greek national who had been resident in a foreign country for at least 10 years.

The inheritance tax is computed on the fair market value of the share of each beneficiary in the estate of the deceased person at the time of death. The gift and parental gift tax is computed on the fair market value of the property received by each donee from one donor at the time of the transfer. In computing the value of the inheritance, certain deductions are allowed, viz. the deceased's debts, expenses for the care of the deceased and funeral expenses.

5.2.2. Exemptions

The following exemptions relate to a beneficiary's main dwelling or a plot of land on which such a dwelling can be built.

A dwelling or a plot of land inherited by the surviving spouse or children is tax exempt, if the beneficiary or the spouse or any of the dependent children do not have full ownership rights, usufruct or residence rights in the dwelling or to the part of the dwelling that meets the housing needs of the family. The exemption also applies if there is no full ownership right to a plot of land on which such a dwelling can be built and the dwelling or the plot of land is located in a municipal district with a population of more than 3,000 inhabitants. The housing needs are considered to be met if the overall surface of the inherited immovable property is 70 m², increased by 20 m² for each of the first two dependent children and 25 m² for the third and each subsequent child.

The above exemptions are granted to Greek citizens and citizens of the EU Member States. Beneficiaries must be resident of Greece.

The exemption is provided for dwellings or plots of land with the following values:

- for a dwelling up to EUR 200,000 for each minor or an unmarried beneficiary and for a dwelling up to EUR 250,000 for each married or for each divorced, widowed or unmarried parent who has custody of the children. The above amount is increased by EUR 25,000 for each of the first two children and by EUR 30,000 for the third and each subsequent child if the beneficiary inherits only one dwelling (full rights). The exempt amount includes the value of a car parking space and of a storage space, each with a surface of up to 20 m², provided they are situated in the same building and are acquired at the same time as the main dwelling; and

- for a plot of land up to EUR 50,000 for each minor or an unmarried beneficiary and up to EUR 100,000 for each married or for each divorced, widowed or unmarried parent who has custody of the children. The above amount is increased by EUR 10,000 for each of the first two children and by EUR 15,000 for the third and each subsequent child if the beneficiary inherits only one plot of land (full rights).

The same exemptions and conditions apply for parental gifts of immovable property.

The above exemptions are not granted if during the past 5 years prior to the date of the inheritance or gift, the beneficiary had sold a property that met the family needs.

The tax calculated for parental gifts of property situated on an island with less than 3,100 inhabitants is reduced by 40% if the child is a permanent resident of such an island. This reduction is granted for parental gifts to be made up to 18 February 2017.

5.3. Personal allowances

Personal allowances are built in the rate tables (see section 5.4.).

5.4. Rates

The inheritance, gift and parental gift tax rates are determined on the basis of (i) the proximity of relationship between the deceased/donor and the beneficiary/donee and (ii) the value of property received.

The beneficiaries are divided into three categories for the purposes of inheritance, gift and parental gift taxes:

- Category I: spouse, a person who had entered a contract of cohabitation with the deceased, provided the cohabitation had lasted for at least 2 years, children, grandchildren, parents;
- Category II: great-grandchildren, grandparents, great-grandparents, brothers, sisters, stepbrothers, stepsisters, uncles, aunts, foster parents, in-laws, children from the spouse's previous marriage; and
- Category III: others.

The inheritance, gift and parental gift tax rates are as follows:

Category I

<i>Taxable amount (EUR)</i>	<i>Rate (%)</i>
First 150,000	0
Next 150,000	1
Next 300,000	5
Over 600,000	10

The surviving spouse, married to the deceased for at least 5 years, is not subject to tax for inherited property with a value up to EUR 400,000. This also applies to the minor children of the deceased (children younger than 18 years).

Category II

<i>Taxable amount (EUR)</i>	<i>Rate (%)</i>
First 30,000	0
Next 70,000	5
Next 200,000	10
Over 300,000	20

Category III

Taxable amount (EUR)	Rate (%)
First 6,000	0
Next 66,000	20
Next 195,000	30
Over 267,000	40

If the beneficiary is handicapped to a degree of 67% or more, the amount of tax calculated according to the above rates is reduced by 10%.

In case of gifts and parental gifts in cash, the tax is levied at the rate of 10% for Category I, at the rate of 20% for Category II and at the rate of 40% for Category III taxpayers.

The above inheritance, gift and parental gift tax rates include the municipal duty of 3% and the highway construction duty of 7%.

5.5. Double taxation relief

Any foreign inheritance tax paid on movable property situated abroad may be deducted from the inheritance tax due in Greece on the same property. No such relief is available in respect of gift and parental gift tax.

Greece has concluded treaties for the avoidance of double taxation of inheritances with Germany, Italy, Spain and the United States.

6. International Aspects**6.1. Resident individuals**

For the concept of residence, see section 1.1.

6.1.1. Foreign income and capital gains**6.1.1.1. Employment income**

Foreign-source employment income earned by Greek residents is included in their taxable income. The rules described in section 1.3. generally apply to foreign-source income as well. A tax credit is granted for tax paid abroad, irrespective of whether a double tax treaty is applicable (see section 6.1.3. for double tax relief).

6.1.1.2. Business and professional income

Foreign-source business and professional income earned by Greek residents is included in their taxable income. The rules described in section 1.4. generally apply to foreign-source income as well. A tax credit is granted for tax paid abroad, irrespective of whether a double tax treaty is applicable (see section 6.1.3. for double tax relief).

Losses incurred from activities outside Greece may only be set off against profits from abroad. However, they can be set off against profits arising in an EEA Member State, provided they are not exempt on the basis of a double tax treaty concluded and applied by Greece.

6.1.1.3. Investment income**Dividends**

Foreign-source dividends earned by Greek residents are taxed according to the rules described in section 1.5.1. Although the Income Tax Code does not specifically mention this, as under the previous (pre-2014) regime, the final tax of 10% is imposed irrespective of whether the payment is effected in Greece: if the payment is effected

in Greece, the tax is withheld by the intermediary, e.g. a bank or a stockbroker, and that with regard to interest income that is earned and kept outside Greece, the resident individual is obliged to file a tax return and pay the tax within 1 month following the month in which the income is received.

Interest

Foreign-source interest earned by Greek residents is taxed according to the rules described in section 1.5.2. Although the Income Tax Code does not specifically mention this, as under the previous (pre-2014) regime, the final tax of 15% is imposed irrespective of whether the payment is effected in Greece: if the payment is effected in Greece, the tax is withheld by the intermediary, e.g. a bank or a stockbroker, and that with regard to interest income that is earned and kept outside Greece, the resident individual is obliged to file a tax return by 31 January of the year following the year in which the income is received.

Royalties

Although the Income Tax Code does not explicitly distinguish between Greek-source and foreign-source royalties earned by Greek residents, it is considered that the latter are treated in the same way as Greek-source royalties and are, thus, also subject to a final withholding tax at a rate of 20%. Before 1 January 2014, such income was taxed at the general progressive rates (*see also* section 1.5.3.).

In addition, the interpretative guidelines which may be issued should also provide for situations similar to dividend and interest income, whereby royalties may be paid in Greece or abroad and indicate the related obligations regarding the filing of returns and the payment of tax.

Tax thus withheld is payable by the last day of the second month from the day of receipt.

6.1.1.4. Capital gains

Foreign-source capital gains earned by Greek residents are included in their taxable income. The rules described in section 1.6. generally apply to foreign-source income as well (no explicit reference is made in the law as to how such foreign income is taxed).

A tax credit is granted for tax paid abroad irrespective of whether a double tax treaty is applicable (*see* section 6.1.3. for double tax relief).

6.1.2. Foreign capital

There is no net wealth tax. Foreign immovable property is not subject to real estate duties in Greece.

6.1.3. Double taxation relief

At the taxpayer's option, relief for double taxation may be obtained either unilaterally or under a tax treaty, where applicable.

Tax paid abroad on foreign-source income may be deducted from the income tax payable in Greece on the same income, but the credit thus granted may not exceed the amount of income tax that would be payable in Greece had the income been derived from Greek sources. The allowable credit is computed separately for each country where the income originates. When computing taxable income, foreign taxes other than income taxes are considered to be deductible expenses.

In the case of the tax levied in Greece on foreign-source dividends, interest, fees and other income (*see* section 6.1.1.), credit is also granted for the Greek withholding tax, if any. However, no refund is granted if the Greek withholding tax exceeds the final income tax liability.

6.2. Expatriate individuals

There are no special provisions for expatriates.

6.3. Non-resident individuals

For the concept of residence, *see* section 1.1.

6.3.1. Taxes on income and capital gains

Non-resident individuals deriving income from any Greek source are subject to the national income tax at the same rates that apply to residents (*see* section 1.9.1.).

For computation of income, the same rules as apply to residents apply generally also to non-residents. However, non-residents are not entitled to the various credits with respect to total income granted to resident taxpayers (*see* section 1.7.3.), unless they are residents of an EEA State and at least 90% of their worldwide income is derived from sources in Greece.

6.3.1.1. Employment income

Employment income earned by non-residents for work performed in Greece is subject to the withholding tax payable by residents (*see* section 1.9.2.1.). Remuneration to which the non-resident is entitled at the termination of the employment is also taxable, even if the non-resident has already left Greece at the time of payment. Pensions from Greece are also taxable. Taxes withheld on employment income or pensions are credited against the final income tax liability.

For the taxation of officers and crew of merchant navy ships, *see* section 1.2.2.

6.3.1.2. Business and professional income

Income earned in Greece by a non-resident individual as a sole proprietor or self-employed professional is considered to be derived through a permanent establishment. Taxation will take place by assessment under the rules described in section 1.4.

6.3.1.3. Investment income

Greek-source investment income derived by non-resident individuals (*see* section 1.5.) is subject to a final withholding tax at the following rates:

- dividends: 10% (25% before 1 January 2014);
- interest: 15%; and
- royalties: 20% (25% before 1 January 2014).

Before 1 January 2014, interest was subject to a final withholding tax as follows:

- exempt if received from treasury bills and bank deposits in foreign currency (i.e. other than euro);
- 15% (10% in 2012) on interest from bank deposits in euro;
- 15% on interest from corporate and government bonds; and
- 20% on any other type of interest (e.g. loan interest).

For withholding tax rates under tax treaties, *see* Corporate Taxation section 6.3.5.

6.3.1.4. Capital gains

The tax on gains from the sale of immovable property (*see* section 1.6.1.) also applies to such gains derived by non-residents.

Capital gains derived by non-resident individuals selling shares (listed or unlisted), participations, etc. (*see* section 1.6.2.) in Greek companies are subject to a 15% tax. However, non-resident individuals who are residents of a country with which Greece has signed a double tax treaty are tax exempt, subject to filing proof of their residence with the Greek tax authorities.

The taxes discussed above are paid by means of a tax return filed by the non-resident recipient of the capital gain. The tax return must be submitted to the tax authorities before the completion of the transfer of the shares.

Gains derived from the sale of any other property are not taxable.

For the transfer tax of shares listed on the Athens Stock Exchange, *see* section 1.6.2.

6.3.2. Taxes on capital

There is no net wealth tax. Non-residents are only subject to real estate duties (*see* section 4.2.) with respect to immovable property located in Greece.

6.3.3. Inheritance and gift taxes

See section 5.

6.3.4. Administration

The taxation of non-residents takes place by assessment, unless a final withholding tax is applied. The rules in section 1.10. apply.

KEY FEATURES

Last reviewed: 23 January 2015

A. General information	
Sources of tax law	Law on corporations (AE), Corporate Income Tax Law, Law on limited liability companies (EPE), Individual Income Tax Law, Legislative Acts and Decrees
Main types of business entities	corporation (<i>anonymos eteria</i> , AE), limited liability company (<i>eteria periorismenis efthinis</i> , EPE), private capital company (IKE)
Accounting principles	IAS/IFRS/local GAAP
Currency	Euro (EUR)
Foreign exchange control	No, however export of foreign exchange is only allowed through licensed commercial banks
Official websites	Hellenic Parliament http://www.hellenicparliament.gr/el/ Ministry of Finance http://www.minfin.gr
B. Direct taxation: Companies	
1. Resident companies	
Residence	Residence of a legal entity is determined on the basis of its legal seat or at the place of effective management
Tax base	worldwide
Corporate tax rates	26% for fiscal year 2015
Alternative minimum tax	no
Capital gains	yes, part of business income; 0% on gains from: contribution of assets against securities; exchange of securities, mergers and divisions; transfer of registered seat (if gain not capitalized or distributed)
Loss carry-forward	yes, for 5 years
Loss carry-back	no
Unilateral double taxation relief	yes, ordinary foreign tax credit
2. Non-resident companies	
Corporate tax rates	26% for fiscal year 2015
Capital gains on sale of shares in resident companies	no
Capital gains on sale of immovable property	yes
Withholding tax rates	
Branch profits	no
Dividends	10%; 0% for qualifying EU companies (Parent-Subsidiary Directive)

Interest	15%; 0% for associated EU/Swiss companies (Interest and Royalties Directive and EU-Switzerland Savings Agreement)
Royalties	20%; 0% for associated EU/Swiss companies (Interest and Royalties Directive) and EU-Switzerland Savings Agreement)
Fees (technical)	20%
Fees (management)	20%
3. Specific issues	
Participation relief	inbound dividends: yes outbound dividends: yes
Group treatment	no
Incentives	investments in certain geographical and administrative areas; tonnage tax; offshore engineering and civil construction companies; rate freeze; incentives for mergers; reliefs for the Aegean islands; strategic investments; research and development
Anti-avoidance	
Transfer pricing legislation	yes
Thin capitalization legislation	yes
Controlled foreign company legislation	yes
General anti-avoidance rule (GAAR)	yes
Other anti-avoidance legislation	yes
C. Direct taxation: Individuals	
1. Resident individuals	
Residence	An individual is considered a tax resident of Greece if: - the individual maintains a permanent or principal residence or usual abode in Greece; or - the individual has their centre of living interests (i.e. personal, financial or social relations) in Greece.
Taxable income	worldwide
Income tax rates	employment income: progressive; top rate 42% (over EUR 42,000); business income: progressive; top rate 33% (over EUR 50,000); however, 13% flat rate on agricultural activities
Alternative minimum tax	no
Capital gains	15% flat rate on gains on disposal of immovable property, shares, bonds and partnership participations; gains on listed shares acquired after 1 January 2009 in less than 0.5% holdings are exempt

Unilateral double taxation relief	yes, ordinary foreign tax credit
Social security contributions	health insurance, pension, 15.5%
2. Non-resident individuals	
Income tax rates	employment income: progressive; top rate 42% (over EUR 42,000); business income: progressive; top rate 33% (over EUR 50,000); however, 13% flat rate on agricultural activities
Capital gains on sale of shares in resident companies	15%
Capital gains on sale of immovable property	15%
Withholding tax rates	
Employment income	regular wage withholding applies
Dividends	10%
Interest	15%
Royalties	20%
Fees (technical)	20%
Fees (directors)	40%
D. Indirect taxation: Value added tax (VAT)/Goods and services tax (GST)	
Taxable events	supply of goods, supply of services, importation, intra-Community acquisitions
VAT/GST (standard)	23%
VAT/GST (reduced)	6.5%, 13%; special reduced rates apply for regions of the Dodecanese, Cyclades and Eastern Aegean islands
VAT/GST (increased)	no
Registration/deregistration threshold	no registration threshold
VAT group	no
E. Other taxes	
Inheritance and gift taxes	yes
Net wealth tax (individual)	no
Net wealth tax (corporate)	no
Real estate taxes	yes individuals: 0.1-1% legal entities: 0.25%
Capital duty	yes, 1 %
Transfer tax	yes 3% immovable property, 0.2% shares, bonds and securities
Stamp duty	yes, 1.2%, 2.4% or 3.6%
Excise duties	yes
Other main taxes	no

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