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# GREEK LAW DIGEST

The Official Guide to Greek Law

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3rd EDITION



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### Greek Law Digest (GLD)

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# GREEK LAW DIGEST

## TAX



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# TAXATION OF INDIVIDUALS IN GREECE

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## The criteria based on which individuals may be defined as Greek tax residents

According to the Greek Income Tax Code, as in force (Law 4172/2013), an individual is considered Greek tax resident, provided that:

- the individual maintains a permanent or principal residence or usual place of domicile or center of living interests, namely his personal or financial or social relations, in Greece;
- the individual is a consular or diplomatic or public official of similar status or public servant having Greek nationality and serves abroad;

Furthermore, an individual is considered as a Greek tax resident, regardless of his permanent residence or usual place of domicile, *if he is constantly present in Greece for a period exceeding 183 days*, including short periods of living abroad, *from his first day of presence in Greece*. The above period of 183 days is calculated by the days, irrespective of the calendar year or the years, in which the period exceeds. This provision does not exclude any potential application of paragraph a above.

However, any individual who acquires income in Greece is also taxed in Greece for the income produced in Greece, regardless of his permanent or principal residence or usual place of domicile.

## The main Greek Tax Categories

The main tax categories provided by the Greek tax system are:

- income tax;
- property/capital tax;
- transactions or consumption tax, e.g. V.A.T., tax on the real property transfer, duties on the consumption, special duties on alcohol and tobacco e.t.c. Stamp duty is still imposed on transactions that are excluded from VAT.

## The taxed income

**a) Sources of income.** Within every financial year, tax is imposed on the total net income acquired worldwide during the previous financial year by any individual Greek Tax Resident. However, if a Greek tax resident acquires income from a foreign source, then the tax paid abroad is deductible from the tax payable in Greece under certain conditions.

The taxed income is calculated after deduction of the expenses related to the income. The sources of income are categorized by the law as follows:

- Income from salaried services and pensions;
- Income from business activities;
- Income from capital (dividends; interests; royalties; real estate);
- Income from capital gains;

**b) Tax rates:**

- Tax rates on income from activities under a) and b) currently applicable are the following:

| Income range €  | Tax Rate % |
|-----------------|------------|
| 0 – 20.000      | 22%        |
| 20.001 – 30.000 | 29%        |
| 30.001 – 40.000 | 37%        |
| 40,001 –        | 45%        |

\*\*\* from 1.1.2020 onwards, the applicable tax rates will be set as follows:

| Income in €     | Tax Rate % |
|-----------------|------------|
| 0 – 20.000      | 20%        |
| 20.001 – 30.000 | 29%        |
| 30.001 – 40.000 | 37%        |
| 40.001 –        | 45%        |

- Tax rates on income from capital currently applicable are the following:
  - Income from **dividends** is taxed at a flat rate of **15%**,
  - Income from **interests** is taxed at a flat rate of **15%**,
  - Income from **royalties** is taxed at a flat rate of **20%**,
  - Income from **real estate** is taxed according to the following progressive scale:

| Income range €  | Tax Rate % |
|-----------------|------------|
| 0 – 12.000      | 15%        |
| 12.001 – 35.000 | 35%        |
| 35.001 –        | 45%        |

The above tax rates apply to non-Greek tax residents as well.

**c) Presumed income**

The Greek tax system has developed a method of “presumed (deemed) income”. More specifically, the definition of the income is based on the rationale that the taxpayer must justify expenses incurred by declaring respective income. If, however, the presumed income of

the taxpayer is higher than the declared income, then he will be taxed according to his presumed income.

Presumed income is calculated after taking into account the following objective criteria:

- The surface of the main residence, also taking into account its tax value;
- The surface of any secondary residence(s), if any;
- The engine power of the taxpayer's car(s) and the year of the car's production;
- Salary for staff (house maids, baby sitters etc);
- Fees for private schools;
- Airplanes;
- Leisure boats, if any;
- Swimming pools, if any;

The taxpayer may cover the difference between actually declared income and presumed income under certain conditions, by proving savings made from income taxed in previous years.

#### **d) Special solidarity contribution / Professional Tax**

Besides aforementioned, there is an additional contribution called "*special solidarity contribution*", provided by Art. 43A of Law 4172/2013 as currently in force. The above tax is imposed on all taxable income of individuals (i.e., earned taxable income, investment income, dividends, interest, etc.) and is calculated as follows:

| Income in €        | Tax Rate % |
|--------------------|------------|
| 0 – 12,000         | 0%         |
| 12,001 – 20,000    | 2,2%       |
| 20,001 – 30,000    | 5%         |
| 30,001 – 40,000    | 6,5%       |
| 40,001 – 65,000    | 7,5%       |
| 65,001 – 220,000   | 9%         |
| 220,000 and higher | 10%        |

Please note that from 1.1.2020 onwards, the applicable tax rates will be set as follows:

| Income in €        | Tax Rate % |
|--------------------|------------|
| 0 – 30,000         | 2%         |
| 30,001 – 40,000    | 2%         |
| 40,001 – 65,000    | 5%         |
| 65,001 – 220,000   | 9%         |
| 220,000 and higher | 10%        |

Additionally to the special solidarity contribution, freelancers are also obliged to pay an annual tax of 650 Euro as Professional Tax (Art. 31 Law 3986/2011).

#### **e) Tax deductions**

Income tax can be reduced based on certain expenses for annual personal living of the taxpayer. However, such reduction is applicable only to salaried and pension income.

The amount of tax reduction is up to 1,900 Euro for income up to 20,000 Euro for a single person or a married person with no children. The above amount of 1,900 Euro is increased by 50 Euro for a married person with one child (i.e. in such case the total tax reduction is 1,950 Euro), by 100 Euro for a married person with two children (i.e. in such case the total tax reduction is 2,000 Euro), and by 200 Euro for a married person with three children (i.e. in such case the total tax reduction is 2,100 Euro).

For any income above 20,000 Euro, the tax deduction is reduced by 10 Euro for every 1,000 Euro income.

However, in order to maintain the tax deduction, the taxpayer is obliged to incur the cost of acquiring goods and services in Greece or in the Member States of the European Union or the EEA, paid by electronic means of payment, i.e. cards and means of payment by cards<sup>1</sup>.

### **Taxes on property**

#### **a) Real Estate Transfer Tax/V.A.T. on new buildings**

Real estate transfer tax is calculated at 3% applied on the higher of: (a) the purchase price; or (b) the “objective value” of the property (as such is assessed by the relevant tax office). Additionally, a 3% municipal tax is calculated on the amount of the real estate transfer tax. *Transfer tax is paid by the purchaser, irrespective of: (a) whether the purchaser is an individual or a legal entity; and (b) in case the purchaser is a legal entity, whether such legal entity is a Greek company or EU (or non EU) company.*

As of 1.1.2006 and only in relation to buildings for which the building permit was issued after that date, a V.A.T. of 24% is imposed on the first sale of newly built building by a constructor or any other person who deals professionally with the construction and the sale of buildings.

#### **b) Capital Gain Tax (surplus tax)**

A 15% capital gain tax (with a degressive rate based on the years that one holds the ownership of a property) is applied and paid by the seller, *only in case the seller is an individual*. However, the application of this tax (capital gain tax) has been temporarily suspended until 31.12.2018.

#### **c) Annual real estate holding tax (“ENFIA”)**

ENFIA (main and supplementary tax) is payable both by Greek and non - Greek individuals and legal entities being conferred rights on real estate by virtue of any cause. ENFIA is payable by the person owning a real estate property on the 1th of January of each calendar year.

ENFIA is calculated based on a “basic tax”, which depends on the objective (tax) value of the property taking into account the area that the property is located. Such basic tax is then

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1. Ministerial Circular No 1005/25.1.2017 as in force

multiplied by several other factors; such factors are among other i) the age of the property, ii) the floor level, iii) the number of facades the property in road etc.

The rate of the supplementary tax rises progressively up to 1,15% of value of the property exceeding € 200.000 Euro, if the owner is a natural person.

## Tax return

Any taxpayer is obliged to file annually a tax return before the Greek tax authorities. The tax authority issues a tax statement, which can be either credit or a debit note to the taxpayer. The tax administration can review the tax return by conducting an ordinary tax audit, according to which it may come up with further tax obligations of the taxpayer.

## Inheritance Tax/Donation (inter vivos Tax)

According the relevant legislation (Code on taxation of inheritance, gifts inter vivos and lottery gains), tax is imposed on any Greek or non- Greek individual and/or legal entity owning assets in Greece acquired by inheritance, by donation or by winning in lotteries.

In case of Inheritance, the following assets are subject to taxation:

- property of any kind (movable and immovable) situated in Greece, which is owned either by a Greek citizen or a foreigner who was resident in Greece;
- movable property situated abroad, which is owned either by a Greek national or by a foreigner who was resident in Greece;

The beneficiary of the assets (heir or donor) is liable to pay; in case there are more than one beneficiaries, the obligation is divided pro rata. Tax payers are classified into three categories, and the tax rates for each category of tax payers are currently as follows:

If inherited by spouses, children, grandchildren and parents:

| Scale in € | % of scale | Tax of scale | Taxable fortune | Tax in € |
|------------|------------|--------------|-----------------|----------|
| 150.000    | -          | -            | 150.000         | -        |
| 150.000    | 1          | 1.500        | 300.000         | 1.500    |
| 300.000    | 5          | 15.000       | 600.000         | 16.500   |
| And over   | 10         |              |                 |          |

If inherited by sisters / brothers:

| Scale in € | % of scale | Tax of scale | Taxable fortune | Tax in € |
|------------|------------|--------------|-----------------|----------|
| 30.000     | -          | -            | 30.000          | -        |
| 70.000     | 5          | 3.500        | 100.000         | 3.500    |
| 200.000    | 10         | 20.000       | 300.000         | 23.500   |
| And over   | 20         |              |                 |          |

If inherited by other relatives and third parties:

| Scale in € | % of scale | Tax of scale | Taxable fortune | Tax in € |
|------------|------------|--------------|-----------------|----------|
| 6.000      | -          | -            | 6.000           | -        |
| 66.000     | 20         | 13.200       | 72.000          | 13.200   |
| 195.000    | 30         | 58.500       | 267.000         | 71.700   |
| And over   | 40         |              |                 |          |

In case of donation, the following are subject to taxation :

- property of any kind (movable and immovable) situated in Greece;
- movable property situated abroad, which owned by a foreigner who either has his residence in Greece, or he donates the asset to a Greek national;

As for the taxation the same provisions apply to donations as to the inheritance tax.

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