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**Stavropoulos & Partners
Law Office**

INDIRECT TAXES IN GREECE

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TAX



NOMIKI BIBLIOTHIKI

INDIRECT TAXES IN GREECE

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1. VALUE ADDED TAX (VAT)

When was VAT introduced in Greece for the first time?

VAT was introduced in the Greek legislation by Law 1642/1986 “On the application of value added tax and other provisions”, which entered into force on 1st January 1987, in replacement of turnover tax and other indirect taxes and today constitutes the Greek VAT law, following its codification by Law 2859/2000 and further amendments in conformity with the EU VAT Directives.

What are the main characteristics of VAT?

VAT is a general, consumption tax assessed on the value added to goods sold and services provided within the European Union. It applies to all stages of production and distribution of goods, provision of services and intra-community acquisitions or imports of goods from abroad, against a consideration. The tax is borne by the end consumer of goods and recipient of services, whereas the VAT incurred on purchases and/or receipt of services (input VAT) may be offset against the VAT charged by the taxable persons on sales performed or services provided by them (output VAT). Any difference is payable to or recoverable from the Tax Authorities.

Who is a taxable person from a VAT scope?

For VAT purposes, taxable person is any individual or legal entity (partnership, enterprise etc.), established either in Greece or abroad, provided that they are independently engaged in an economic activity within Greece, any individual who performs on an occasional basis the supply of new means of transportation to another EU member state, as well as any individual occupied occasionally with supply of buildings (building license issued after 1.1.2006), following a relevant request to the Tax Authorities.

Who is exempt from VAT?

Taxable persons whose annual turnover (excluding VAT) is no higher than € 10,000 from supply of goods or/and services may opt to be exempt from VAT. The exemption does not apply with regard to taxable persons not established in the Greek territory.

What is the taxable amount?

The taxable amount for VAT purposes is the consideration which has been obtained or shall be obtained by the supplier of goods or services from the customer or a third party, in return for the supply, including subsidies directly linked to the price of the supply. In respect of im-

ports of goods, the taxable amount includes the customs value of the goods, the customs duties and other secondary expenses (commission, packing, transport, insurance costs etc.).

What applies in respect to intra-community supply of services?

The supply of services to a taxable person (B2B services) is in principle taxed at the customer's place of establishment, whereas services supplied to individuals, i.e. non-taxable persons (B2C services), are taxed at the supplier's place of establishment. The above general rule is subject to certain exceptions depending on the type of the service provided (e.g. services connected with immovable property, passenger transport services, electronically supplied services etc.)

Which transactions are exempt from VAT?

VAT exemptions may either preclude the recovery of input VAT or not (zero-rating). Examples of the first category of exemptions are the provision of services of a social or cultural nature such as medical services, educational services and insurance services. Examples of the second category include export transactions, international transit of goods and transactions related to shipping and the aircraft sector.

What are the current applicable VAT rates in Greece?

In Greece the standard VAT rate is 24% whereas the reduced VAT rates applicable to specific supplies of goods and services are 13% and 6%. Special (reduced by 30%) standard VAT rates, namely 17%, 9% and 4%, apply to certain Greek islands (i.e. Lesbos, Leros, Kos, Chios, Samos). Such reduced rate status shall remain until 31.12.2018.

When does VAT become due?

In principle, tax liability is born and VAT is due at the time when the supply of goods or services is made. In certain cases VAT is due at the time of issuance of the relevant invoice. In the case of imports, tax liability arises and VAT is due when the goods enter into the Greek territory and in regard of intra-community acquisitions VAT is due at the time of issuance of the relevant invoice and, at the latest, on the 15th day of the month that follows the month when the intra-community acquisition was performed.

When should VAT returns be filed?

Taxable persons are obliged to file monthly or quarterly (periodic) VAT returns depending on the type of accounting books kept (single or double-entry books). Periodic VAT returns must be filed until the last working day of the month following the tax period [month/quarter] to which it relates.

How should VAT returns and payments be processed?

VAT returns are filed electronically via the integrated tax information system "TAXISnet" and only in certain exceptional cases physically to the competent Tax Authority. The filing of VAT returns is followed by the payment of the relevant VAT amount due. VAT amount due exceeding € 100 may be paid in two equal and interest-free monthly instalments.

What is VIES?

VIES is the VAT Information Exchange System between the tax administrations of the EU member states aiming at monitoring and control of commercial transactions taking place

within EU between VAT registered companies. Taxable persons can verify the validity of a VAT number of another EU member state through the “VIES VAT number validation” page on the European Commission website (http://ec.europa.eu/taxation_customs/vies).

What is “listing”?

Taxable persons involved in intra-community supplies and acquisitions of goods and services are obliged to file monthly lists (Recapitulative Statements) including the VAT identification numbers of each of their suppliers or customers, as well as the value of the relevant transactions of the specific period.

Furthermore, in case of intra-community supplies and acquisitions of goods exceeding a specific exemption threshold, taxable persons must provide statistical data through either paper or electronic filing of monthly Intrastat declarations with regard to such transactions.

How can input VAT be deducted?

Taxable persons are entitled to deduct input VAT from output VAT, as long as the goods purchased and services received are used in taxable transactions.

A VAT credit is in principle automatically carried forward to the next period, unless the taxable person qualifies for a tax refund under certain conditions.

What are the interest and penalties provided in case of non-payment and late payment of VAT?

There is no penalty for late payment of VAT. In case of late payment or non-payment of VAT due, interest is calculated on the amount of VAT due. Currently, the applicable interest rate is 8.76% annually (0.73% monthly) and it applies as from January 1st, 2014 and onwards.

In case of late filing or non-filing of a VAT return, a procedural fine applies depending on the books kept by the taxpayer (€ 250 for single-entry books and € 500 for double-entry books) per violation.

In case of non-filing or filing of an inaccurate VAT return a fine equal to the 50% of the VAT due is imposed only when assessed in the course of a tax audit.

Moreover, serious criminal penalties are provided by law in case of VAT evasion.

What applies for non-residents?

In principle, non-residents performing taxable transactions in Greece from a VAT scope, are treated in the same way as taxable persons established in Greece.

Taxable persons established in the EU have the option of directly registering for VAT in Greece and obtaining a Greek VAT number without having to appoint a local VAT representative. However, taxable persons established outside EU which perform taxable transactions in Greece are required to appoint a VAT tax representative in Greece.

When a non-resident can ask for a VAT refund?

Taxable persons established in another EU member state may claim a refund of the input VAT that was paid for goods purchased or services received in Greece as long as they do not perform supplies of goods or services in Greece, unless if they provide transportation serv-

ices or services for which the recipient accounts for VAT under the reverse charge mechanism. Application for VAT refund is filed electronically by a non-resident to the member state of his establishment and then is forwarded to the member state of refund.

2. CAPITAL CONCENTRATION TAX

What is capital concentration tax and when was it imposed in Greece for the first time?

Capital concentration tax was imposed in Greece on 1.1.1987 with articles 17-31 of Law 1676/1986, in implementation of Directive 69/335/EEC "concerning indirect taxes on the raising of capital", as later supplemented and amended by other Directives. The capital concentration tax is 1% on the contributed capital.

Such tax applies to certain types of accumulation of capital specifically provided by law, in replacement of stamp duty. Capital concentration tax represents an expense for the companies and is deductible for tax purposes.

Who is subject to capital concentration tax?

Any commercial company, which is established in Greece and has a profit-oriented scope (partnerships (OEs, EEs), Sociétés Anonymes (AEs), limited liability companies (EPEs), foreign branches etc.). Individuals, freelancer professionals and state organizations/bodies governed by public law are not subject to such tax.

When does capital concentration tax apply?

Capital concentration tax applies in the following cases:

- Capital increase of companies
- Increase of company assets
- Increase of capital due to merger of a company not subject to capital tax with a company subject to such tax
- Increase of capital due to conversion of a company not subject to capital tax into a company subject to such tax
- Divisions of a company
- Loans of a specific type (the lender has the right to participate in the company's profit)
- Contribution of assets or working capital to a Greek branch by a foreign (non-EU based) company.

Capital concentration tax on establishment (formation) of a company has been abolished as of 7.4.2014.

Which transactions and companies are exempt from capital concentration tax?

Agricultural co-operatives, shipping companies on the condition that half at least of their capital is owned by the Greek state or the Municipal Authorities, as well as public utilities companies and educational and philanthropic organizations are exempt from tax.

Capital increase by means of capitalization of profit, retained earnings or reserves and provisions is exempt from capital concentration tax.

When is it due?

In case of company transformation or merger, the relevant tax return is filed within 15 days as of the drafting of the relevant legal document. In case of capital increase, the 15-day deadline counts as from the date of drafting of the document confirming that increase has been effected.

3. STAMP DUTY

Stamp duty is levied on a limited number of transactions, documents and contracts, in the form of a percentage on the value of the transaction, which are not subject to VAT. The most notable cases where stamp duty applies are the following:

- A 3.6% stamp duty applies exclusively to commercial (and not residential) property leases
- Private loan agreements are subject to a 2.4%-3.6% stamp duty depending on the contracting parties
- Commercial loan agreements are subject to a 2.4% stamp duty
- Cash withdrawal facility granted to shareholders and partners is subject to a 1.2% stamp duty.

4. REAL ESTATE TRANSFER TAX

Which transactions are subject to real estate transfer tax?

Such tax applies on the purchase value of land and buildings against a consideration, except from the first sale of new buildings where VAT applies (building license issued after 1.1.2006).

What is the taxable value and the tax rate?

The tax is imposed on the higher value between the objective value and the market value of the property sold and is borne by the buyer. The rate is 3% on the transfer value.

5. SALES OF LISTED SHARES

According to Law 2579/1998, sales of shares listed on the Athens Stock Exchange or any other recognized stock exchange market are subject to 0.2% transaction tax.

6. INSURANCE PREMIUM TAX

Insurance tax applies on the amount of premiums and related costs charged by insurance companies and is borne by the customers. The rates are 4%, 10% and 20% depending on the type of insurance. Life insurance premiums paid in the context of contracts with duration of at least 10 years are exempted.

7. CONTRIBUTION OF LAW 128/1975

An annual contribution of 0.6% is imposed on the average outstanding monthly balance of each loan granted by a bank operating in Greece or abroad. Certain exceptions apply in regard to loans between banks, loans to the Greek State, loans funded by the European Investment Bank etc.

8. COMPETITION COMMITTEE DUTY

According to article 17 of Law 3959/2011, a duty of 0.1% is imposed on the capital of shares upon incorporation or capital increase of Greek Sociétés Anonymes (AEs) in favour of the Greek Competition Committee.

9. VEHICLE REGISTRATION DUTIES

Cars, motorcycles and trucks – either new or second hand- which enter the Greek territory are subject to registration duty at rates varying from 4% to 32% on their retail sale price (before taxes), regardless of the cylinder capacity. Hybrid cars, previously exempted, are also burdened with 50% of the applicable registration duty.

10. EXCISE DUTIES-LUXURY TAX

Excise duties on tobacco products, alcohol and alcoholic drinks and fuels (heating and transportation) are imposed in line with EU law.

A special luxury tax is levied on certain categories of goods, considered as “luxury goods”, such as leather goods, jewellery and precious stones, precious metals, aircrafts, seaplanes and helicopters of private use.

11. CUSTOMS DUTIES

Imports from EU Member States are exempt from all customs duties. Imports from countries outside EU are regulated by the Union Customs Code, the Common Customs Tariff and the Greek Customs Code, in line with EU customs legislation.

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