Tax Flash

January 2025

New tax Law 5162/2024: significant enhancements and reforms for both individuals and legal entities

Law 5162/2024 introduces significant changes in tax legislation of individuals and legal entities and establishes a revised tax framework for corporate transformations and tax incentives for scientifique and technological research.

The main provisions of the new law can be summarized as follows:

A. Tax provisions for the enhancement of individuals' income

Abolition of entrepreneurship duty for individuals	Entrepreneurship duty is abolished for individuals starting from the tax year 2024.
Tax exemption for voluntary benefits provided by businesses to new parents	Exemption from the calculation of employment income is provided under conditions for: • An allowance of up to 5,000 euros for each child that the employee has, which is paid within 12 months from the birth, increased by 5,000 euros for each additional child. • An annual benefit of up to 5,000 euros provided by employers to employees for covering the nurseries and kindergartens costs. The exemption for both benefits is effective from the tax year 2024.
Exemption of tips from income tax and social security contributions	Tips amounting up to 300 euros per month are exempt from taxation for employees working in catering, personal care services, and distribution sectors as well as to those who are engaged through independent service or project contracts with digital platforms (freelancers). Any amount exceeding this threshold will be subject to taxation. A special provision safeguards employees from employers' abusive use of such exemptions and seeks to prevent the substitution of the agreed salary with tips, thereby avoiding partial salary taxation. If an employer reduces the salary and replaces the amount with tips, a fine of 22% of the salary reduction is imposed for one year from the moment of the reduction. Tips are not subject to social security contributions, regardless of the amount received. The exemptions are applicable to tips accrued from November 1, 2024, onwards.
Tax exemption of income of individuals from long-term leasing of real estate	A 3-year exemption is granted, under specific conditions, for the income derived from the long-term rental of residential properties up to 120 square

	meters, for agreements concluded between September 8, 2024, and December 31, 2025. This exemption applies to properties that were previously declared as vacant or were available for short-term leasing. If a long-term lease is terminated early, the income tax exemption will not apply for that tax year. Additionally, if the property, which has been vacated, is offered for short-term leasing within a three-year period, the exemption will be retroactively revoked.
ENFIA double reduction starting in 2025	Starting from the year 2025, the Unified Property Tax (ENFIA) for insured individuals' residences will be reduced by 20%, provided that the taxable value of the property does not exceed 500,000 euros. If the property's value exceeds this threshold, the reduction remains at 10%. To qualify for this exemption, the insurance must cover the previous year and have a minimum duration of three months. If the insurance duration is less than one year, the real estate tax reduction will be applied proportionally.
Reduction of healthcare insurance contributions	Starting January 1,2025, the employee healthcare insurance contributions will be reduced by 1%, with the reduction being equally shared between the employee and the employer.
Exemption from Health Insurance Premiums for Minors	An exemption is provided for health insurance premiums for minors for tax years commencing on or after January 1, given that the insured individual has not yet attained the age of 18. Similarly, for group or family insurance policies, no tax is imposed on premiums for covered minor members. This exemption applies to premiums for tax years beginning after January 1, 2025, and does not permit refunds for taxes previously paid.
Conditions for the contribution of shares by individuals to legal entities	The contribution of Greek or non-Greek shares to a domestic or foreign legal entity (the recipient entity) for the purpose of capital payment or capital increase, in exchange of shares in the latter, is not taxable at the time of the contribution, on the condition that the contributor is the only shareholder or partner of the recipient entity. The recipient entity must be domiciled in a tax-cooperative jurisdiction, and any transfer of shares must occur no sooner than two (2) years from the initial contribution.
Extension of the suspension of capital gains tax on the real estate transfer	Further suspension of the capital gains tax from the sale of real estate until 31 December 2026.

Extension of tax incentives for angel investors	Starting from the tax year 2025, new tax incentives are introduced for angel investors investing capital in start-ups or AKES, with the maximum investment limit being raised from 300,000 euros to 900,000 euros, allocated to a maximum of three (3) different startups or Funds and up to the amount of EUR 300 000 per startup. The said incentive consists in the deduction from taxable income of up to 50% of the investment proportionally per income category for the tax year in which the investment was made.
New start-up investor residence permit	The new provisions enable citizens from non-EU countries to obtain a special residence permit by investing in Greek startup companies. Starting January 1, 2025, individuals who invest a minimum of 250,000 euros in a startup listed in the National Startup Registry will be eligible for this permit. The investment can be made through the acquisition of shares during a capital increase or bonds upon issue of a bond loan.

B. New provisions for legal entities taxation

Incentives for patents and R&D

Extended tax incentives for Scientific & Technological research expenses	An increase in deduction rates for eligible research expenses is introduced reaching up to 315% in specific cases:
	
	• **250%** for expenses related to collaborations with companies registered in the National Startup Registry, recognized research centers, and universities if there is no affiliation with the service recipient. This rate also applies to depreciation of equipment and instruments used in research.
	
	• **300-315% for small and medium-sized enterprises (SMEs) where:**
	  ▪ Research & Development (R&D) expenses constitute at least 20% of total expenses **(300%),** and
	  ▪ annual research expenses exceed the average of the two previous **years (315%).**
	
	The new incentives apply from tax year 2025 onwards.

Extension of incentives for commercial exploitation of patents	From the tax year 2025 onwards, new regulations enhance tax incentives for profits from patent exploitation as follows: ▪ **Income tax exemption**: profits from internationally recognized patents developed by the company are exempt from income tax for up to three (3) consecutive years, provided that these profits are linked to R&D expenses incurred for the patent's development. ▪ **Additional incentives for seven (7) years:** 10% reduction on the income tax payable for the profits from patent exploitation for the next seven (7) years.

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Corporate transformations

New tax framework for corporate transformations	The new tax framework for corporate transformations fully aligned with the corporate law 4601/2019 abolishes all previous existing legal provisions of L.D.1297/1972, Law 2166/1993, Law 2758/1998 and Law 4172/2013. The new law covers all forms of corporate restructurings, i.e. mergers, demergers, partial demergers, spin offs, exchange of shares and legal form conversions, participating: ▪ Only Greek entities, ▪ A Greek and an EU entity, ▪ Especially for spin offs and exchange of shares, non-EU entities may also participate as long as they are established in a DTT country or Administrative Cooperation Agreement.
Valuation of assets and shares	Valuation rules for tax purposes are now introduced. Still, based on the explanatory memorandum, the said provisions do not impose or foresee the obligation to carry out a valuation of the assets and liabilities in the context of the transformation, which obligation is determined by the law. 4601/2019 (A' 44) and corporate law in general. At the level of recipient entity. The tax value of assets contributed in the recipient entity is not stepped up as a result of the restructuring. At the level of shareholder/partner. The shares acquired by the shareholder in case of a merger, demerger and conversion or by the contributing entity in case of spin-off, are recognized at their fair market value at the time of completion of the transformation unless they are transferred within two (2) years. Especially in the exchange of shares, the shares contributed to the acquiring company are recognized at the market value at the time of the exchange, while the shares received by the shareholder / partner of the acquired company are recognized at the value of the exchanged corporate shares before the exchange.
Taxation of capital gains	At the level of recipient entity. Capital gains arising from a merger, demerger and conversion are not taxable for the recipient company or in the case of a conversion for the company under its new legal form. At the level of shareholder/partner. Capital gains arising from a merger, demerger and conversion are not taxable for the shareholder, unless there is a cash payment for the latter. As pointed out in the explanatory memorandum, this exemption from income tax with respect to the capital gain arising from the transformation is final.
Depreciations, tax losses, reserves and provisions	They may be transferred as if the transformation had not taken place.
Other tax exemptions	The new provisions exempt transactions and agreements related to transformations from taxes and duties, including Capital Concentration Duty.

	Furthermore, simplified procedures are introduced for the transfer of real estate. More specifically, the submission of Real Estate Transfer Tax returns or any other certificates is not required, except for the ENFIA certificate evidencing that the transferred properties have been included in the ENFIA assessment notes for the past five years.
Anti-abuse rule	A special anti-abuse rule for transformations against tax avoidance applies to all tax exemptions (repeating the anti-abuse rule provisions of art. 56 of L. 4172/2013).

Extension of participation exemption regime to subsidiaries in third countries

Tax exemption of intra-group dividends and capital gains derived from shares of non-EU legal entities	The new provisions expand the scope of the dividends and capital gains participation exemption, to non-EU legal entities subject to certain conditions. These new provisions will be effective starting from the tax year 2025. These extensions are subject to the same terms and conditions as previously established, specifically requiring a minimum holding percentage of 10% for a duration of at least 24 months, with the non-EU subsidiary having the legal form of a capital company subject to corporate income tax. However, an additional condition has been introduced for both dividends and capital gains exemptions: the distributing legal entity, or the entity whose shares are being transferred, must not be established in a non-cooperative state. This measure ensures that the tax benefits are not exploited through entities in jurisdictions that do not comply with international tax standards.

Addition of an alternative method of taxation for Mutual Funds of Business Participations (AKES)

Alternative method of taxation of AKES	**Addition of an alternative method of taxation of AKES** An alternative method of taxation of the AKES is foreseen, and thus the AKES established from January 1, 2025 will have the option of choosing their method of taxation, either based on the new tax regime, being subject to tax, or based on the existing regime, as not subject to any tax, with the taxation taking place at the level of AKES unitholders for any type of income they obtain from their capacity. **Key provisions of the new tax regime applicable to AKES** The AKES being subject to tax, will be charged with an annual tax, calculated on the difference between the market value of the fund's holdings on December 31 of each tax year and the initial cost of its acquisition increased by the cumulative operating costs of the fund. The tax rate is determined as 5% of the interest rate set by the European Central Bank for its main refinancing operations within the Eurosystem. With the payment of this tax, the tax liability of AKES and its unitholders in terms of income tax is exhausted, while the profits in the form of dividends or other benefits are not subject to withholding tax and in the case of AKES the withholding tax provisions of the Income Tax Code do not apply.

Income tax exemption of debt write-offs

Income tax exemption of debt write-offs	Businesses and self-employed individuals will be exempt from paying income tax on bank debts partially or fully written off under out-of-court settlements. This provision, reinstating a measure valid until late 2020, applies to income tax due from 1.1.2024 onwards, aiming to support financial recovery.

C. Other special tax provisions

Extension of VAT suspension on real estate	The optional VAT exemption provision on the sale of new buildings has been extended until December 31, 2025.
Climate resilience duty for hotels and Airbnbs	The climate resilience duty increases from April to October from 0.50 to 5.00 euros as follows: • By 0.50 euros for 1 to 2-star hotels and for rented furnished rooms, and it is set at 2.00 euros from 1.50 euros. • By 2.00 euros for 3-star hotels, and it is set at 5.00 euros from 3.00 euros. • By 3.00 euros for 4-star hotels, and it is set at 10.00 euros from 7.00 euros. • By 5.00 euros for 5-star hotels and villas, and it is set at 15.00 euros from 10.00 euros. For short-term rentals, it increases from 0.50 euros to 2.00 euros in the winter months and from 1.50 euros to 8.00 euros in the summer months. The period during which the reduced duty is applicable (November to February) has been extended by one month to now include March.
Initiation of a Cruise duty for island tourism	In response to the increased number of tourists and the significant pressure on the islands from recreational vessels on sightseeing cruises, a cruise duty has been introduced. This duty imposes a fee of 20 euros per passenger, per port, for cruise ship arrivals at the popular islands of Santorini and Mykonos. For other destinations, a fee of 5 euros per passenger, per port, will apply.
Exemption of high-speed connections from the fixed telephony subscriber duty	It is specified that starting from January 1, 2025, bills for connections delivered through a fiber optic network with speeds of 100 Mbps or higher will be exempt from the fixed telephony subscriber duty.

Submission of income tax returns of individuals and legal entities	The submission of income tax returns will take place from March 15 to July 15 each year, both for individuals and legal entities. A discount is available for those who pay their full income tax liability by July 31 and submit their tax return, as follows: • 4% discount for those who submit their return from March 15 to April 30, • 3% discount from May 1 to June 15, • 2% discount from June 16 to July 15. The payment of the tax is made in 8 equal monthly installments, the first of which is due by July 31.

Let's talk!

For a deeper discussion on any of the above issues, please contact:

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