

Tax Flash

December 2022

The new tax law 5000/2022 recently enacted includes certain amendments to the tax legislation. Some of them are introduced in the context of aligning national legislation with EU legislation, such as the amendments to the taxation of shipping related income, while others have a developmental aspect, such as the further suspension of taxes on real estate. More specifically:

Changes to the taxation of shipping revenues

The changes to the taxation of shipping revenues brought about by the new law are included in both the amended New Voluntary Contribution Agreement (VCA) and other tax provisions for shipping.

A. Amendment of the New Voluntary Contribution Agreement

By ratifying the amended New VCA between the Greek State and the shipping community, which had entered into force in April 2019, the government aims to respond to the European Commission's concerns regarding the compatibility of the special tax regime for Greek shipping with the EU State Aid rules, thus putting an end to the Commission's investigation on the matter that started before 2019. The changes adopted are as follows:

Reduction of the Voluntary Contribution rate	The fixed rate of the Voluntary Provision is reduced from 10% to 5% on shipping dividends imported into Greece. The payment of this tax exhausts any tax liability of individuals (tax residents of Greece, shareholders or beneficial owners of companies owning ships under the Greek or foreign flag, provided that the latter are managed by a Greek company under Law 27/1975) for this income.
Explicit inclusion of capital gains income in the special scheme	The scope of application of the voluntary contribution is now extended by law, apart from dividends, to capital gains imported into Greece from the sale of shipping, shipowning and holding companies, at the same rate of 5%. Until now, the inclusion of capital gains in the above taxation was based only on interpretative instructions of the tax administration (POL.2121/2019).
Collective commitment clause	With the newly introduced Collective Action Clause, shipowners who are not co-signatories are also bound by the New VCA, provided that the co-signatories represent 90% of the total tonnage of ships managed in Greece.

Increase in annual revenue target	At the same time, the annual revenue target is adjusted from Euros €40 million to €60 million, on the condition that if in one year it is not collected, the entire shipping community - signatories and non-signatories of the Agreement- are obliged to pay the remaining amount. Any shortfall will be examined on a biennial basis and, if found in any year of that period, the remaining amount will be paid as tonnage tax, after the filing of the tonnage tax returns for the year following the biennium, with the total shortfall being apportioned pro rata to each managed ship.
Retrospective application	The revised agreement applies retroactively and concerns dividends and capital gains paid from 1.1.2022 onwards.

B. Other changes in ship taxation

The provisions of the new law introduce two additional changes to ship taxation, in an effort by Greece to comply with the relevant recommendations of the European Commission on state aid.

Extension of tonnage tax to time charterers and voyage charterers	The special tonnage tax regime is extended to ship operators who, in addition to operating their own vessels, provide transport services with time/voyage chartered vessels of other companies under the following conditions: a) 25% of the total fleet is flying the flag of an EU/EEA Member State, or b) the share of chartered vessels not flying an EU/EEA flag does not exceed 75% of the owned fleet subject to tonnage tax.
Imposition of a fee on dredgers	To harmonise with the provisions applicable to fishing vessels and tugboats exempted from tonnage tax, a fee of up to EUR 15,000 per year is also levied in favour of the State on self-propelled dredgers, when the time spent in maritime transport does not exceed 50% of the total time spent in maritime activities. The payment of the fee for all the above vessels exhausts any tax liability of the liable individuals or legal entities for the income from their operation, which includes the capital gain from the sale of a vessel and the collection of insurance compensation.
5% tax on dividends	Tax at the general dividend rate (5%) is levied on dividends received by shareholders of companies operating the above-mentioned vessels.

Taxation of real estate

The new provisions aim to stimulate the real estate market and the construction and technical sector in general. More specifically:

Extension of the VAT suspension on real estate	At the request of the developer, the VAT suspension on sales of new properties, i.e. properties with building permits after 1.1.2006, is extended for another two years, until 31.12.2024.
Extension of the suspension of capital gains tax on real property	The suspension of capital gains tax (15%) on transfers of real estate by individuals not engaged in business activity is extended for two more years, until 31.12.2024. The capital gains tax has been subject to continuous suspensions since it was originally introduced in 2014.
Extension of income tax deduction for building improvement costs	The 40% income tax deduction for individuals making energy, operational and aesthetic upgrades to buildings is extended for two more years, until 31.12.2024. The maximum total amount of expenditure is Euros 16,000 and the amount of the tax reduction is spread equally over four years. The deduction is granted on the condition that the expenditure was paid by electronic means of payment.
Abolition of audit on the submission of an amending return resulting in a tax reduction	The hitherto mandatory audit by the tax authority of the amending tax return for real estate transfer tax and gift/inheritance tax/parental benefits, in case it results in a tax reduction of more than Euros 300 (via first amending return) or any tax reduction (via each subsequent amending return), is abolished. Upon submission, a tax assessment is issued according to the normal procedure; the method, procedure and criteria for auditing the amending returns will be determined by a decision of the Governor of AADE.
Correction of objective values by municipalities	Municipalities may submit until 20.1.2023 to the General Secretariat of Public Administration Information Systems of the Ministry of Digital Governance justified opinions, accompanied by evidence, on the zone values of their territorial jurisdiction, when they consider that their opinion was not taken into account during the recent revaluation of objective values effective from 1.1.2022. Following their examination, the Ministry of Finance may decide to repeat the procedure for certain zones and set new values, which will apply as of the publication of the decision. Any new zone values will affect the calculation of taxes on real estate where the objective value is taken into account, such as ENFIA, real estate transfer tax, gift and inheritance tax.

Other amendments

VAT

The inclusion of certain goods and services in a reduced (13%) or over-reduced (6%) VAT rate is extended until 30.6.2023. Indicatively, non-alcoholic beverages, the importation of art objects, transport services, catering, training and dance instruction are subject to a reduced rate. The over-reduced rate is applied to dialysis equipment, personal hygiene equipment (such as masks, antiseptics, wipes) and tickets for theatrical performances.

Alternative tax regime for high net worth individuals /investors

Proof of the transfer of Euros 500,000 (minimum investment amount in Greece) to a Greek bank account was explicitly added as a condition for the inclusion of investors / high net worth individuals to the alternative tax regime of "non-resident". This condition did not exist until recently and the applicant could import the funds to be invested in Greece even after the inclusion in the alternative regime, since it is provided that the investment can be completed within three years from the application.

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This information is intended only as a general update for interested persons and should not be used as a basis for decision-making. For further details please contact PwC: 268, Kifissias Avenue 15232 Halandri tel. +30 210 6874400

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