

## Global Rewards Update: Greece – impact of new income tax code on incentive plans

February 2014

### Background

The Greek Parliament approved a tax bill in July 2013, which introduced the new Income Tax Code (ITC) effective from 1 January 2014.

The new Greek ITC makes a number of changes to the tax rules affecting companies and individuals. As part of this, it has been confirmed that share based awards received by employees constitute a taxable benefit in kind and will be taxed as normal employment income.

### Taxable income from share plans

The new ITC confirms our previous understanding on the calculation of the taxable benefit for share plans, as follows:

#### *Share options*

The taxable value for share options will be the closing price of the shares on the relevant stock exchange when the shares are delivered to the participant following exercise, less any exercise price paid.

#### *Share awards*

The taxable value for share awards will be the closing price of the share awards on the relevant stock exchange when the shares are delivered to the participant following vesting.

### Employer withholding and reporting obligations

Although the new ITC provides that a withholding obligation will arise for the local employer on any taxable employment income, the withholding obligation is not applicable until 1 January 2015 for share-settled incentive plans.

These awards will still be taxable for 2014, but no withholding obligation will exist for the local employer (even where there is a recharge of costs to the local employer).

Although there is no withholding obligation for the local employer in respect of share-based awards in 2014, the local employer will still be required to report the amounts received by their employees in the PAYE tax returns and employee salary certificates.

Where awards are settled in cash, the withholding obligation is **not** postponed until 1 January 2015 and the

local employer is required to withhold the tax payable on the cash amount delivered to employees.

## Social security

The Social Security Fund (IKA) has not specifically confirmed whether social security contributions should be paid on share-settled awards. However, the general rule provides that social security contributions are due on any type of employment income.

Therefore, share-settled awards will generally be subject to social security contributions. In order to gain certainty on the social security position for share-settled awards, companies may seek a ruling from the IKA.

Where awards are settled in cash, social security contributions should be payable on the cash amount delivered to employees.

## Action

Companies should ensure that they currently have the relevant procedures in place to fulfil any withholding or reporting obligations due on cash-settled awards.

From 1 January 2015, a withholding obligation will arise on any share-settled awards delivered to employees. However, in the meantime, companies should ensure that they continue to have the relevant procedures in place to fulfil their reporting obligations.

Companies should consider giving their employees guidance on their personal reporting obligations for the 2014 tax year. This may include specific guidance (following this change in position) or an update of the current employee communications to make employees aware of their compliance responsibilities.

Companies operating share-based incentive plans in Greece may want to consider seeking a ruling from the IKA in order to gain certainty on whether social security is due.

## People to contact

For assistance with this matter, or any other issue related to the operation of your global rewards plans, please contact your local Deloitte global rewards consulting services adviser or email us at [globalequity@deloitte.com](mailto:globalequity@deloitte.com), and a global rewards consultant will contact you.

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