



Law 4472/2017: Recently enacted tax provisions

Greece's parliament adopted a law (Law 4472/2017) on 19 May 2017 that makes changes to several tax laws, including the Income Tax Code (ITC), the Tax Procedures Code (TPC) and the Annual Real Estate Ownership Tax (AREO). The measures will affect both individuals and companies in Greece. In principle, amendments will become effective as of the date of publication in the Government Gazette (19 May 2017), unless specified otherwise.

The most important amendments are as follows:

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Income Tax Code

Measures affecting individuals

- The amount of the tax reduction for income from employment and pension income will be reduced to EUR 1,250 per year for individual taxpayers without children, provided the individual's taxable income

does not exceed EUR 20,000 annually. The annual amount for taxpayers with one child is EUR 1,300, EUR 1,350 for two children and EUR 1,450 for three or more children. The new rules will apply to income acquired in fiscal years commencing as from 1 January 2020. However, they may be applied earlier (i.e. for income acquired as from 1 January 2019) if the EU institutions and international organizations involved in the financial adjustment program for the Greek economy, in cooperation with the Greek authorities, decide the reduction is necessary to achieve the agreed upon primary budgetary objective. The Greek authorities, in agreement with the above institutions, will be empowered to make the necessary adjustments.

- The applicable tax rate for the first bracket of income from employment and pensions will be reduced from 22% to 20% as from 1 January 2020.
- The special solidarity tax will apply to net income exceeding EUR 30,000 (increased from EUR 12,000) as from 1 January 2020.
- The measures above relating to the income bracket and solidarity tax will become effective only if Greece meets the medium-term budget targets under the financial adjustment program, and they may be adjusted, as needed. It is unclear whether the measures that allow the Minister of Finance to issue decisions associated with the adjustment of the tax reliefs could be considered to grant excess powers to the minister, which may be prohibited under the Greek Constitution.
- A reduction of individual income tax is possible for donations made to political parties and other representatives retroactively as from 1 January 2017.
- As from 1 January 2017, tax deductions are no longer granted for medical expenses.
- The 1.5% tax reduction upon withholding of tax on income from employment and pensions will be abolished as from 1 January 2018.

Measures affecting companies

- As from 1 January 2019, the corporate income tax rate applicable to legal persons and legal entities that maintain double entry accounting books, as well as for other entities with single entry accounting books (as specified in the law) will be reduced from 29% to 26%, with the exception of credit institutions (as specified therein) for which the rate remains 29%. However, the rate reduction will come into effect only if Greece meets the medium-term budget targets under the financial adjustment program.

- Credit institutions will be required to pay an annual 1.5% commission to the Greek state, calculated on the benefit arising from the increase in the corporate income tax rate from 26% to 29%, due to the respective increase in the relevant deferred tax claim entitlement guaranteed by the Greek state.
- A new framework regarding short-term leases (in the context of economy sharing) is introduced, which specifies the relevant income classification. The income arising from the said short-term leases is exempt from VAT. These rules apply retroactively as from 1 January 2017. Further clarifications are expected with respect to the classification of income derived by legal entities as income from real estate property, instead of business income.

Tax Procedures Code

- As from 19 May 2017, new rules are included in the TPC with respect to the selection of cases that will be subject to tax audit. In determining whether an audit should be initiated, the tax authorities will conduct a risk analysis and look at data from both internal and external sources (e.g. data from credit institutions, etc.). The new rules are designed to improve the efficiency of tax audits.

Annual Real Estate Ownership Tax

A new provision is introduced in the AREO that will grant a reduction of 30% (up to an amount of EUR 70) to the extent the total amount of AREO liability does not exceed EUR 700. The EUR 700 threshold will be doubled in cases where taxpayers entitled to 50% discount, are undergoing financial difficulties.

The new provision will apply, in principle, as of 1.1.2020. However, it will come into effect only if Greece meets the medium-term budget targets under the financial adjustment program. In the same context, the provision may be similarly adjusted, as needed (as analyzed above).

Other provisions

Rules relating to the Financial Crimes Prosecutor are amended to harmonize the rules governing the prosecutor with the responsibilities of the Independent Public Revenue Authority and with an aim to strengthen the framework for dealing with tax/customs offenses.

Transitional provisions are enacted to align the applicable framework regarding the imposition of VAT sanctions and penalties imposed for fictitious or falsified tax documentation.

The tax deduction applicable for Greek Parliament Members is abolished.

A fixed amount of accommodation tax (EUR 0.50) for the leasing of furnished rooms – apartments is now enacted.



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