



Amendments in VAT and Insurance Premium Tax New Law 4334/16.07.2015

On 16.07.2015, the Hellenic Parliament voted for Law 4334/2015 (FEK 80/16.07.20115) which introduces, among others, significant changes in the field of VAT and insurance premium taxation, as described below.

Annulment of reduced VAT rates on Islands

The reduced rates (by 30%) that apply to transactions on/to the Islands are gradually waived as from:

- 01.10.2015 for developed, in terms of tourism, islands with higher income per capita, but with the exemption of isolated islands,
- 01.06.2016 for less developed islands, but with the exemption of isolated islands,
- 01.01.2017 for all isolated islands

(By way of clarification, reduced VAT rates (16%, 9% and 4% - after reduction of the regular super reduced rate of 6,5% to 6%) will apply up to 30.09.2015, 31.05.2016 and 31.12.2016 respectively).

VAT rates - Reclassifications

Certain categories of goods and services are reclassified to higher VAT rates (from 13% to 23% or from 6,5 to 13%). Reclassifications will apply as from 20.07.2015 (unless otherwise provided by law) according to an announcement from the Ministry of Finance that is expected to become official.

Significant reclassifications include the following:

- The super reduced VAT rate is reduced to 6% (currently 6,5%). This applies to books, newspapers, journals/magazines, certain types of medicine/vaccines, theater tickets.
- Hospitality/hotel accommodation services are reclassified to 13% as from 01.10.2015, while catering and restaurant services are reclassified to 23% immediately.
- For the first time, VAT is imposed at 23% on private educational coaching centers of all levels (excluding private schools), as well as on language and computer centers. Currently, such services are treated as VAT exempt services.
- Medical and diagnostic services provided by private clinics and centers during hospital stay, aesthetic services by doctors etc. are reclassified to the higher VAT rate (from 13% to 23%). Medical and diagnostic services provided by State Hospitals as well as medical care by professionals (doctors – free lancers) remain exempt from VAT.

For more information please refer to the attached Table of Goods and Services, which includes a non exhaustive description of goods and services that are reclassified to a different VAT rate.

NOTE: It is highly recommended that suppliers of goods/services, that were until now subject to the 13% or 6,5% rates, double-check reclassifications (with reference to the respective Tariff class codes in case of goods).

Instant VAT remittance for bank payments

Pursuant to the new law, banks will be required to withhold the VAT amount in respect of payments/transactions that are mandatorily settled through the bank system (i.e. wholesale transactions of more than EUR 3.000 and retail transactions of more than EUR 1.500) and, principally, through credit or debit cards, e-banking, bank deposit payments of invoices or bank cheques.

Certificates will be provided by the bank to VAT subjects for reporting purposes. There are several practical issues that are expected to be arranged through an interpretative circular of the Ministry of Finance. Among them, clarification is required as to how double remittance of VAT (one with the VAT return and one with the bank's repayment) can be avoided when an invoice is paid in the month following the month of its issuance.

Increase of Insurance Premium Taxation

The new law increases insurance premium tax (from 16.07.2015 according to Ministerial Circular POL. 1158/17.07.2015) on claimable premiums and insurance rights recognized under an Insurance Policy agreement (apart from life and fire insurance).

Applicable Tax rates:

- 20% tax on fire insurance (no change)
- 15% tax (from 10%) on car insurance
- 4% tax on life insurance (no change)
- 15% tax (from 10%) on all other types of insurance.

The new legislation waives any exemption from insurance tax (like the exemption applying to vessels/aircraft) except for life insurance exceeding a 10 year duration, for which the exemption remains effective.

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