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TAX BRIEFING: Monthly Insight

Recent Developments in Tax Legislation

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A. Law 5000/2022 on VAT, the Special Tax Regime for Investors, Real Estate Taxes and Taxation of Shipping Revenues

Law 5000/2022 (Government's Gazette A' 226/9.12.2022) (the **Law**) introduced amendments to various direct, indirect and real estate taxes.

1. For certain goods and services (including personal hygiene equipment such as masks, wipes and antiseptics, dialysis equipment and theater tickets) the over-reduced VAT rate of 6% (instead of the reduced rate of 13%) will continue to apply until 30 June 2023.
2. The transfer of the minimum investment amount of €500,000 by way of deposit to a Greek bank account is added to the conditions for the transfer by high net worth individuals of their tax residence to Greece under the special tax regime provided for by Article 5A of Law 4172/2013.
3. The VAT suspension on sales of real estate property to individuals is further extended to 31 December 2024.
4. The suspension of capital gains tax on the sale of real estate property by individuals who do not perform business activities is also extended to 31 December 2024.
5. Individuals upgrading buildings will continue to benefit from the 40% income tax deduction until 31 December 2024, on condition that:
    a. the maximum amount of the expenses do not exceed the threshold of €16,000 equally spread over a period of four years; and
    b. the expenses are paid for by electronic transfer.
6. The provision regarding mandatory tax audits in the event of amended inheritance, gift and real estate tax returns resulting in a tax reduction of more than €300 is abolished. The method for auditing the amending tax returns will be detailed in a decision of the Director of the Independent Authority of Public Revenues (**IAPR**).
7. The tonnage tax regime is extended to ship operators providing transportation services using time/voyage-chartered vessels of third parties on condition that:
    a. the chartered vessels which are not EU/EEA flagged do not exceed 75% of the owned vessels subject to tonnage tax; or
    b. 25% of the fleet is flying under the flag of an EU/EEA Member State.
8. Self-propelled dredgers are subject to a special annual fee of €15,000 if the time spent on maritime transport does not exceed 50% of the total time spent on maritime activities.
9. Withholding tax at the rate of 5% is imposed on dividends distributed to the shareholder owners of the above vessels.
10. The Law ratified the Additional Act to the New Voluntary Contribution Agreement between the Greek State and the Shipping Community.
11. Under the ratified Additional Act:
    a. The rate of the Voluntary Contribution on shipping inbound dividends is reduced from 10% to 5%. The payment of this contribution exhausts any liability of the individuals with regard to this income.
    b. The scope of the Voluntary Contribution is extended to include any inbound capital gains from the sale of shipping, holding and shipowning legal entities, at a rate of 5%.
    c. As of 1 January 2022, the annual revenue from the Voluntary Contribution is adjusted to the amount of €60,000,000. Failure to collect this revenue entails an additional contribution by the shipping community for the remaining amount.
12. The Additional Act with regard to dividends and capital gains applies retrospectively from 1 January 2022 onwards.

B. VAT in the Digital Age

1. The European Commission proposed a Council Directive (**ViDA**) amending VAT Directive 2006/112/EC in relation to VAT rules for the digital age on 8 December 2022.
2. Such reform introduces 3 pillars:
    a. **A move to real-time digital reporting based on e-invoicing for businesses that operate cross-border in the EU and a harmonised framework for domestic transactions:** The new system introduces real-time, transaction-based digital reporting for VAT purposes, based on e-invoicing. Once operational, the system will give Member States valuable information for the control of cross-border transactions and to step up the fight against cross-border VAT fraud, while reducing administrative and compliance costs for businesses. To make the best use of this data for VAT control and anti-fraud purposes, Member States will also be equipped with the appropriate administrative cooperation tools.
    b. **Updated VAT rules for passenger transport and short-term accommodation platforms:** Under the new rules, platform economy operators themselves will be deemed responsible for:
        i. collecting VAT when service providers are not (because they are, for example, a small business not usually required to register for VAT); and
        ii. remitting this VAT to the tax authorities.

    This, together with other clarifications, will ensure a uniform approach across all Member States and contribute to a more level playing field between online and traditional accommodation and transport services. It also makes life simpler for SMEs using the platforms as they will no longer need to understand and ensure compliance with VAT rules, often in other Member States.

    c. **The introduction of a single VAT registration across the EU:** Building on the already existing 'One Stop Shop' model for e-commerce traders, the proposed Directive will further reduce the circumstances in which businesses that want to sell to consumers in more than one Member State have to register in other Member States. With this reform, traders who operate cross-border can opt to register in only one Member State for their sales to consumers across the EU and for their transfers of goods for storage in other Member States.

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