

TAX BRIEFING: Monthly Insight

## Recent Developments in Tax Legislation

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### **A. Law 5024/2023 on Capital Gains Tax, VAT on Commercial Leases, the Definition of Capital Goods for VAT Purposes and the Abolition of the Obligation to Notify the Tax Authorities on Volume Discounts**

#### **1. Capital Gains Tax – Time Deferral**

- a. Article 28 of Law 5024/2023 provides for a time deferral on capital gains tax in the event of contributions of Greek or foreign securities to cover or increase the capital of Greek or non-Greek legal entities or persons in exchange for securities of the recipient.
- b. The capital gains tax time deferral applies on condition that:
  - i. the contributor of the securities is a natural person and the sole shareholder of the recipient;
  - ii. the recipient is established in a tax cooperative jurisdiction (not necessarily in the European Union); and
  - iii. the scope of its business relates to commercial, production or agricultural activities or the provision of services.
- c. Capital gains tax is imposed at the time of transfer of the securities by the transferor, and the acquisition value is considered the initial value of the securities transferred.
- d. From the 2023 tax year onwards, the above contributions of securities are not considered to be business transactions for income tax purposes.

#### **2. VAT on Commercial Leases**

- a. Article 30 of Law 5024/2023 provides that contracting parties may agree on subjecting commercial lease agreements to VAT rather than stamp duty by making an application either before the first use of the property or later.
- b. In the event that the application is filed after the first use of the property, it will apply from the next tax period.

#### **3. Definition of Capital Goods for VAT Purposes**

Law 5024/2023 abolishes the requirement that real estate must be used for 9 years, either by the legal entity which owns it for its business activities or pursuant to the terms of a lease agreement, to qualify as a capital good for VAT purposes.

#### **4. The Abolition of the Obligation to Notify the Tax Authorities on Volume Discounts**

The obligation for all legal entities and persons to notify tax authorities of volume discounts at least 4 months before the issuance of the first credit invoice (failing which the respective VAT was not deductible) is abolished by Article 31 of Law 5024/2023.

### **B. Law 5026/2023 Amends the Legislation on Source of Funds and Economic Interest Declarations**

1. Law 5026/2023 (Government's Gazette A' 45/28.2.2023) (**SoF Law**) reforms the legislation regarding the preparation and submission of Source of Funds and Economic Interest Declarations (**SoF Declarations**).
2. Chapter B' of the SoF Law classifies the natural persons obliged to submit SoF Declaration into 13 categories.
3. The spouses of the obliged natural persons must submit SoF Declarations separately, whereas the previous process requiring only an approval of the SoF Declaration is abolished.
4. Upon preparation of SoF Declarations, all personal and tax information of the taxpayer is extracted from the tax system (tax register).

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5. All information included in income tax and real estate declarations, as well as any information from credit institutions, is also included automatically in the SoF Declaration, with no manual input required from the taxpayer.
6. Audits of SoF Declarations are performed on a sampling basis, which cannot be lower than 7% of the SoF Declarations filed over the last 5 years.
7. S.M.A.R.T. criteria will be set by the competent committee for the selection of SoF Declarations to be audited, on the basis of an annual decision of this committee.
8. The SoF Law introduces a new committee for the audit of SoF Declarations, the Control Committee as well as the role of the Control Coordinator.
9. The Control Committee may delegate the audit to specific bodies provided for by the SoF Law.

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