

TAX BRIEFING: Monthly Insight

Recent Developments in Tax Legislation

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A. Law 4797/2021 Introduces New Provisions on Submission and Payment of Income Tax, Relocation to Greece and Fines

1. The time period for the submission of annual income tax returns for individuals and legal entities is extended to 27 August 2021.
2. Income tax can be paid in 8 equal monthly installments, the first two of which are payable by 31 August 2021. A 3% discount is applied if taxpayers submit their annual income tax return by 30 July 2021.
3. Any rent which has not been collected will not be included as taxable income of the lessor on condition that:
 - a. the lessor has served an extra-judicial termination of the lease agreement or extra-judicial notice for the payment of outstanding rent by the 27 August deadline for the submission of annual income tax returns for the 2020 tax year; and

- b. following the service of any extra-judicial notices, the lessor has submitted a copy of any pending lawsuits, or a payment order or court decision relating to the eviction of the tenant or payment schedule for outstanding amounts to the tax authorities by the 30 June 2022 deadline for the submission of 2021 annual income tax returns.
4. No fines or reduced fines will be imposed for the 2020 tax year for failure to pay specific expenses electronically by way of debit/credit cards or online banking.
5. The alternative method for the calculation of minimum income will not apply for the 2020 tax year provided that:
 - a. the taxpayer has been affected by the Covid-19 pandemic;
 - b. the alternative method for the calculation of minimum income was not applied in one of the last two tax years;
 - c. deemed expenses for the 2020 tax year did not increase from the deemed expenses for the 2019 tax year; and
 - d. the acquisition cost of any real estate is covered by the income included in the annual income tax return.
6. The deadline for filing a relocation application under Article 5Γ of the Income Tax Code has been extended until 30 September 2021. This provision applies to employees, freelancers and self-employed who have relocated to Greece and registered their employment or business by 31 July 2021.
7. The time period for the payment of assessed taxes and settled debts is extended to 31 December 2021 and the payment of outstanding debts is further suspended to 31 December 2021.

B. Law 4799 Provides for Reductions in Corporate Income Tax and Income Tax Advance Payments and Amends Legislation on Sales Tax on Stock Exchange Transactions

1. The corporate income tax rate of legal entities and persons is reduced from 24% to 22% and the income tax advance payment of legal persons and entities is reduced to 80% (from 100%). However, especially for the 2020 tax year the advance payment is reduced to 70%. The above tax reductions apply from the 2021 tax year onwards.

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2. The advance income tax payment of entrepreneurs is reduced to 55% (from 100%). This tax deduction applies from the 2020 tax year onwards.
3. The exemption from the solidarity contribution is extended for the 2021 tax year and applies to all types of income except income from the public sector and pensions.
4. The exemption may not apply in the case that:
 - a. the income tax for the 2021 tax year is calculated based on the deemed income of the taxpayer (ie the alternative minimum income calculation based on deemed expenses); and
 - b. the taxpayer paid income tax based on their actual income for the two previous years.
5. For the 2022 tax year, the exemption applies only for employment income from the private sector.
6. The provisions of Article 9 par. 2 of Law 2579/1998 regarding the 0.2% sales tax on the transfer value of shares in stock exchange transactions is amended:
 - a. the persons liable for the payment of the tax are clarified;
 - b. penalties, surcharges and other sanctions for late filing or inaccurate filing are detailed in the law; and
 - c. the process for the payment of sales tax in the case of settlement outside the Central Securities Depository through authorized intermediaries is defined.

C. Additional Guidelines on Tax Residences and Permanent Establishments Due to the Pandemic

1. In 2020 the Independent Authority of Public Revenues (IAPR) issued Circular E. 2113/2020 on the impact of the pandemic on the tax residence of individuals and the permanent establishment of legal persons and entities.
2. Pursuant to this, the period from 18 March 2020 up to 15 June 2020 was disregarded for the purposes of determining tax residency due to travel restrictions.
3. By way of Circular E. 2130/2021 the IAPR provides additional guidelines for the transfer of tax residences and permanent establishments.
4. In particular, it clarifies that the period from 9 November 2020 until 14 May 2021 will also be disregarded for the purposes of determining tax residency and permanent establishment.
5. The period between 15 June 2020 to 9 November 2020 will be assessed to determine whether travel restrictions were in place preventing individuals or BoD members and executives from traveling to their tax residence or place of business activity. This period is also disregarded for the

purposes of permanent establishments in the context of Double Tax Treaties.

6. In the event of teleworking in Greece for foreign employers, the 'habitual abode' of an individual will not be determined on the basis of the time period but on their routine. The term habitual abode refers to the frequency, duration and regularity of stays that are part of the settled routine of an individual's life and are therefore more than transient. Days spent in a person's previous home jurisdiction because of travel restrictions imposed as a public health measure by governments should not result in a change in a person's habitual abode. The determination of an individual's habitual abode must cover a sufficient length of time for it to be possible to ascertain the frequency, duration and regularity of stays that are part of the settled routine of their life.

D. Reduced VAT Rates for the Islands of Leros, Lesvos, Kos, Samos and Chios

1. By virtue of Article 65 of Law 4811/2021 a VAT rate reduced by 30% will apply to the islands of Leros, Lesvos, Kos, Samos and Chios for all products and services excluding tobacco products and transportation means. The new rates apply from 1 July 2021 and under specific conditions.

E. Guidelines for the Submission of Annual Income Tax Returns by Legal Entities

1. By way of Circular E. 2122/2021 the Independent Authority of Public Revenues (IAPR) provides guidelines for filling in the annual income tax return of legal entities.

F. Payment Credit for Authorized Warehouse Keepers of Energy Products

1. By way of Circular E. 2126/2021 the IAPR notified the customs authorities that pursuant to the newly enacted Article 109A of Law 2960/2001, authorized warehouse keepers of energy products may request a 5 days' credit for the payment of excise duty and other taxes.
2. This credit is provided on condition that a guarantee (in the form of bank guarantee, insurance policy or cash collateral) will be provided by the authorized warehouse keeper for the tax payment suspension.

G. Set-off of Clawbacks against R&D Expenses

1. From the 2020 tax year onwards any benefit resulting from the set-off of clawbacks of pharmaceutical expenses against R&D expenses is equally distributed over a period of 5 years.

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