

**TAX BRIEFING:** Monthly Insight

# Tax Developments in Greece: Amendments to Legislation on Mergers and Acquisitions, Pharmaceutical Products, Payroll Tax, VAT and the Operation of the Bank and Payments Accounts Registry

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*A series of Circulars and Decisions have been issued by the Ministry of Finance and the Tax Audit Authority for Large Enterprises which clarify the interpretation of legislation in a number of areas.*

### **1. Extension and Amendment of the Operation of the Bank and Payment Accounts Registry**

The Ministry of Finance issued Decision POL. 1202/10.09.2015 amending and supplementing Ministerial Decision POL. 1258/5.12.2013 to take into account the integration of Request No 2 to the System of Bank Accounts and Payments Registry. This Request gives users in specific administrations of the public sector the ability to be informed of a taxpayer's transactions by filing a request electronically notifying the bank of the taxpayer's Tax

For further information on the contents of this Briefing, please do not hesitate to contact your M. & P. Bernitsas Law Offices contact or any of the lawyers listed below.

**Fotodotis Malamas**

E: [fmalamas@bernitsaslaw.com](mailto:fmalamas@bernitsaslaw.com)

**Smaro Anagnostou**

E: [sanagnostou@bernitsaslaw.com](mailto:sanagnostou@bernitsaslaw.com)

5 Lykavittou Street, GR-106 72 Athens, Greece  
T: + 30210 3615395 | [www.bernitsaslaw.com](http://www.bernitsaslaw.com)

Registration Number (ΑΦΜ), bank account and the time period concerned. Request No 2 is applicable as of 15th September 2015.

## 2. Clarifications in relation to the Deduction of Tax Imposed on Income Deriving from Salaried Work and Pensions

The Ministry of Finance issued Ministerial Circular POL. 1179/13.8.2015 by virtue of which it provided clarifications on the calculation of payroll tax (ΦΜΥ) which is deductible monthly from the salary of employees in the case of fixed term contracts. In particular, the Circular stresses that from 1st August 2015 onwards, the monthly tax deducted is limited to the denominator of 12 which corresponds to the term of the contract. For example, in the case of a 5 month contract the monthly tax deduction is limited to 5/12 of the monthly tax liability.

## 3. Deadline for the Completion of Company Transformations Effected on the Basis of the Provisions of L.D. 1297/1972 and L. 2166/1993

The Ministry of Finance issued ΔΕΑΦΒ 1107932 ΕΞ 2015/7.8.2015 with regard to the date of completion of company transformations performed on the basis of the terms of L. 2166/2013 or L.D. 1297/1972. In particular, transformations effected on the basis of L. 2166/2013 should be realized within 1 year from the date of the transformation balance sheet, whereas those effected on the basis of L.D. 1297/1972 are not subject to a time limit.

## 4. Tax Treatment of Costs Incurred for the Acquisition of Permits for Exclusive Trading and Distribution of Pharmaceutical Products

The Tax Audit Authority for Large Enterprises (Κ.Ε.ΜΕ.ΕΠ) issued Decision 18772/6.8.2015 with regard to the tax treatment of costs incurred in respect of:

- a. the acquisition of the right to sell and trade a pharmaceutical product as an exclusive distributor, and
- b. the use of its trademark in the course of its business activities.

The Decision specifies that the amount paid upon execution of the respective agreement represents the price for the acquisition of an intangible asset, and as such should be amortized at a rate of 10%. With regard to any other amount paid in the future for the same acquisition, the Decision sets out a specific method of allocating amounts paid throughout the years along with the respective amortizations.

## 5. VAT Rate of Medicines Delivered to Pharmacies Located on the Greek Islands

The Ministry of Finance issued ΔΕΕΦ Α 1115503 ΕΞ 2015/4.9.2015 providing clarifications on the VAT rate applicable to medicines delivered to pharmacies located on the Greek islands and specified that L. 4336/2015 provides for the gradual abolishing of the VAT reductions in force today. VAT reductions will be abolished from 1st October 2015 for islands falling within the first category, from 1st June 2016 for islands in the second category and from 1st January 2017 for the remaining islands. On 30 September 2015, the Ministry published its Decision No 0010707 ΕΞ 2015 with regard to the first group of islands to which mainland VAT rates will apply (i.e. 6%, 13%, and 23%). These islands are Naxos, Paros, Rhodes, Santorini, Mykonos and Skiathos. The issuance of a Ministerial Decision specifying which islands fall under the second category is pending. For all the other islands where the reduced rates apply, pharmaceutical companies are subject to a burden of proof that medicines supplied by them are actually delivered to these Greek islands and are for the needs of pharmacies.

## 6. Clarifications on the VAT Treatment of Ground Handling Services Provided to an Airline Operating through its Branch in Greece

The Ministry of Finance issued Δ141113908 ΕΞ 2015/1.9.2015 by virtue of which it replied to a legal entity's query pertaining to a ground handling services agreement executed by it with an airline registered abroad. The airline established a branch in Greece without notifying the legal entity, which requested clarification as to where the place of provision of the services is in this case. The Decision held that the place of taxation is Greece if the branch is the recipient of the handling service and pays for it. Moreover, the services are VAT exempt only if the terms and conditions stipulated in Art. 27.I.B' of the VAT Code and Ministerial Circular 1158/2.6.2014 are met.

## 7. Clarifications on the Procedure for the Exemption of VAT Imposed on Imported Goods Destined for Export or Delivery to a Person Subject to VAT who is Established in Another EU Member Country

The Ministry of Finance issued Ministerial Circular POL. 1194/27.8.2015 clarifying the procedure to be followed in order for the VAT exemption of imported goods which are to be exported or delivered to a person established in another EU

Member Country applies. The Circular sets out the deadline within which the export or the intracommunity delivery must be performed, as well as the documents that should be provided to Customs for the finalization of the VAT exemption.

### **8. Stricter Rules on VAT Assessments**

Sub-paragraph Δ12 of L. 4336/2015 amends Par. 6 of Art. 50 of the VAT law (L. 2859/2000). Under the new provision, in the case of an administrative judicial settlement pertaining to a VAT assessment, the additional interest on the tax imposed cannot be reduced. Furthermore any due debts related to VAT are no longer subject to any leniency or settlement.

### **9. Suspension of Tax Registration Numbers (ΑΦΜ) for the Conduct of Intracommunity Transactions**

The Ministry of Finance issued Ministerial Circular POL. 1200/2.9.2015 stipulating that in cases where there is evidence indicating that the taxpayer has ceased to exercise a financial activity or has committed tax evasion, the tax authorities can suspend the use of Tax Registration Numbers for the conduct of intracommunity transactions. The Circular also provides that, where a Tax Registration Number has been deactivated, the tax authorities must suspend its use for intracommunity transactions and details the procedure for the suspension of Tax Registration Numbers as well as the lifting of suspension.