



HELLENIC REPUBLIC  
MINISTRY OF FINANCE

Hellenic Stability and  
Growth Programme  
Newsletter

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# Greek Parliament Passes Landmark Tax Bill

- On Thursday April 15<sup>th</sup> the Greek Parliament passed the new tax Law that aims to simplify and rationalise the tax system and to introduce rules to combat tax evasion.
- The new tax Law represents a complete overhaul of the Greek tax system and makes it simpler, more stable, transparent, fair and effective in fighting tax evasion by improving auditing and exchange of information.
- With the new Law the Greek Government moves decisively to fulfil its obligations arising from the Hellenic Stability and Growth Programme and the European Council decision on fiscal and structural measures to be adopted by May 15<sup>th</sup>.

## The new tax bill: An overhaul of the Greek tax system

The Greek Parliament passed the new tax Law on Thursday April 15<sup>th</sup>. The Law introduces reforms in four main areas of the Greek tax system:

- Taxation of personal income
- Capital and real estate taxes
- Business and corporate taxation
- Tax administration, auditing and combating tax evasion

Additionally the new law foresees targeted tax incentives to promote entrepreneurship, safeguard employment and enhance investment in research.

### Taxation of personal income

- **Introduction of a unified progressive tax scale**, which treats all sources of income uniformly.
- **Abolition of autonomous taxation** and most tax exemptions in personal income.
- **Determination of imputed minimum taxable income**, based on the services, assets and estates owned or used by the taxpayer.
- **Incentives for issuing and collecting transaction receipts** in purchases of goods and services.
- **Accounting-based determination of incomes**, with documented receipts and expenses and invoices for goods and services for all self-employed persons.
- **Obligatory electronic submission of tax declarations** as of 2011.

### Capital and real estate taxes

- **Introduction of a progressive taxation on real estate holdings.**
- **Introduction of a progressive taxation of transfers and contributions of real estate**, shares or corporate stocks of companies that hold or manage real estate assets.
- **Introduction of taxation on donations of real estate and on contributions in cash** to Non-profit making Legal Persons Governed by Public Law, Legal Persons Governed by Private Law and other persons currently exempted.
- **Increased taxation of real estate offshore companies** and abolition of all existing exemptions.
- **Increased taxation on Church real-estate and introduction of a tax on Church property income.**
- **Repatriation of capital from abroad.** Deposits transferred to Greece within a six months

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## Short-term milestones

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## 2010 budget on track

According to the preliminary fiscal data on the execution of the state budget for the first quarter of 2010 ([www.mof-ghk.gr](http://www.mof-ghk.gr)) **the budget deficit has declined by 39.2%** compared to the same period of the previous year and against a target of 30.2% set in the SGP.

The state budget outcome for the first quarter of 2010 is due to both a restriction of expenditures by 3% and increased revenues by 9.7%.

It should be noted that the decline in the deficit does not yet fully reflect all measures foreseen for 2010 in the SGP nor the additional measures of tax increases and revenue cuts adopted by the Greek government of March 3<sup>rd</sup>.

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period will be exempted from a tax audit provided that a 5% tax is paid on the value of the capital transferred.

### Business and corporate taxation

- **Separation of taxable profits into non-distributed and distributed profits.** The taxation of non-distributed profits will gradually decrease from 25% to 20% by 2014. Distributed profits (dividends) will be taxed as personal income.
- **Extension of VAT obligation** to include economic activities currently exempted.
- **Self-auditing standards to increase voluntary compliance of small business.**
- **Tax certificates for businesses issued by certified auditors** that verify the accuracy of the tax liabilities of businesses and companies.

### Tax administration, auditing and combating tax evasion

- **Professional Accounts.** From 01/01/2011 all transactions between businesses as well as payroll transactions will be obligatorily executed via bank professional accounts.
- **Electronic billing.** From 01/01/2011 invoices exceeding 3000 euro between companies or between companies and the State shall be accepted only by electronic means.
- **Estates Registry.** The Ministry of Finance will create an assets registry for all persons with a Tax Identification Number, within a period of six months. The Assets Registry will constitute the base for cross-referencing data for income tax verification purposes.
- **Data transfer to the Ministry of Finance.** All Ministries and Public Institutions will have an obligation to submit electronically to the Ministry of Finance all relevant financial information.
- **Audits on the basis of risk assessments.** The selection of cases to be audited will be undertaken centrally through risk analysis and a tax evasion point system.

- **Cash Registers everywhere.** Every company, business or professional is obliged to issue receipts via certified cash registers.
- **Incentives for revealing corruption and tax evasion,** for individuals or businesses who assist in exposing corrupt public servants.
- **Faster procedures for the payment of fines and other penalties,** with the auditors empowered to directly levy the payable fines.
- **Confiscation of assets for debt liabilities to the State.**
- **Introduction of rules to audit offshore transactions and "thin capitalization".**
- **Strengthening of audit rules of billing practices between parent and subsidiary companies.**
- **Penalties for tax evasion and illicit trafficking,** through the introduction of a stricter framework and higher penalties.
- **Reorganization of Tax Services.** Creation of specialized services to audit individuals with large incomes and for the search and discovery of illegal trade and tax evasion, as well as in order to assist in the collection of overdue tax liabilities.

### Tax Incentives

- **Support to youth entrepreneurship.** Three year tax-exempt period for the establishment and operation of new businesses by individuals up to 35 years old.
- **Tax incentives for investments and employment retention,** for businesses with reduced turnover due to the economic crisis.
- **Incentives aimed at environmental protection.** Tax incentives for energy conservation, upgrading of buildings and reduced energy footprint of businesses.
- **Incentives for research.** Increased deductions in taxable profits for businesses investing in research and technological innovations.

## SGP Revenue Measures Monitor

With the new tax Law the Greek Government decisively moves towards the fulfilment of the obligations in the context of the Hellenic Stability and Growth Programme and the European Council decision on the measures to be taken by May 15<sup>th</sup> and adopts the majority of fiscal and structural measures to enhance tax revenues. With the package of revenue enhancing measures adopted so far and the new tax policy the Government seeks to accomplish the short and medium term fiscal targets in the area of tax revenues.

Measures to increase revenues	Mln €	% GDP	Progress	
Unique personal income taxation scale abolishing autonomous taxation and elimination of exemptions)	1,100	0.5	Law passed	✓
Higher property taxes	400	0.2	Law passed	✓
Measures to fight tax evasion	1,200	0.5	Law passed	✓
Measures to fight social contributions evasion	1,200	0.5	Forthcoming legislation	
Higher VAT rates	1,300	0.5	Law passed	✓
Higher excise tax on cigarettes (in two phases)	850	0.4	Laws passed	✓
Higher excise on alcohol (in two phases)	160	0.1	Laws passed	✓
Higher tax on mobile telephony and petrol (carryover from 2009)	400	0.2	Law passed	✓
Fuel tax increase (in two phases)	1,280	0.5	Laws passed	✓
Excise tax in electricity and abolition of tax exemption	250	0.1	Law passed	✓
Introduction of excise taxes on luxury goods	100	0.04	Law passed	✓
Special levy on high-value real estate (one-off)	180	0.1	Law passed	✓
Special levy on profitable firms (one-off)	870	0.4	Law passed	✓
Revenue from bank assistance scheme (one-off)	280	0.1	Based on the provisions of the scheme	✓
Revenues from EU structural funds	1,400	0.6	Speeding up implementation	✓