

**International Bar Association Annual Conference 2023**

**Recent Developments in International Taxation**

**Greece**

**Georgios Tsakonas**

***Papapetros, Papangelis, Tatagia and Partners Law Firm, Athens***

**mail@pptlegal.gr**

## **ABOLISHMENT OF SPECIAL SOLIDARITY CONTRIBUTION**

Special solidarity contribution is a tax burden- on top of regular income tax- charged against the sum of the incomes of any type accrued by a natural person.

As of 1.1.2023, the special security contribution has been completely abolished for all types of income of individuals (Article 177 L. 4972/2022 that amended the last subparagraph of Art. 43A L. 4172/2013).

## **STAMP DUTY FEE ON INTEREST-BEARING LOANS**

By virtue of art. 172 L. 4972/2022 it was clarified that interest-bearing loans are subject to stamp duty fee. Such legislative initiative followed the case law developed by Council of State since 2020 that by interpreting the provisions of Greek VAT Code had been ruling out that such loans are in principle subject and exempted to VAT and thus are exempted by stamp duty fee.

In fact, the above provision is effected retrospectively from 1.1.2021 in order for any interest-bearing loan contracted since that point to fall under its scope.

## **PROLONGATION OF THE SUSPENSION OF CAPITAL GAINS TAX AND VAT WITH REGARD TO REAL PROPERTY SALES**

For the purpose of continuing boosting the real estate sector, Greek Parliament has enacted the prolongation of the suspension of the capital gains tax of individuals in the case of transfer of real property (art. 14 L. 5000/2022) until 31/12/2024. It is highlighted, that since Greek Income Tax Code (L. 4172/2013) has been enacted on 1.1.2014, capital gains tax on transfer of real property has continuously been in suspension, as Greek State seeks to forward the growth of the real estate sector that had been minimal during the rough years of Greece's financial crisis.

To the same end, by virtue of art. 9 of the above L. 5000/2022 a prolongation of the VAT obligations of the building constructors in case of transfers of real property subject to VAT is granted until 31/12/2024. It is to be noted that real property VAT applies to the transfer of new property (the building license of which has been issued after 1.1.2006) for a consideration and provided that such transfer takes place prior to the first occupation of such property.

In case the taxpayer-building constructor applies to be subjected to the above VAT-suspension regime, the transfer of the property will be subjected to the more favorable (tax-wise) Real Property Transfer Tax the rate of which is in principle 3,09% (contrary to the 24% VAT regular charge).

## **NEW DOUBLE TAX TREATY BETWEEN GREEK REPUBLIC AND FRANCE**

On May 11th, 2022, Greece and France entered into a Double Tax Treaty by virtue of which the previous DTC between the two countries (already in place since 1965) was abolished.

Such Treaty was ratified by the Greek Parliament and incorporated into the Greek legislation by virtue of Law 4984/2022.

The purpose of the new Treaty is to forward even further the- already advanced- bilateral economic relationships between the two states, while on the same time securing the effective tackling of tax avoidance.

Some key features of the new treaty are the following:

- The maximum withholding tax rate on dividends is set at 15%, while a 0% rate is provided in case the dividend recipient is a company holding directly, for at least 24 months, 5% of shares of the distributing company (in any case Greek ITC provides a 5% tax rate on dividend distribution so in the particular case of a Greek company distributing profits to a French company such more favorable domestic tax rate will apply).

- The maximum tax rate of interest payments is set at 5% replacing the tax rates of 12% for interest payments from France to Greece and 10% for interest payments from Greece to France that were in place until the enactment of the new DTC between the two countries.

- The determination of the tax residence of legal persons is adjusted to the OECD Model Convention taking into consideration the place of effective management of the company.