Navigating Tax in Greece for Foreign Residents

Issues of Import For Canadian Taxpayers

Law 4174/2013 increased fines for delayed or inaccurate submission of income tax declarations.
A. INCOME

B. SEPARATE PROPERTY TAXATION

C. REAL ESTATE TRANSFER TAX

D. CAPITAL TAXATION (INHERITANCE, DONATIONS, PARENTAL ALLOWANCES)

E. OFFSHORE COMPANIES-TAX REGIME

F. HELLENIC CADASTRE
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The most important amendments related to foreign residents were legislated in March 2011 by Law 3943/2011 which radically modified a number of articles in the income tax code (Law 2238/1994). Subsequently and in an attempt to clarify the status of foreign residents, the Ministry of Finance published its circulars [POL 1142/2012, 1145/2012, 1136/2013], defining the tax regime applicable to foreign residents.
The **New Income Tax Code** (art.15 & 29/Law 4172/2013), abolished all tax exemptions to all foreign residents acquiring income in Greece. Tax rate which is dependant on source and amount of income realized is taxed as follows:

### A. Income originating from hired employment or pensions

<table>
<thead>
<tr>
<th>Taxable income (€)</th>
<th>Tax Rate%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25,000.00</td>
<td>22</td>
</tr>
<tr>
<td>25,000.01 up to 42,000.00</td>
<td>32</td>
</tr>
<tr>
<td>&gt;42,000.00</td>
<td>42</td>
</tr>
</tbody>
</table>

### B. Income derived from business activities:

<table>
<thead>
<tr>
<th>Taxable income (€)</th>
<th>Tax Rate%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50,000.00</td>
<td>26</td>
</tr>
<tr>
<td>&gt;50,000.00</td>
<td>33</td>
</tr>
</tbody>
</table>
The income from the real property is taxed as follows:

• For annual income up to 12,000€, the tax rate is currently 11%.
• For income exceeding 12,000€, the tax rate is now 33%.

Taxation on Securities

• On dividends derived from domestic company shares due beginning 1-1-2014 the tax has been reduced to 10%.
• On income from interest on capital the tax rate is now 15%.
• Royalties are taxed at a rate of 20%.
• The tax on sale and transfer of shares of domestic non listed companies was 5% calculated on the value of the sale up to June 30, 2013. Beginning July 1st, 2013, a capital gain tax of 15% became due on the difference between the acquisition price and the transfer price. The Vendor is obliged to declare this sale in his annual income tax declaration.
Double Taxation Avoidance Agreements

There are numerous international agreements & conventions between Greece and a number of countries on the issue of taxation:

- Greece and the United States entered into a bilateral Convention for the avoidance of double taxation and prevention of tax evasion, and an additional protocol, ratified by Legislative Decree no. 2548/1953.
- Greece and Canada executed on 29.6.2009 in Athens a Convention for the avoidance of double taxation and prevention of tax evasion with respect to income and capital taxes, which was ratified by Law 3824/2010.
- Finally, Greece signed with Australia, the Multilateral Convention of Mutual Administrative Assistance with Amending Protocol of 2010.
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Real estate has traditionally been one of the fundamental pillars of development for the Greek economy. It has now become the most accessible revenue source for the State.
Main tax

The main tax is calculated (as per article 4 of Law 4223/2013) for buildings on a number of variables including location, size, use, construction date.

The supplement tax is calculated (article 5 of Law 4223/2013) on the value of the total real rights of each tax payer as follows:

<table>
<thead>
<tr>
<th>OVERALL PROPERTY VALUE IN EURO</th>
<th>TAX RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.01-300,000.00</td>
<td>0</td>
</tr>
<tr>
<td>300,000.01-400,000.00</td>
<td>0.1%</td>
</tr>
<tr>
<td>400,000.01-500,000.00</td>
<td>0.2%</td>
</tr>
<tr>
<td>500,000.01-600,000.00</td>
<td>0.3%</td>
</tr>
<tr>
<td>600,000.01-700,000.00</td>
<td>0.6%</td>
</tr>
<tr>
<td>700,000.01-800,000.00</td>
<td>0.7%</td>
</tr>
<tr>
<td>800,000.01-900,000.00</td>
<td>0.8%</td>
</tr>
<tr>
<td>900,000.01-1,000,000.00</td>
<td>0.9%</td>
</tr>
<tr>
<td>OVER 1,000,000.01</td>
<td>1%</td>
</tr>
</tbody>
</table>
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The sale and transfer of property in Greece is taxed separately and burdens the buyer.

Wherever property is not subject to value added tax (VAT) transfer tax (FMA) is due.

Article 11 of Law 4223/2013 reduced the real estate transfer tax (FMA) rate to 3% applying to all property transfers as at 1/1/2014 and fol.

Beginning January 1st 2013, a Capital Gain Tax at a rate of 20% was reintroduced in property transfers, subsequently reduced to 15% for all transactions executed after January 1, 2014 (article 43/Law 4172/2013).
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In accordance with Article 29 of the Inheritance Tax Code all inheritances, donations and parental allowances including those of foreign residents are taxed as follows:

<table>
<thead>
<tr>
<th>Value of inheritance (in euro)</th>
<th>Tax bracket rate (%)</th>
<th>Tax bracket (in euro)</th>
<th>Taxable estate (in euro)</th>
<th>Corresponding tax (in euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>150,000</td>
<td>-</td>
</tr>
<tr>
<td>150,000</td>
<td>1</td>
<td>1,500</td>
<td>300,000</td>
<td>1,500</td>
</tr>
<tr>
<td>300,000</td>
<td>5</td>
<td>15,000</td>
<td>600,000</td>
<td>16,500</td>
</tr>
<tr>
<td>Excess</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CLASS B’

When a hereditary portion or a bequest is transferred to:
• descendants of third class and subsequent classes as well
• ascendants of second class and subsequent classes as well
• children legally recognized by voluntarily or in court, against ascendants of the father
• descendants of the recognized child against the recognizing parent and his ascendants
• brothers and sisters (siblings or half)
• third class blood relatives
• stepfathers and stepmothers
• children from a previous marriage of the spouse
• affinity children (by marriage) and
• ascendants by marriage (father – mother in law).

<table>
<thead>
<tr>
<th>Value of inheritance (in euro)</th>
<th>Tax bracket rate (%)</th>
<th>Tax bracket (in euro)</th>
<th>Taxable estate (in euro)</th>
<th>Corresponding tax (in euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30,000</td>
<td>-</td>
<td>-</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>70,000</td>
<td>5</td>
<td>3,500</td>
<td>100,00</td>
<td>3,500</td>
</tr>
<tr>
<td>200,000</td>
<td>10</td>
<td>20,000</td>
<td>300,000</td>
<td>23,500</td>
</tr>
<tr>
<td>Excess</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
When a hereditary portion or a bequest is transferred to anybody blood or by marriage relative of the deceased.

<table>
<thead>
<tr>
<th>Value of inheritance (in euro)</th>
<th>Tax rate (%)</th>
<th>Tax bracket (in euro)</th>
<th>Taxable estate (in euro)</th>
<th>Corresponding tax (in euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,000</td>
<td>-</td>
<td>-</td>
<td>6,000</td>
<td>-</td>
</tr>
<tr>
<td>66,000</td>
<td>20</td>
<td>13,200</td>
<td>72,000</td>
<td>13,200</td>
</tr>
<tr>
<td>195,000</td>
<td>30</td>
<td>58,500</td>
<td>267,000</td>
<td>71,700</td>
</tr>
</tbody>
</table>

In particular for parental benefits the aforementioned tax is limited to the half.
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The use of offshore companies for real estate management purposes in Greece is a widespread practice. Law 3091/2002 introduced a special annual tax calculated at 3% on the value of property titled to offshore companies. This annual tax has recently been raised to 15% per annum (Law 3842/2010). Additionally, on income derived from these properties, such as rental income, tax due is equal to the current rate applicable to Greek Societes Anonymes. Note the rate on this tax was recently increased to 26% (previously 20%) [Law 4110/2013]. Subsequent legislation further raised the tax rate for this category on income above 50,000 Euro per annum to 33%. Tax Code (Law 4172/2013)
Navigating Tax in Greece for Foreign Residents

A. Income
B. Separate Property Taxation
C. Real Estate Transfer Tax
D. Capital Taxation (Inheritance, Donations, Parental Allowances)
E. Offshore Companies-Tax Regime
F. Hellenic Cadastre
Cadastre is the general, consolidated and perpetually updated registry of properties. It includes the geophysical description and the ownership status of every land parcel. The above registry is administrated by KTIMALOGIO S.A. and its purpose is to replace the existing system of land registration through local Land Registries.

The Hellenic Cadastre, in accordance to law 2664/1998, as amended, is an information system providing legal, technical and other descriptive/identifying data on all properties in the Greek territory. It is set up and organized on a territorial basis. This information is designed to accurately define the borders of the properties and secure all registered rights and encumbrances on immovable property.
THE BENEFITS OF THE HELLENIC CADASTRE

- Proceeds to confirmed, uncontestable, registration & consolidation of real property which will allow secured financing.
- Limits bureaucracy & facilitates real estate property transfer procedures.
- Reinforces transparency and security in property transfers.
- Upgrades the real estate property market and raises the property value so that significant investments are made possible.
- Demarcates irrevocably and ensures State and municipal property.
- Protects the environment more effectively. The irrevocable demarcation of forests and coastal zones will protect against squatters.
- Constitutes a pivotal tool for the sensible & secure organization and development of the country.
To Neglect & Procrastinate is not an option. Those who do not comply risk substantial additional cost. Tax is now an issue you cannot ignore in Greece.

Be especially diligent in registering your property holdings in Greece with the Hellenic Cadastre. If you are amiss, you will lose Title. It’s the Law.

Update your personal & family status in Greece with The Hellenic Personal Registrar For Events Abroad. It’s for your own protection. In matters of estate succession it is one of the primary & most effective assurances against usurpers & inhibits estate malfeasance.

Distance is now not an issue & more importantly is not an acceptable defence against ignoring your responsibilities as a property owner & taxpayer in Greece.