

**International Bar Association Annual Conference 2024**

**Recent Developments in International Taxation**

**Greece**

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## **Parliament passes Law 5100/2024 implementing Pillar II rules**

On 2 April 2024, the Greek Parliament passed a new law providing, among other things, for the transposition into Greek legislation of Council Directive (EU) 2022/2523, which aims to ensure a global minimum level of taxation for multinational groups and large-scale domestic groups in the European Union. The law was published in the *Official Gazette* on 5 April 2024 and its provisions are effective, in principle, from 1 January 2024.

The operation of the Pillar Two rules will have a significant impact on multinational enterprises and large-scale domestic groups with annual revenue of €750m or more. The rules provide for the application of a 'top-up' tax to ensure a minimum level of taxation. The top-up tax applies when the group's profits in a jurisdiction are deemed to be low taxed under the Pillar Two rules. This is the case in jurisdictions with an effective tax rate (ETR) of less than 15 per cent. The group then pays top-up tax for the difference between the ETR and the 15 per cent minimum tax rate. The calculation of the ETR uses data from the financial statements prepared by local subsidiaries for the purposes of consolidation, which are then subject to various adjustments under the rules. There are three mechanisms to collect the top-up tax. The low-tax jurisdiction itself may want to collect the top-up tax by introducing a so-called qualifying domestic top-up tax (QDMTT). Where the low-tax jurisdiction has not introduced a QDMTT, the top-up tax is picked up by the ultimate parent entity (UPE) or other parent entities of the group under the income inclusion rule (IIR). Finally, when the top-up tax is not picked up by either a QDMTT or IIR, it is collected under the undertaxed profits rule (UTPR).

## **Greece-Japan Treaty for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance**

On 1 November 2023, the Greece-Japan Double Taxation Avoidance (DTA) Treaty and the accompanying protocol was signed.

The Treaty aims to strengthen the cooperation of the two countries in tax matters and, in particular, to eliminate double taxation with regard to taxes on income, without creating opportunities for the non-imposition of taxation, or for reduced taxation through tax evasion or avoidance.

The Treaty, which is largely based on the latest Organisation for Economic Co-operation and Development Model Tax Convention on Income and on Capital (2017), is expected to act as an incentive for the further development of economic relations between Greece and Japan, providing a framework of tax transparency, stability and security.

The integration of the Treaty into Greek legal order requires, pursuant to the Greek Constitution, its ratification by the Greek Parliament.

### **Rates for capital concentration tax and listed stock sales tax reduced**

Reduced rates of capital concentration tax and listed stock sales tax apply in Greece pursuant to the enactment of Law 5073/2023 on 11 December 2023.

More specifically, capital concentration tax applies at a rate of 0.2 per cent (reduced from 0.5 per cent previously) to transactions where the corresponding tax obligation arises on or after 11 December 2023. Such tax is imposed on capital accumulation transactions, most notably share capital increases, performed by commercial companies; joint ventures; any type of association, company, legal entity, for-profit union of persons or societies; and branches of non-EU foreign companies.

The rate of the listed stock sales tax is reduced from 0.2 per cent to 0.1 per cent for the sales of listed shares settled on or after 2 January 2024. Such a reduction does not apply to the lending of listed shares, to which the 0.2 per cent rate still applies pursuant to Article 4, paragraph 4 of Law 4038/2012. Listed stock sales tax is imposed on the sale of shares listed on a Greek regulated market or a multilateral trading facility, subject to several exemptions. It is calculated on the sales price and borne by the seller, be it a natural or legal person (entity), irrespective of the person's citizenship, place of residence or registered seat.

### **DAC 7 Directive transposed into domestic law**

On 4 September 2023, the Greek Parliament adopted Law 5047/2023, which transposes Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation ('DAC 7') into domestic law.

The transposition is meant to enhance administrative cooperation between the tax authorities of EU Member States and improve the process of exchanging information. Simultaneously, a reporting obligation is introduced requiring platform operators operating within the EU to collect and submit data to the tax authorities about the persons using their platforms for specific activities. This information will be provided by the Greek competent authority and exchanged automatically with the competent authority of the Member State of residence of the reportable seller. The directive seeks to detect and cross-check income that arises from commercial activities via digital platforms, aiming to make a more accurate determination of taxable events in relation to income tax and VAT, as well as to tackle tax fraud, tax evasion and tax avoidance.

## **Legislation enacts the EU Public Country-by-Country Reporting Directive and introduces specific requirements for the submission of annual financial statements to the Bank of Greece**

On 14 November 2023, Greece published Law 5066/2023 to transpose Directive (EU) 2021/2101 of 24 November 2021 into domestic legislation, which amended Directive 2013/34/EU, as regards the disclosure of income tax information by certain undertakings and branches, also known as the EU Public Country-by-Country (CbC) Reporting Directive.

Law 5066/23 also introduces specific requirements for the submission of annual financial statements by non-financial sector companies to the Bank of Greece.

## **Deduction of building renovation costs from personal income tax**

By virtue of Article 31 Law 5073/2023, costs incurred after 1 January 2024 for the purchase of goods and the provision of services related to energy, and the functional and aesthetic upgrading of buildings, may reduce personal income tax, equally allocated over five years, up to a maximum limit for total expenses of €16 000. The amount of expenses for the purchase of goods that will be taken into consideration shall not exceed one-third of the expenses incurred for the provision of services.

The ratio of the provision is to incentivise Greek households to upgrade old houses, which are the majority in Greece and highly-inefficient energy wise.

The above are subject to the condition that the expenses in question are supported by appropriate tax records and are paid by electronic means.

## **Purchase of real estate using exclusively bank means of payment**

The use of cash as a method of payment by individuals of the consideration for the purchase of real estate is abolished and the use of bank means of payment of said consideration becomes mandatory. Moreover, notarial deeds drafted for the sale and purchase of real estate, which do not explicitly mention that payment of the consideration was realised through bank means of payment, shall be null and void, and cannot be registered at the National Cadaster/Land Registry.

The above provision will limit the ability of individuals to avoid the payment of real property transfer tax, as well as the relevant money laundering opportunities.