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Recent Developments in International Taxation

Greece

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Reduction of the income tax rate and the advance payment of legal entity income tax

As of 2021, the corporate income tax rate has been reduced from 24 per cent to 22 per cent, except for the income of credit institutions, for which the rate is 29 per cent (Article 120 of Law 4799/2021). Also, the advance tax payment for legal entities was reduced from 100 per cent to 80 per cent from tax year 2021 onwards. Exceptionally, the advance tax payment remains at 100 per cent for Greek banking institutions and branches of foreign banks operating in Greece (Article 119, paragraph 1 of Law 4799/2021).

Reduction of advance tax for individuals and exemption of the special solidarity levy on the income of individuals

Regarding the income of individuals derived from business activity, the reduction of the advance payment of income tax from 100 per cent to 55 per cent has applied from tax year 2021 (Article 119, paragraph 1 of Law 4799/2021). Furthermore, the special solidarity levy has been suspended for specific categories of income (Article 121 of Law 4799/2021) as follows:

- for tax year 2021, for employment income earned by employees in the public sector; and
- for tax year 2022, for employment income earned by employees in the private sector.

New tax regime for the establishment and operation of family offices in Greece

A family office regime has recently been introduced in Greece to serve the management of family wealth and assets of high-net-worth individuals who are tax residents in Greece. The qualifying family office must meet the following cumulative conditions:

- it must employ at least five employees within a period of 12 months from its establishment and on an ongoing basis; and
- it must incur annual expenses of at least €1m.

The gross income of the family office derived from the provision of qualifying services shall be determined on a cost plus seven per cent basis, with the said profit mark-up being applied on all expenses and their depreciation.

Increased advertising expense deduction for tax years 2021 and 2022

A new provision has recently been added to the Greek Income Tax Code that provides a super deduction for certain advertising expenses that companies incurred. Businesses have been able to deduct from their gross income 160 per cent of advertising expenses incurred in tax year 2021 and 130 per cent in tax year 2022, subject to certain conditions (Article 22C of Law 4172/2013).

Ratification of the Multilateral Convention on the implementation of measures related to tax agreements to prevent the erosion of the tax base and profit shifting (tax treaty related measures to prevent base erosion and profit shifting – MLI – Law 4768 (Government Gazette No A' 11/26.01.2021))

In this respect, measures that were adopted in Paris on 24 November 2016 and signed by the Greek State on 7 June 2017 are applied in Greece. These measures aim to deal with treaty abuse and develop tools to resolve disputes to prevent the artificial settlement of a permanent establishment and resolve hybrid mismatch agreements.

Tax incentive for employees and individuals conducting business activity who transfer their tax residence to Greece (Article 5C of Law 4172/2013, as introduced by Article 40 of Law 4758/2020 and effective from 1.1.2021)

A tax incentive was implemented from tax year 2021 onwards for tax residents abroad who shall transfer their tax residence to Greece. Pursuant to the new incentive, an individual who transfers his/her tax residence to Greece is exempt for seven years from income tax and from the special solidarity contribution of Article 43A for 50 per cent of his/her derived salaried income or the income derived from business activity that he/she acquired in Greece within the tax year, under specific conditions.

Sweden's tax treaty with Greece abolished

On 2 June 2021, the Swedish Parliament decided to terminate the tax treaty in force between Sweden and Greece. The reason for Sweden terminating the treaties is that Greece introduced a special regime for the taxation of pensioners (Article 5B of the Income Tax Code) who move their tax residency to Greece. For Swedish non-tax residents who were previously covered by the treaty with treaty residency in Greece, Swedish tax will now be levied on their pensions with the source in Sweden. Thus, said pensions are likely to be subject to tax in both Sweden and Greece, subject to any internal credit/exempt rule applicable by the domestic laws of the two countries.