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Payment of VAT in installments and changes on the rates for the formation of bad debt provisions

This is part of our continuous effort to keep you updated on current tax developments.

In accordance with the legislative act of 16 September 2009, which has been entered in force pursuant to the article 44 of the Constitution, as well as based on the guidance provided with the ministerial decision POL.1133/2.10.2009 and the announcement of General Secretariat for Information Systems, we note the following changes to taxation have been introduced:

Payment of VAT in installments

The right to settle in installments amounts of VAT payable with the initial monthly VAT return for September 2009 onwards (for those maintaining double-entry accounting books) and for the quarterly VAT of the third quarter 2009 onwards (for those not maintaining double entry accounting books) is granted to businesses.

The payment in installments should be effected through payment of at

least 30% of the VAT and any surcharges due with the respective VAT return, while the balance shall be remitted in two equal monthly installments, the first one due by the end of the first month and the second by the end of the second month following the month in which the relevant initial VAT return was filed.

The payment of the amount which will be remitted in two equal installments shall be subject to an additional surcharge calculated at the rate of 1% per month.

We draw your attention to the fact that effecting payment of VAT in installments for a particular VAT period as above (even once) may result in the imposition of a penalty equal to 300% of the tax due in case the tax authorities assess additional VAT in the course of a future tax audit on the specific VAT period or any subsequent VAT period due to filing of inaccurate VAT return or to non filing of return. The above penalty is not reduced in case of reaching an out-of-court settlement.

Percentage of the provision form of doubtful debts

For fiscal periods starting from 1 January 2009 onwards, the rate for the formation of deductible bad debt provisions has been increased from 0.5% to 1% (art.31 par.1 case θ) whereas the special rate of 1% has been increased to 1.5% (i.e. applicable to fixed and mobile telephone service providers, water suppliers, producers of electricity, owners of subscription networks and distributors of natural gas).

For more information you may contact:

Dr. George S. Mavraganis
Partner in Charge –
Tax Department
E-mail: gmavraganis@kpmg.gr
Tel.: +30 210 60 62 178

John Achilas
Partner – Tax Department
E-mail: iachilas@kpmg.gr
Tel.: +30 210 60 62 178

KPMG in Athens

3 Stratigou Tombra Street
153 42 Aghia Paraskevi
Tel. +30 210 60 62 178
Fax +30 210 60 62 111

KPMG in Thessaloniki

2 N. Kountouriotou Street
546 25 Thessaloniki
Tel. +30 2310 550 996
Fax +30 2310 543 670
www.kpmg.gr

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