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Special social responsibility contribution by large corporations and of real estate property

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

According to the draft law «Solidarity Economical Support and Special Social Responsibility Contribution by the large corporations and real estate property», the following amendments to Greek taxation are put forward:

Special social responsibility contribution

Special social responsibility contribution is imposed on all companies apart from individual entrepreneurs. This contribution is imposed on companies' net income for the financial years ending from 1 August 2008 to 31 July 2009. The companies' net income is the amount calculated according to the provisions of article 105, par. 7 and article 31 par. 19 of Law 2238/1994 or, in case of reporting under the International Accounting Standards (IAS) on the higher between the

above net income and the profit before taxes under IAS.

The special contribution is imposed on companies whose net income (or profit before tax under IAS) exceeds EUR 5 000 000. The amount of the contribution is calculated in accordance to the following rates:

Companies' Special Contribution	
<i>Profit (EUR million)</i>	<i>Rate</i>
0 up to 5	0%
5 up to 10	5%
10 up to 25	7%
In excess of 25	10%

It should be noted that the amount of the special contribution is always limited so that the remaining balance of the total net income or profit before tax (under IAS) of the base that was used for the calculation of the special contribution would not fall below EUR 5 000 000.

Comment on the special contribution of social responsibility

The use of a different base for the calculation of the special contribution when reporting under IAS, whereby the contribution may be calculated on a greater amount compared to the amount arising from the application of the provisions of Law 2238/94 might give rise to legal disputes as to the validity of the special contribution.

Furthermore, issues may also arise from the fact that the special contribution is not imposed on the profits reported on companies' income tax returns, but on their net income as previously mentioned (i.e. it is debatable whether the tax losses brought forward from previous years will be taken into consideration).

Social contribution of the real estate property by an increase in the Flat Real Estate Duty (ETAK)

A progressive tax rate is applied for the calculation of ETAK for individuals. Specifically, the respective tax rate ranges up to 6‰ depending on the value of the real estate property that is subject to ETAK.

Furthermore, the respective tax rate has been increased from 1‰ to 3‰ for the ETAK that is imposed on the real estate property of certain categories of Greek and non Greek non for profit organizations (e.g. known religions, museums etc.).

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