

December 2007

## Amendments in tax legislation following a tax bill recently submitted to the Parliament

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

The tax bill submitted to the Parliament a few days ago introduces four main areas of amendments:

- Amendments in inheritance and real estate transfer tax
- Adoption of a flat duty on real estate
- Amendments to the income taxation of banks
- Withholding tax on income earned by individuals from foreign financial instruments

### Amendments in inheritance and real estate transfer tax

- The acquisition of real estate or of rights on real estate by relatives of category A' and B' by way of inheritance or parental donation will be subject to tax at a rate of 1%, for the amount exceeding the tax-free amounts of EUR 95 000 for the relatives of category A' and EUR 20 000 for the relatives of category B'.

- Inheritance or parental donation of enterprises, shares, bonds, securities and other transferable securities continue to be subject to, the current tax at source of 0.6%, 1.2% or 2.4%.
- Any other assets, except for the above mentioned, which are transferred to category A' or B' relatives by way of death or parental donation will be subject to tax at a rate of 10%, after the deduction of the above mentioned tax-free amounts.
- Tax on donations to relatives of category A' and B' is still imposed at the tax rates of 5% to 20% and 10% to 30% respectively for amounts exceeding the tax-free amounts of EUR 95 000 and 20 000 respectively.
- The tax rate applicable in case of inheritance or donation of any other type of assets by relatives of category C' remains the same at 20% to 40%, after the deduction of the tax-free amount of EUR 6 000.
- Full exemption from inheritance and parental donation tax is provided on

the acquisition of first residence of a surface area up to 200 square meters, which is increased by 25 square meters for the third and every other under age child.

- Exemption from transfer tax is provided on the purchase of a first residence of surface area up to 200 square meters or for a plot of land to which a residence of 200 square meters corresponds, regardless of value. For the third and every additional under age child an increase of 25 square meters applies.
- The above mentioned provisions become effective as of 13 December 2007.

### Flat real estate duty

- As of 2008 an annual flat duty is levied on all real estate owned as of 1<sup>st</sup> January in Greece by individuals or legal entities
- The annual flat real estate duty for individuals is 0.1% on the objective value of such real estate and 0.6% for legal entities (or 0.3% for non-profit legal entities). The rate for

legal entities changes according to specific provisions in the tax bill. For buildings that are used for production or trade activity the rate is reduced to 0.1%.

- Exemption from the annual flat real estate duty is provided to individuals' main residence of up to 200 square meters, provided that its value does not exceed EUR 300 000. Specifically for the year 2008, an amount of up to EUR 300 000 is deducted from the value of such residence if it is greater than EUR 300 000. In addition, plots of land which are located outside the city planning zone or recognized communities owned by individuals are also exempted from the flat real estate duty.
- Legal entities must submit a tax return by the 15<sup>th</sup> of May, whilst for individuals the flat real estate duty will be assessed by the tax authorities on the basis of the Property Declaration Returns (form E9) of years 2005 to 2008. According to the tax bill, the 2008 Property Declaration Return must be submitted by 25 February 2008.

### **Amendments on the income taxation of banks**

- From the fiscal year 2008 (i.e. filing of tax returns in 2008 for years ended in 2007) onward, taxation at the normal rate of 25% is imposed on any untaxed profits of banks and branches of foreign banks operating in Greece, which were recorded in tax-free reserves in previous years.

- Banks must submit a special income tax return by the end of the ninth month following the end of the respective financial year and must pay the tax in three equal monthly installments. The first installment is paid upon submission of the tax return and the other two on the last working day of the following two months. This is a final tax which extinguishes any further tax liability for the legal entity and the shareholders.
- The annual income tax advance assessed on Greek banks and on branches of foreign banks, is increased from 80% to 100% of the income tax of the year, commencing with the income tax returns filed in 2008 and following years.

### **Withholding tax on individuals' income deriving from foreign financial instruments**

- The tax of 15% on income deriving from contracts or deeds on foreign derivatives will be withheld by the local credit institution upon payment or crediting to the beneficiary's account. The withholding of tax will be made even if this income is reinvested or remains abroad.

In view of the above, we recommend that legal entities and individuals consult with their tax advisors regarding developments on the above matters.

\* \* \* \* \*

KPMG may assist in the timely filing of the returns stipulated in the tax bill

(i.e. flat real estate duty return, E9 form, special income tax return for the banks).

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This Newsflash aims to provide the reader with general information on the above mentioned matters. No action should be taken without first obtaining qualified professional advice specifically relating to the factual circumstances of each case.

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