

ARENCORES

REAL ESTATE EXPERTS

**GREECE TAX HIGHLIGHTS
REAL ESTATE FOCUSED**

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RESEARCH INSIGHT INVESTMENT



More than **90% of real estate investors** rate the establishment of a stable taxes system as “very” or “extremely” important, and see modernization as a key way to achieve it.



ARENCORES researchers continuously monitor, investigate and evaluate data to identify the most critical mechanisms and interactions between real estate and financial markets. ARENCORES investment reports is an innovative tool with a scope to facilitate transparency, reliability, consistency and informed decision making.

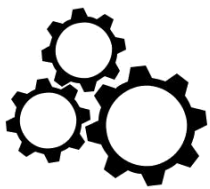
Maintaining highly multidisciplinary and interdisciplinary real estate methodologies and techniques our research activities emphasizing on the Greek market with the following but not limited, main objectives:

- Increase awareness and provide a holistic approach on the real estate market trends
- Provide market insights and sharing of knowledge
- Collaborative consulting and reporting to understand business needs, challenges and market trends
- Work cooperatively to meet the needs of the investment decisions and mitigate associated risks
- Pursue opportunities to identify and develop initiatives

Business overview

To attract investment, and achieve compliance, today’s real estate firms need a sound operating framework that provides insights on the transaction taxes and fees. As approaches to properties portfolio management evolve, a firm’s investment management infrastructure is also playing a critical role in their day-to-day activity, performance, sourcing, business development and search for valuable assets.

With a robust infrastructure, real estate firms can operate beyond reproach in the eyes of investors, future prospects and shareholders, and show they hold sound investment opportunities. Through transparency, compliant operations, and accurate trustworthy data, they can also better manage risk and make wise investment decisions. And above all, they will be able to achieve the all-important, higher Return of Investment.



INCREASE TRANSACTIONS EFFICIENCY



ENHANCE RISK MANAGEMENT



IMPROVE GROWTH AND PERFORMANCE

ARENCORES can help

ARENCORES INTELLIGENCE integrated application suite™ supports the full investment life cycle across the real estate life-cycle transaction processes for investors, owners and shareholders. ARENCORES helps investors in achieving the maximum credibility by helping them identify quality in real estate assets, establish transactions performance efficiency, risk management and regulatory compliance. The offering can be customized to include ARENCORES's proven solutions for property portfolio management, sourcing and reporting, risk management and decision making.

1. INCREASE TRANSACTIONS EFFICIENCY – reduce operating costs and strengthen infrastructure.
 2. ENHANCE RISK MANAGEMENT – manage regulation, increase transparency and ensure an integrated approach to risk.
 3. IMPROVE GROWTH AND PERFORMANCE – generate quality, navigate decision making and optimize trading and investment performance.
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INVESTMENT BASICS:

>>CURRENCY - EURO (EUR)

Foreign exchange control – Capital controls are in force and there are limits on the amount of funds that can be sent abroad.

>>ACCOUNTING PRINCIPLES/FINANCIAL STATEMENTS

IFRS or Greek GAAP. The application of IFRS is compulsory for corporations with listed shares or securities; and for corporations that are consolidated for accounting purposes with a company that uses IFRS if that company represents at least 5% of the consolidated turnover, consolidated assets or consolidated results (after minority rights). IFRS is optional for other corporations and limited liability companies. New Greek GAAP, which has many similarities to IFRS, applies as from 1 January 2015 in all other cases. Financial statements must be prepared annually.

>>PRINCIPAL BUSINESS ENTITIES

These are the corporation (SA), limited liability company (EPE), general partnership (OE), limited liability partnership (EE) and private company (PC).

CORPORATE TAXATION:

>>RESIDENCE

A company incorporated in Greece or effectively managed in Greece at any time during a tax year is considered resident for tax purposes for that tax year. Basis – Resident entities are taxed on worldwide income; non-residents are taxed only on Greece-source profits.

>>TAXABLE INCOME

Corporate tax is imposed on a company's total annual profits before the distribution of dividends, fees paid to directors, etc. Normal business expenses are deductible.

>>TAXATION OF DIVIDENDS

Dividends received from (domestic or EU-resident) subsidiaries qualifying for the participation exemption (i.e. a 10% minimum shareholding for an uninterrupted period of at least 24 months) are exempt from corporate tax.

>>CAPITAL GAINS

Capital gains derived by corporations are taxed as normal business income at the 29% corporate income tax rate.

>>LOSSES

Losses may be carried forward for five years. Tax losses carried forward may be forfeited where there is a change in ownership of more than 33%, unless it can be shown that there are valid commercial reasons for the change. The carry-back of losses is not permitted.

Foreign-source losses may be offset only against EU-source profits.

>>RATE

A 29% rate applies to entities keeping double-entry accounting books and nonprofit organizations). Progressive rates apply to partnerships keeping simplified accounting books (26% for income up to EUR 50,000 and 33% on the excess).

SPECIAL TAXES ON REAL ESTATE

Currently, individuals and legal entities owning real estate in Greece are subject to Unified Real Estate Tax (UREOT), irrespective of their citizenship, residence or registered address. UREOT is imposed on property owned as at 1 January of each year. Real estate subject to the tax includes plots of land located outside city limits. Exemptions continue to apply and cover certain categories of real estate and taxpayers (e.g. the State, public legal entities, churches, monasteries, museums etc.).

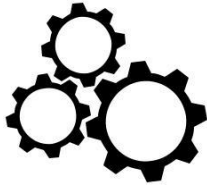
UREOT consists of a main tax and a supplementary tax and is determined by the tax authorities on the basis of Eg returns where tax payers declare all their real estate holdings. The main tax for real estate located within city limits ranges between EUR 2 and EUR 13 per square meter for buildings and between EUR 0.003 and EUR 9 per square meter for plots of land. The main tax for plots of land located outside city limits is EUR 0.001 per square meter and it is increased fivefold if a residence is built on the plot of land. The above rates are multiplied by coefficients that depend on a number of factors deemed to affect a property's value, such as its location, surface area, age, etc.

The supplementary tax is imposed on individuals owning real estate whose cumulative aggregate value exceeds EUR 300 000 and it is calculated on the excess value at progressive rates ranging from 0.1% up to 1%. Legal entities are also subject to supplementary tax, which is calculated at the rate of 5% on the total value of their real estate.

In addition, Greek and foreign companies owning or having usufruct rights on (use of) real estate located in Greece are subject to a special annual tax calculated at the rate of 15% on the objective tax value of real estate, unless certain conditions are fulfilled including if their ultimate individual shareholders are revealed/obtain a Greek tax number (certain entities, such as listed entities, banks etc., are exempted).

Furthermore, the holding of Greek real estate gives rise to certain municipal property taxes (not normally of significant value), which are collected through electricity bills.

1. INCREASE TRANSACTIONS EFFICIENCY



>>SURTAX – NO

>>ALTERNATIVE MINIMUM TAX – No

>>FOREIGN TAX CREDIT

An ordinary foreign tax credit is available for income tax paid abroad (see also "Participation exemption" below).

>>PARTICIPATION EXEMPTION

Dividends received from (domestic or EU-resident) subsidiaries qualifying for the participation exemption (i.e. a 10% minimum shareholding for an uninterrupted period of at least 24 months) are exempt from corporate tax. If the participation does not meet the requirements for exemption, a limited foreign tax credit is granted for any tax withheld at source and the underlying corporate income tax. The participation exemption does not apply to non-Greek or non-EU-source dividends. The participation exemption can be claimed from the beginning of the holding period, provided the receiving company obtains a letter of guarantee for the amount of income tax that otherwise would have been payable on the dividend income.

>>HOLDING COMPANY REGIME – No

>>INCENTIVES

Certain investments qualify for subsidies.
New legislation on tax investments and incentives is expected.

Do you know?

Our forecasting models gives a heads-up on where to invest, which sectors and markets offer the best prospects, and trends in the capital market of Greece that will affect real estate.

Learn more at www.arencores.com

WITHHOLDING TAX:

>>DIVIDENDS

Dividends paid to a non-resident are subject to a 10% withholding tax unless the rate is reduced under an applicable tax treaty. No withholding tax applies if the conditions of the EU parent-subsidiary directive are satisfied (i.e. a 10% minimum shareholding for an uninterrupted period of at least 24 months).

The same conditions for exemption apply to dividend distributions between domestic companies. No withholding tax is levied on distributions of partnerships that maintain simplified accounting books.

>>INTEREST

The withholding tax rate on interest paid to a nonresident is 15%, unless the rate is reduced under an applicable tax treaty or the interest is exempt under the EU interest and royalties directive.

>>ROYALTIES

Royalties paid to a non-resident entity are subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty or the royalties are exempt under the EU interest and royalties directive.

>>TECHNICAL SERVICE FEES

Technical service fees paid to a non-resident entity are not subject to withholding tax.

>>BRANCH REMITTANCE TAX – No

OTHER TAXES ON CORPORATIONS:

>>CAPITAL DUTY

A 1% capital duty is payable on share capital increases. The issue of share capital on the formation of a company is exempt from capital duty. A 0.1% surcharge for the benefit of the competition committee applies on the contribution of capital to an SA (whether upon formation or an increase).

>>PAYROLL TAX

Employers are required to operate Paye As You Earn withholding.

>>REAL PROPERTY TAX

Real property tax is levied annually on property located in Greece. The tax consists of two elements: the main tax and an additional tax. The main tax is calculated according to the size, location, zone price, surface, age, use and other characteristics of the property. The additional tax is calculated at a rate of 0.5% on the total tax value of all of the company's property (except for property occupied by the company).

There also is an annual special tax of 15% of the tax value of property, subject to certain exemptions. The tax normally is not payable if the company identifies its shareholders up to the level of the individual or a qualifying investment firm/fund.

A special real estate duty is payable to the municipal authorities at rates ranging from 0.025% to 0.035%.

>>SOCIAL SECURITY

The employer must contribute to the social insurance fund at a rate of approximately 24.56% of the gross salaries of the employee's salary.

>>STAMP DUTY

Stamp duty of 1.2%, 2.4% or 3.6% applies, depending on the transaction.

Transfer tax – Real estate transfer tax (RETT) is imposed on the value of transferred property at a flat rate of 3%. A municipality surcharge equal to 3% of the RETT also applies. When VAT is due on the purchase of new buildings, the above taxes are not levied.

Other – Special tax regimes apply to shipping companies, coordination centers, real estate investment companies and mutual funds.

ANTI-AVOIDANCE RULES:

>>TRANSFER PRICING

Transactions between related parties (both domestic and foreign) must be carried out on arm's length terms and transfer pricing documentation must be prepared.

Thin capitalization – The thin capitalization rules disallow a deduction for interest paid on all categories of debt. The restriction is based on net interest (interest payable less interest received). Generally, net interest is deductible up to 40% of EBITDA after tax adjustments (for the 2016 tax year and 30% for the 2017 tax year and thereafter).

>>CONTROLLED FOREIGN COMPANIES

The CFC rules provide broadly that the undistributed passive income (e.g. dividends) from affiliates of a foreign subsidiary satisfying certain conditions will be attributed to and taxed in the hands of the Greek resident controlling shareholder (i.e. direct or indirect ownership of at least 51%). The application of the CFC rules results in the taxation of "deemed" income as business profits.

>>DISCLOSURE REQUIREMENTS

Filing and publication of annual financial statements are required.

>>OTHER

Transactions with black-listed offshore and beneficial tax regimes are subject to anti-avoidance provisions that could result in the disallowance of expenses for tax purposes.

Compliance for corporations:

Tax year – The accounting year generally ends on 31 December or 30 June. Subsidiaries of foreign groups may use other year-end dates.

PERSONAL TAXATION:

>>BASIS

A resident individual is taxed on his/her worldwide income. A nonresident is taxed only on Greek-source income.

>>RESIDENCE

An individual is resident in Greece if he/she is present in Greece for more than 183 days within any 12-month period. The individual is regarded as a Greek tax resident for the calendar year during which that 12-month period ends. Exceptions apply to individuals who visit Greece exclusively for tourism, medical, therapeutic or similar personal purposes.

>>FILING STATUS

Married persons must file a joint return, but each spouse is taxed separately on his/her share of the income. Taxable income – Taxable income includes employment income, business income, income from capital (dividends, interest, royalties and rental income) and capital gains from the alienation of real property and securities. Each category of income is taxed separately.

>>CAPITAL GAINS

Capital gains tax at a rate of 15% applies to gains arising from the sale of real estate, securities (listed and unlisted) and derivatives.

>>DEDUCTIONS AND ALLOWANCES

Very limited deductions are permitted for expenses, but certain allowances are available.

>>RATES

Rates are progressive up to 42% (for income exceeding EUR 42,000) and apply only to employment income. Business income is taxed at 26% on the first EUR 50,000 and 33% on the excess. Dividends are taxed at a rate of 10%, interest at a rate of 15% and royalties at 20%. Rental income is taxed at 11% for the first EUR 12,000 and 33% on the excess.

>>OTHER

A special solidarity contribution is imposed on the total amount of income earned by individuals on an annual basis at progressive rates ranging from 0.7% to 8% (the highest rate applies for income exceeding EUR 500,000). handle the most complex products, reducing workarounds and making operations more efficient.

OTHER TAXES ON INDIVIDUALS:

>>CAPITAL DUTY – No

>>STAMP DUTY

Stamp duty may be levied on certain transactions; the usual rate for individuals is 3.6%.

>>CAPITAL ACQUISITIONS TAX

Except for transfer taxes (e.g. on real estate), acquisitions can result in income tax if they cannot be justified by the taxpayer's declared revenue (deemed income).

>>REAL PROPERTY TAX

Real property tax is levied annually on property located in Greece. The tax consists of two elements: the main tax and an additional tax. The main tax is calculated according to the size, location, zone price, surface, age, use and other characteristics of the property.

The additional tax is calculated on the total tax value of all the taxpayer's property if the total value exceeds EUR 300,000. The additional tax rate ranges from 0.1% to 1%, depending on the value of the property.

>>INHERITANCE/ESTATE TAX

For close relatives, inheritance tax at rates ranging from 1% to 10% is levied on the "tax value" of real property after the deduction of a tax-free amount, which amount varies depending on the taxpayer's relationship with the deceased. For other heirs, the applicable rates range from 0% to 40%.

>>NET WEALTH/NET WORTH TAX – No

>>SOCIAL SECURITY

The employee must contribute approximately 15.5% to the social Insurance fund.

COMPLIANCE FOR INDIVIDUALS:

>>TAX YEAR

Calendar year

>>FILING AND PAYMENT

Individuals must file a tax return by 30 April of the year following the relevant calendar year. Income tax is paid in five equal installments, with the first installment due by 21 August and the remaining installments by the end of each following month, i.e. the last business day of September, October, November and December. Penalties – Penalties and interest apply for late filing, failure to file or inaccurate filing of a return.

VALUE ADDED TAX:

>>TAXABLE TRANSACTIONS

VAT is imposed on the sale of goods, the provision of services and the supply of new buildings, when Greece is the place of taxation, in accordance with the place of supply rules. VAT also is due on intra-community acquisitions or imports of goods from non-EU countries and on the receipt of services from EU or non-EU-based suppliers.

>>RATES

The standard VAT rate is 23%, the reduced rate is 13% and the super reduced rate is 6%. A 30% reduction in these rates applies to supplies on certain Aegean islands, although, as from 1 October 2015, the special VAT rates are abolished on six islands (Mykonos, Naxos, Paros, Rhodes, Santorini and Skiathos) and replaced with the 6%, 13% and 23% rates that apply on the mainland.

The reduced VAT rates will be abolished on the remaining islands in two additional phases in 2016 and 2017. Specific supplies are exempt with or without the right to deduct input VAT.

REGISTRATION

Nonresidents making taxable supplies of goods or services in Greece are required to register for VAT purposes. A EUR 35,000 threshold applies for nonresidents carrying out distance sales and a registration threshold of EUR 10,000 to Greek residents.

FILING AND PAYMENT

Periodic VAT returns are submitted on a quarterly or monthly basis, depending on the type of books kept by the VAT payer.

The VAT payment may not necessarily follow the filing of the VAT return. In cases where the amount of VAT due does not exceed EUR 30, the liability is transferred to the next tax period; if the amount due exceeds EUR 100, it may be paid in two equal consecutive monthly installments, without any additional charges. The amount of the first installment must be paid by the last business day of the month in which the VAT return was submitted and the second by the last business day of the next month.

A statistical declaration (Intrastat) and EC Sales/Acquisitions Lists must be submitted on a monthly basis with regard to intra-community transactions.

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