

Recent Developments in Tax Legislation

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Law 4916/2022 Introduces Amendments to Legislation Governing:

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A. Unified Real Estate Tax (ENFIA)

1. Following the adjustment of minimum real estate values with effect from 1 January 2022, the Ministry of Finance introduces amendments to the assumptions and method (New Method) for the calculation of the annual unified real estate tax (ENFIA).
2. The New Method is not expected to affect low value real estate properties, but high value properties are expected to be heavily impacted.
3. With regard to buildings, the Law provides for changes in the basic tax per tax zone as depicted in the following table:

| Value per Zone (€/m2) | Tax Zone | Basic Tax Rate (€/m2) |
|-----------------------|----------|-----------------------|
| 0-750 | 1 | 2,00 |
| 751-1500 | 2 | 2,80 |
| 1501-2500 | 3 | 3,70 |
| 2501-3000 | 4 | 4,50 |
| 3001-3500 | 5 | 7,60 |
| 3501-4000 | 6 | 9,20 |
| 4001-4500 | 7 | 11,10 |
| 4501-5000 | 8 | 13,40 |
| ≥ 5001 | 9 | 16,20 |

4. On plots, the Law adjusts the tax rate per square meter as follows:

| Unit Value (€/m2) | Tax Zone | Tax Rate (€/m2) |
|-------------------|----------|-----------------|
| 0,01-6,00 | 1 | 0,0037 |
| 6,01-20,00 | 2 | 0,0075 |
| 20,01-50,00 | 3 | 0,0125 |
| 50,01-75,00 | 4 | 0,0185 |
| 75,01-100,00 | 5 | 0,0375 |
| 100,01-150,00 | 6 | 0,0750 |
| 150,01-200,00 | 7 | 0,1850 |
| 200,01-300,00 | 8 | 0,2470 |
| 300,01-400,00 | 9 | 0,3700 |
| 400,01-600,00 | 10 | 0,5550 |
| 600,01-800,00 | 11 | 0,7400 |
| 800,01-900,00 | 12 | 0,9900 |
| 900,01-1000,00 | 13 | 1,2500 |
| 1000,01-1500,00 | 14 | 1,6000 |
| 1500,01-2000,00 | 15 | 2,3500 |
| 2000,01-3000,00 | 16 | 3,7000 |
| 3000,01-4000,00 | 17 | 4,9500 |
| 4000,01-5000,00 | 18 | 7,4000 |
| ≥ 5000,01 | 19 | 9,2500 |

5. An additional tax is introduced on natural persons holding real estate property with a value exceeding €400,000 per property and irrespective of joint ownership. This additional tax applies to natural persons owning property of value exceeding the amount of €300,000. The applicable tax rates with reference to the value of the property are:

| Total Value of Real Estate Property (in €) | Tax Rate per scale |
|--|--------------------|
| 0,01- 400.000 | 0% |
| 400.000,01-500.000 | 0,20% |

| | |
|------------------------|-------|
| 500.000,01-600.000 | 0,30% |
| 600.000,01-700.000 | 0,40% |
| 700.000,01-800.000 | 0,50% |
| 800.000,01-900.000 | 0,60% |
| 900.000,01-1.000.000 | 0,70% |
| 1.000.000,01-2.000.000 | 0,90% |
| >= 2.000.000,01 | 1,00% |

6. Over and above this additional tax, ENFIA on natural persons is further adjusted for real estate property valued at over €500,000, in accordance with the following rates:

| Total Value of Real Estate Property (in €) | Tax Rate per scale |
|--|--------------------|
| Up to 650,000 | 5% |
| 800,000 | 10% |
| 1,000,000 | 15% |
| > 1,000,000 | 20% |

7. The supplementary tax on natural persons is abolished.
8. The E9 form for the calculation of ENFIA can be updated up until the end of March (instead of the end of May as was the case before the introduction of the Law). Exceptionally for the 2022 tax year, the E9 form can be updated until 29 July 2022.
9. ENFIA payable under the New Method is expected to be assessed in April 2022 and will be payable in 10 installments starting from May 2022 until February 2023.

B. Inheritance Tax Exemption on Joint Bank Accounts Outside Greece

- The Law extends the inheritance tax exemption to joint bank accounts kept outside Greece.
- In particular, in the case of demise of a joint bank account holder, an inheritance tax exemption applies for the surviving co-holder for:
 - cash deposits in bank accounts outside Greece irrespective of the currency;
 - joint accounts in Greece or abroad holding investments, on condition that the cash deposit or the investments are received by virtue of the law;

- cases where the tax liability arises after the publication of the Law in the Government's Gazette (28 March 2022).

The inheritance tax exemption does not apply to joint bank accounts and investments kept in non-cooperative jurisdictions or jurisdictions that have not implemented the Convention on Mutual Administrative Assistance in tax matters or exchange information with Greece on the basis of the CRS Multilateral Competent Authority Agreement.

C. ATAD – Interest Deduction for Consolidated Group Members

- The Law introduces the tax benefit provided for in Article 4, par. 5 of ATAD with regard to the tax deduction of interest in the case of consolidated groups.
- In particular, the 30% on EBITDA interest deduction restriction does not apply in cases where the taxpayer is a member of a consolidated group for accounting purposes.
- The taxpayer has the right:
 - to a full deduction of the excess borrowing costs, if the ratio of its share capital to total assets is equal to or higher than the equivalent ratio of the group, or lower by a maximum of two percentage points, and all the assets and liabilities are valued using the same method as in the consolidated financial statements; or
 - to deduct the excess borrowing costs at an amount that exceeds the amount they would be entitled to under the standard 30% of EBITDA limit, with the higher amount calculated as follows:
 - first, the group ratio is determined by dividing the group's excess borrowing costs with third parties by the group's EBITDA; and
 - second, the group ratio is multiplied by the EBITDA of the taxpayer to calculate the deductible amount.

D. Digital Nomads

1. The Law amends the current legislation on digital nomads and in particular to employees and free lancers contemplating relocating to Greece under the favourable regime of Article 5C of Law 4172/2013 (Income Tax Code – ITC).
2. Under the amended provisions, if the hiring date is on or before 2 July of a particular year, the application must be submitted for the year of employment no later than the 31 December of that year. If the hiring date is after 2 July, the application must be submitted for the following year and no later than the end of that year.
3. If the tax authority rejects an application because the required supporting documentation is insufficient or missing, but the taxpayer submits the

documentation by 31 March of the year following the year the application was submitted, the rejection will be revoked, and the tax authority will issue a new decision within 60 days from the date it received the supporting documentation. By way of exception, the supporting documentation for the 2022 tax year may be submitted by 29 April (in-stead of 31 March).

4. Pending applications for accession to the 5C regime and applications that will be filed by 30 June 2022 relating to commencement of activities or entry into employment until 31 July 2021, will be reviewed by the tax administration and considered for the 2021 tax year.

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