

Recent Tax Developments

Reduced tax penalties for late tax returns for the years up to 2013

Following the completion of the Greek Voluntary Disclosure Program (VDP) the Ministry of Finance introduced regulations whereby filing of late tax returns is subject to lower tax penalties (higher however than the penalties provided under the VDP).

Based on the provisions of Law 4509/2017, taxpayers who file late tax returns for the calendar years up to 2013 will be subject to tax penalties of the Code of Tax Procedure (i.e. 8.67% interest due per year). These regulations apply to late tax returns submitted as of 01.01.2018 onwards with the aim to lead to more lenient tax consequences for the taxpayers than the standard applicable penalties of Law 2523/1997.

The following table summarises the tax penalties readjustment:

Calendar years	Standard penalty rates based on Law 2523/1997	Applicable penalty rates (Tax Procedural Code) ¹
2007-2011	60%	35.77%
2012	53% ²	35.77%
2013	42% ³	30.66%

Taxpayers could also benefit from reduced tax penalties in case of pending disputes and tax audits for the calendar years up to 2013, on condition that the final tax assessment act will not be challenged further. Such tax penalties however are higher than the penalties imposed under the above late filing (voluntary) compliance procedure.

¹ Applicable to late tax returns submitted until 31 January 2018. As of 1 February 2018 tax penalties increase at a rate of 0.73% per month.

² Applicable to late tax returns submitted until 31 January 2018. As of 1 February 2018 tax penalties increase at a rate of 1% per month up to the maximum rate of 60%.

³ Applicable to late tax returns submitted until 31 January 2018. As of 1 February 2018 tax penalties increase at a rate of 1% per month up to the maximum rate of 60%.

Transfer of tax residence: What changes?

Clarifications on supporting documentation

The Independent Authority for Public Revenues issued new guidelines (Circular POL 1201/2017) providing for the supporting documentation to be submitted by individuals who wish to transfer their tax residence abroad before the Greek tax authorities. Such guidelines apply to individuals who have submitted applications as of the year 2017 onwards and concern relocations outside Greece as of the year 2016 onwards.

The applicant is required to submit further documentation in addition to the tax residence certificate, evidencing the day of his departure from Greece as well as his residence abroad. Indicatively, such documentation could include the following:

- Lease agreement
- Certificate issued by the foreign employer or copy of the employment agreement providing that the taxpayer is employed on a full time-basis for work performed abroad
- Documents regarding professional activity
- Registration with the local insurance system
- Registration with the local municipality
- Registration of the children with local schools

Separate tax residence status for spouses

The guidelines are aligned with the recent court decisions of the Supreme Administrative Court (Decision No 1445/2016 and Decision No 1215/2017) and the decision of the Dispute Resolution Directorate (Decision No 3950/2017). The above decisions accepted the concept of separate tax residence status for spouses. The Circular provides for specific requirements in cases where only one of the spouses applies for the transfer of his tax residence outside Greece.

Besides the tax residence certificate and the above mentioned additional documentation, the applicant-spouse should also submit the following documentation, in order to substantiate his residence abroad and his permanent and continuous presence in the foreign country:

- Documents for the permanent or long-term employment relationship
- Documents evidencing the existence of Bank account

- Lease agreement or ownership of real estate property and utility bills indicating presence in the foreign county
- Tax or insurance registration number or any other equivalent registration number issued in the foreign country (e.g. social security registration number).

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