NATIONAL TAX SYSTEM

There are three basic categories of taxes in the Greek tax system:

- **taxes on income**; The main examples are tax on the income of individuals and tax on the income of legal persons (corporations). As a separate category of income tax, there is also taxation of ships.
- **taxes on property**/capital taxes, e.g. inheritance tax, tax on real property ownership.
- **taxes on transactions** or consumption taxes, e.g. V.A.T. (value added tax), tax on the transfer of real property, import duties, duties on the consumption of luxury goods, special duties on alcohol and tobacco, duties upon registration of private cars, duty on subscribers of mobile communication providers, etc. Stamp duty, which is quite commonly charged in a list of transactions is also considered as a tax because it does not correspond to a specific provision of the State, i.e. it has no reciprocity. Subject to stamp duty are mainly certain contracts between individuals or businesses, certain dealings with the public sector etc.

The tax administration

The tax administration in Greece is a competency of the Ministry of Finance. The Ministry of Finance is divided into separate General Directorates (Administrative Support, Taxation, Tax Audits, State Property, Customs and Special Duties, Financial Inspection, IT Systems, Budget & Payroll, Independent Public Revenue Authority).

There is also the General Directorate of "S.D.O.E.", which stands for "Body for the Combat of Economic Crime". In the lower level of tax administration are the local tax offices and the local customs offices.

Local tax offices

Greece is divided into administrative areas and in each of them operates one or more tax offices that are called "D.O.Y.". For the taxation of each individual, the competent tax office for the receipt, processing and clearance of tax returns is the tax office of his area of residence. Exceptionally, for the taxation of professionals and sole traders the competent tax office is the tax office of the area where they exercise their business or profession. For individuals who reside abroad, there is a special tax office in Athens. Administrative acts issued to one taxpayer bear the signature of the Director of the local tax office. There are separate tax offices for S.A. companies.

The administrative procedure in taxation

The administrative procedure in taxation is the whole procedure which takes place between the legislative enactment of a new tax until either the relevant tax is paid or until a court procedure is initiated by the taxpayer who seeks to challenge an administrative act of the tax authority. Although, as mentioned, the imposition of tax is strictly limited to the legislator, the identification of the persons liable to tax, the calculation of the exact amount of tax, the imposition of tax penalties or fines related to violation of tax legislation, and the administrative settlement of tax disputes are all competencies of the tax administration.

In theory, the tax administration does not enjoy unlimited freedom in the exercise of its powers; there are strict formal rules that govern the procedure of issuing administrative acts

imposing tax. To the same end is also the constant effort of the legislator, because the more formal the rules and the procedure, the less discretion will be left with the tax officials, which is considered as an aggravating factor for corruption and malpractice. In practice, however, the tax authorities have a certain degree of discretion, when, for example, they apply-interpret the degrees of severity in violations of tax laws.

Formal obligations of taxpayers

Most, if not all transactions in Greece involve a certain tax issue. In its attempt to combat tax evasion and tax fraud, the State in many occasions imposes obligations to individuals that are often strict, unfair and bureaucratic. The formalities involved in Greek tax legislation are in some cases extreme. Book-keeping is complicated even for small businesses and this is why even sole traders and small businesses or individuals with various sources of income have to get services from tax consultants or accountants in order to minimize their risk of missing out a formality.

The obligation to obtain a tax registration number (A.F.M.)

In Greece, the tax identity of individuals and corporate entities is defined by a unique tax registration number which has nine (9) digits. This tax registration number is kept until death of the individual or until dissolution of the corporate entity. The uniqueness of a tax registration number is ensured by the fact that it is associated with numerous personal details of the tax payer, such as the ID number, the date of birth/incorporation, the residence address or corporate seat etc.

All individuals and corporate entities who i) are liable to file a tax return; ii) declare the commencement of taxable activities; iii) acquire land or cars; iv) participate in partnerships or companies; v) represent other taxpayers before the tax authorities etc. are attributed a tax registration number. In all dealings with the tax authorities, the tax registration number is mentioned. It is also obligatory to mention the tax registration number in specific dealings between private parties, e.g. in contracts for the acquisition of land etc. Having more than one tax registration number is an administrative offence which incurs high penalties.

The obligation to file a tax return (tax declaration)

In order to define the tax liability of each individual or corporate entity, it is necessary that the tax authority is aware of data that are related to the specific individual. This relates to most forms of taxation.

The most common form of tax return is the income tax return which is submitted annually by all taxpayers between March and June, and relates to the income of the previous year. As regards the spouses, they are required to file a joint income tax return, whereas the taxes, fees and contributions are calculated separately for each of them. In case there is not a marital relationship at the time the tax return is filed or one of the spouses has become bankrupt, the spouses can file the income tax return separately. Although, according to the Greek Income Tax Code, the joint income tax return is also applying to spouses with different tax residence, the recent Decision no.330/2018 of the Greek Council of State, recognizes the right of the spouses to file the income tax return separately, when the circumstances require.

A tax return is also filled for V.A.T. monthly or every trimester, for taxes withheld by businesses on salaries and payments to subcontractors etc. Also, the tax legislation provides that certain transactions are invalid before the relevant tax is paid; for example, in a transaction in real

estate, a tax return (declaration) will have to be submitted to the tax authority and the tax must be paid before the actual agreement is signed between the parties. A tax return may be submitted in most cases electronically.

In cases where the taxpayer is not sure whether he is subject to a tax or when in doubt about a specific element of the tax return, he can file a tax return "with reservation", but such reservation has to be specific and justified, otherwise it will be rejected by the tax authority. Corrections to tax returns are made by "corrective tax returns" that may be submitted under certain time limits.

Sources of Fiscal Information

Tax Authorities

Directorate General for Taxation of the Hellenic Ministry of Finance, Ministry of Economy and Finance

MNEC, Ministry of Economy and Finance

Other Domestic Resources

Independent Authority for Public Revenue
Greek Law Digest - Tax Guide