



LeasePlan

What's next?

Tax Guide
May 2019

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The content of this tax guide is accurate at the date of issue (May 2019). Information contained therein are of a general nature and should not be construed as exhaustive or specialised. For more information or professional advice, please contact your tax advisers.



1. Taxation of company car provision

The provision of a vehicle by a company to an employee, partner or shareholder for any period during the tax year is a benefit in kind, which is taxed as income from paid employment of the person to whom the vehicle is provided. Taxation applies irrespectively of whether the company has purchased or leases the vehicle in question.

The taxable value of the provision is calculated as a percentage of the vehicle's pre-tax retail price (PTRP) as follows:

from 0 up to 12,000 euros	4% of the PTRP
from 12,001 up to 17,000 euros	7% of the PTRP
from 17,001 up to 20,000 euros	14% of the PTRP
from 20,001 up to 25,000 euros	18% of the PTRP
over 25,001 euros	22% of the PTRP

The value of the provided vehicle is reduced by age as follows:

- i) 0-2 years: no reduction
- ii) 3-5 years: 10% reduction
- iii) 6-9 years: 25% reduction
- iv) 10 years or more: 50% reduction

The vehicle's PTRP, depending on type, variation and model, is the price stated in the price lists submitted to the Competent Customs Authority by the official car dealers/distributors including the value of any optional (extra) equipment, before VAT and registration fee, and is indicated in the "Highest Recommended Pre-Tax Retail Price Statement" issued by the official dealers/distributors. Alternatively, if the official dealer/distributor is not in the position to issue this statement, the PTRP is based on the value stated in the relevant sales documents, before VAT and registration fee, without any discounts granted.

The percentage of the PTRP that forms the taxable value of the provided vehicle is calculated over the PTRP as a whole, not in tiers. If a company vehicle is used for less than one year, the value of the benefit is calculated in proportion to the period (in months) during which the vehicle is used. A duration of use of a company vehicle exceeding 15 calendar days is regarded as a full month.

Example: A company provides a new vehicle with a PTRP of 17,500 euros to an employee for five months (due to recruitment within the year). The taxable value of the vehicle provision is calculated as follows:

$17,500 \times 14\% = 2,450$ euros; considering that the car is used for five months $2,450 \times 5/12 = 1,020.83$ euros.

The percentage of the PTRP which forms the taxable value of the benefit can not be shared among more than one persons. Therefore, in the above example, if the same vehicle is provided to two employees at the same time during the same year, the amount of 1,020.83 will be considered as a taxable benefit in kind for each employee individually.

There is no payroll withholding tax over the value of the company car provision (or any other benefit in kind, for that matter). The value is included in the earnings statement, increasing the income from paid employment, and the proportionate tax is calculated in the notice of assessment for the income tax return submitted annually by the employee / shareholder / shareholder.


2. Exemptions from taxation of company car provision

The provision of company cars is exempt from tax if: (i) the car is provided exclusively for professional purposes; and (ii) the PTRP of the car does not exceed 12,000 euros.

Car use for professional purposes includes the following cases:

- a) Cars provided by companies to specific salespersons, technicians and other employees whose tasks require frequent movement outside the employer's premises ("tool cars") and which are used for the employer's business activity, regardless whether the cars can be used by the beneficiaries outside working hours. On the contrary, the provision of cars to employees for reasons of position ("status cars", which are provided, for example, to directors and sales managers, technical managers and other executives) is regarded as a taxable benefit in kind;
- b) Cars used by car dealers for testing purposes (test drives);
- c) Personnel transport vehicles (e.g. mini buses);
- d) Vehicles used by companies (e.g. hotel businesses) for the transport of their guests or customers;
- e) Vehicles provided by vehicle repair and maintenance companies (service cars) in order to temporarily replace vehicles being repaired; and
- f) Private-use vehicles used by airlines and airport management companies to service aircraft and their passengers (airport vehicles) as well as for the transport of VIP's and personnel.





Therefore, when a vehicle is provided to a company employee, partner or shareholder for use in any of the above cases a) to f) but has a PTRP of more than 12,000 euros, the provision will not be exempted from taxation as a benefit in kind, even if it is used for business purposes e.g. by a salesperson for his daily visits to customers, or if it is a light commercial vehicle (LCV) used for business purposes. In this case, the taxable value is calculated over the total PTRP of the vehicle and not over the amount in excess of 12,000 euros.

Example: A company provides a car with a PTRP of EUR 13,000 euros to a salesperson, to be used for professional purposes. The taxable benefit in kind will amount to $13,000 \times 7\% = 910$ euros. However, if the company grants a vehicle with a PTRP of 11,500 euros to a salesperson for professional purposes, this provision will not be regarded as a taxable benefit in kind.

3. Additional tax burdens on certain company car owners

3.1 Annual objective cost of a private-use passenger car

The income tax of natural persons is determined in principle on the basis of their actual acquired income. At the same time, an imputed income is calculated on the basis of statutory living costs; if this exceeds the actual income, the difference is added to the taxable income of the natural person and taxed accordingly. These living expenses also include the annual objective cost of private-use passenger cars that are owned or leased by the taxpayer (regular or finance lease). For cars that are owned or leased by legal entities, the objective expense that is attributable to the cars shall be considered as objective cost of the following persons, as case the may be:

- of the general or simple (other than limited) partners, companions or members of a joint venture of natural persons, shared in proportion to their participation in the company (in case of general, limited and civil partnerships), society, or joint venture;
- of the natural persons, members of a limited liability company, shared in proportion to the participation of each in the limited liability company, if the managers are not partners thereof;

- of the managers of limited liability companies who are also partners thereof, shared in proportion to the participation of each in the limited liability company;
- of the managing directors, executive directors, and the administrators of public limited companies and of the presidents of their Boards of Directors, equally shared;
- of the person who represents a foreign legal entity in Greece without establishment in Greece, or of the person who is the head of the office, branch, or agency of the foreign legal entity in Greece.

If the members of general, limited, and civil partnerships, limited liability companies, societies, or joint ventures are legal persons, the objective cost of the vehicles owned or held by them is considered as an objective cost of the natural persons who participate in these legal entities and hold the above mentioned positions in those legal persons.

If the partners of the aforementioned legal entities are foreign legal entities, the objective cost will be borne by natural persons who participate in such foreign legal entities, provided that the foreign legal entities have an establishment and are obliged to submit tax declarations in Greece.

The objective cost is borne by each of the designated natural persons, irrespective of his place of stay or residence, as long as they acquire real income in Greece; for each of these persons and for each company, it can not exceed the highest objective cost resulting from the company car.

The annual objective cost is calculated based on the cylinder capacity of the vehicle's engine, as follows:

Engine capacity	Objective cost (in euro)
Up to 1,200 cc	4.000,00
From 1,200 cc to 2,000 cc	Increase of 600 euros per 100 cc
From 2,000 cc to 3,000 cc	Increase of 900 euros per 100 cc
Over 3,000 cc	Increase of 1,200 euros per 100 cc

These amounts of objective cost are reduced depending on the age of the vehicle (calculated from the year of first circulation in Greece or in another EU/EEA country) as follows:

Vehicle age	Percentage of objective cost reduction
5 to 10 years	30%
More than 10 years	50%



3.2 Luxury tax

On the natural persons who are charged with the annual objective cost of private-use passenger cars, a luxury tax is imposed. This tax applies if the car has a cylinder capacity of more than 1,929 cc, as follows:

- i) For passenger cars with a cylinder capacity ranging from one thousand nine hundred and twenty-nine (1,929) to two and a half thousand (2,500) cc, the tax equals the amount of the annual objective expense multiplied by a factor of 5%.
- ii) For passenger cars with a cylinder capacity of more than two and a half thousand (2,500) cc, the tax equals the amount of the annual objective expense multiplied by a factor of 13%.

Exempted from the luxury tax are private-use passenger cars older than ten (10) years from the year of first circulation in Greece or in another EU/EEA country (as well as cars for disabled person which are exempt from motor vehicle tax).

The luxury tax is assessed in the income tax statement which is issued after submission of the income tax return of the taxable natural person.



4. Discount for company vehicle costs

4.1 Income tax

The actual expenditure of the company relating to the cost of the vehicle, including depreciation (if the car is privately owned or in case of finance lease, referred to in the next section), repair and maintenance costs, motor vehicle tax, fuel, tolls, and the costs in the case of rent or lease, are fully tax deductible (100%), provided that the following conditions are met:

- a) the costs serve the company's interest or its regular commercial transactions,
- b) the costs relate to a genuine transaction,
- c) the costs are entered in the accounting books for the period in which they are made and evidenced by appropriate supporting documents.

Consequently, costs incurred by company employees (fuel, tolls) are deductible if they can be proven to have been effected for corporate purposes (e.g. visits to customers of the company).





4.2 Depreciations in case of finance lease

According to the Greek Income Tax Code, depreciations of assets in the case of leases that are classified as finance leases are done by the lessee, and not by the owner of the asset.

The term “finance lease” means a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset. The ownership title may or may not be eventually transferred.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- a) The lease transfers ownership of the asset to the lessee by the end of the lease term.
- b) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable in order to be fairly certain, at the inception of the lease, that the option will be exercised.
- c) The lease term extends over the major part of the economic life of the asset, even if the ownership title is not transferred.
- d) At the inception of the lease, the present value of the minimum lease payments, not taking into account the cost of any services that may be offered during the lease, substantially covers all of the fair value of the leased asset.
- e) The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Indications of situations that individually or in combination would normally also lead to a lease being classified as a finance lease are:

- a) If the lessee can cancel the lease, the lessor’s losses associated with the cancellation are borne by the lessee.
- b) Gains and losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- c) The lessee has the option to extend the lease for a secondary period at a rent that is substantially lower than market rent.

Since the aforementioned indications do not constitute strict quantitative criteria for a lease to be classified as a finance lease, in any case, during the examination of the terms and conditions of a lease contract, the terms and conditions agreed between the lessee and lessor should be examined objectively in order to determine to which extent the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. In other words, a finance lease exists if, in the end, the lessee is substantially the owner of the asset and not the lessor, who has the legal ownership thereof.

The classification of leases as finance leases in the sense set out above applies to contracts concluded from 1.1.2018 onwards; for contracts concluded before that date, the previous legal provisions are deemed to apply until the time of their expiration (this requires clarification by a relevant circular of the Ministry of Finance).

4.3. VAT

There is no right to deduct VAT paid by companies and natural persons in the following cases, even if the cars are used for business purposes:

- for purchase, import or intra-community acquisition of private-use passenger cars with up to nine (9) seats.
- for fuel, repair, maintenance, rental, and circulation costs of these cars in general.

In this case, VAT is a cost and deducted as an expense for income tax purposes. Resale of a car purchased without VAT deduction at its purchase is exempt from VAT.

Exceptionally, the right to deduct VAT is recognised if the above vehicles are intended for sale, hire or transport of persons at a fare.

On the other hand, the right to deduct VAT on the above costs is recognised in the case of lorries, in so far as they are used for business purposes.

5. Professional natural persons

The use of a leased car by natural persons (sole proprietorships, self-employed persons) is not a taxable benefit in kind. The cost of the lease and other operating and usage costs of the vehicle are deductible from the taxable income under the same conditions as apply to legal entities:

- a) the costs serve the professional's interest or his ordinary commercial transactions,
- b) the costs relate to a genuine transaction,
- c) the costs are entered in the accounting books for the period in which they are made and evidenced by appropriate supporting documents.

If the lease is considered to be a finance lease, the lessee carries out the depreciation, which can be deducted together with the interests accruing on the rent.

The professional has the obligation to state the amount of the annual objective cost corresponding to the rented car in his personal tax declaration (E1), depending on the months of the year during which he has the vehicle at his disposal. If the lease is considered to be a finance lease, the professional is also required to declare the amount that he pays each year under codes 727-728 which refer to the amortisation expense of loans of any kind. If the car is leased for business use, there is no obligation to fill in the codes 719-720 for the cost of purchase or finance lease of cars, since there is an exception to this code for the rental of fixed business equipment.



6. Individuals

Individuals who purchase or lease cars are charged with the corresponding objective annual cost (declared on the personal tax return E1), depending on the months in which the car is in their ownership or possession. They are also required to declare the relevant purchase or lease amount (if a finance lease) under codes 719-720, declaring the cost of purchase or lease of cars and the amount of the (finance) lease under code 727-728 for depreciation expenses of loans of any kind.

In the case of a car purchase with a credit card, the total amount charged on the credit card is taken into account for the reduction of income tax, regardless of whether the payment is done as a lump sum or in instalments.

7. Taxes on the import of cars in Greece

7.1. Import duties

Import duties are imposed on imports of passenger cars and trucks in Greece from third countries outside the European Union, irrespective of the status of the person who imports the cars (enterprise, trader/natural person, private individual).

The rate of the import duties depends on the type of imported vehicle. In the case of passenger cars for private use, the rate is 10%, while for lorries the rate ranges from 0% to 22%.

By exception, for those countries with which the European Union has concluded preferential agreements, import duties may be reduced or zero.

Basis for calculating import duties (customs value) is normally the price actually paid or payable (as appearing on the purchase invoice), increased, inter alia, by supply, brokering, transport, and insurance costs.

7.2 Registration fee

A registration fee is imposed on the purchase of new and used cars originating either from other Member States of the European Union or from third countries outside the European Union.

The taxable value of the car, which determines the registration fee, is based on the pre-tax retail sale price of the car, depending on type, variation and model. This is the maximum recommended selling price, exclusive of VAT, as derived from the price lists submitted to the competent Customs Authority by the official car dealers / distributors. The price includes the value of the optional extra equipment, as well as the value of special versions of the vehicle and any cost factor that influences the sale price.

For second-hand passenger cars, the aforementioned retail price is taken into account, depending on manufacturer, type, variation and model, of a new passenger car with the same equipment, at the time of its circulation on the international market, deducted by the depreciation percentage depending on age, bodywork category and mileage. The total reduction may not exceed 95%.

Registration fee rates are differentiated according to the taxable value and the amount of carbon dioxide (CO₂) emitted, and apply to passenger cars as follows:

Pre-tax retail price (€)	CO ₂ emissions (g/km)								
	0-100	101-200	121-140	141-160	161-180	181-200	201-250	>250	
<14.000	3,80%	4,00%	4,40%	4,80%	5,20%	5,60%	6,40%	8,00%	
14.000-17.000	7,60%	8,00%	8,80%	9,60%	10,40%	11,20%	12,80%	16,00%	
17.000-20.000	15,20%	16,00%	17,60%	19,20%	20,80%	22,40%	25,60%	32,00%	
20.000-25.000	22,80%	24,00%	26,40%	28,80%	31,20%	33,60%	38,40%	48,00%	
>25.000	30,40%	32,00%	35,20%	38,40%	41,60%	44,80%	51,20%	64,00%	

The above registration rate coefficients may be increased by 50% up to 500% for cars that due to construction do not meet the requirements of the current European emission standard (Euro).

For hybrid cars, a 50% exemption from the registration fee applies, while full exemption applies to entirely electric cars.

The background features a solid orange color with several large, overlapping, wavy shapes in shades of yellow and light orange. These shapes create a sense of movement and depth, resembling stylized waves or abstract organic forms.

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