

Recent Developments in Tax Legislation

Circular E. 2016/2024 on the Taxation of Capital Gains Arising from the Contribution of Listed Shares

1. By way of Circular E. 2016/2024 (the **Circular**) the Independent Authority of Public Revenues (**IAPR**) provides clarification regarding the tax treatment of capital gains arising from the sale of listed shares by a natural person.
2. Pursuant to Article 42 of Law 4172/2013 (the **Income Tax Code – ITC**), capital gains arising from the sale of listed shares by a natural person are not subject to income tax if they were acquired before 1 January 2009. However, capital gains from the sale of listed shares is subject to income tax in the event that:
 - a. the shares were acquired after 1 January 2009; and
 - b. the natural person holds more than 0.5% of the share capital of the listed company.
3. The Circular clarifies that no capital gains tax applies upon the sale of listed shares acquired before 1 January 2019, even if a stock split or reverse stock split occurred after that date.
4. In respect of share capital increases effected after 1 January 2009, any increase in the value of the relevant shares corresponding to their value:
 - a. prior to 1 January 2009 is exempted from capital gains tax; and
 - b. after 1 January 2009 is subject to capital gains tax.
5. The Circular further clarifies that in the case of contribution of domestic or non-Greek securities by a natural person to a Greek or non-Greek legal entity in exchange for securities, the value of the contributed securities is equal to their initial acquisition value. This provision applies only to cases where the natural person contributing the securities is the sole

shareholder of the recipient legal entity.

6. For the above provision to apply, the recipient legal entity must:
 - a. exercise commercial or production activity; or
 - b. provide services; andnot be established in a non-cooperative jurisdiction.



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