

## NEWSLETTER

### ☛ TAX

November 2011

The recently voted law **4024/2011** titled “**Retirement regulations, Unified payroll in the Public Sector, Employment reserve and other measures for the application of the Medium-term Framework for Fiscal Strategy for years 2012-2015**” (Government’s Gazette A’ 226/27.10.2011) brought about changes in the taxation of individuals:

- The progressive scale used for the taxation of individuals is amended and thus the tax-free bracket is further reduced to **€5.000** (from €8.000) applicable to income arising from 1/1/2011 whereas the income tax

withholding on salaries/wages according to the new scale will be applicable from 1/1/2012 onwards. More specifically the relevant scale further to its amendment has as follows:

Amount in Euro

| Taxable Income (Bracket) | Tax Rate % | Bracket’s Tax | Total Income | Total Tax |
|--------------------------|------------|---------------|--------------|-----------|
| 5.000                    | 0          | 0             | 5.000        | 0         |
| 7.000                    | 10         | 700           | 12.000       | 700       |
| 4.000                    | 18         | 720           | 16.000       | 1.420     |
| 10.000                   | 25         | 2.500         | 26.000       | 3.920     |
| 14.000                   | 35         | 4.900         | 40.000       | 8.820     |
| 20.000                   | 38         | 7.600         | 60.000       | 16.420    |
| 40.000                   | 40         | 16.000        | 100.000      | 32.420    |
| Over and above 100.000   | 45         |               |              |           |

- The tax-free bracket is set at **€9.000** for young individuals until 30 years old, pensioners over 65 years old as well as for individuals with special needs.
- The tax-free bracket is increased by **€2.000** for the first two children and **€3.000** for each child above three.
- Furthermore, the tax-free bracket is increased by €2.000 (i.e. **€7.000**) for the

taxpayer and each of the person(s) with special needs.

- Expenses that used to be deductible from the total annual gross income are abolished.
- Therefore, the below mentioned expenses realized as of 1/1/2011 will be treated as a **10%** tax credit:
  - Medical expenses (up to **€3.000**).

- Annual rent (up to **€1.000**).
- Annual fees payable for private lessons and tuition fees (up to **€1.000**).
- Interest accrued on mortgage loans granted for the acquisition of a primary residence.
- Interest accrued on loans granted for the restoration, repair and preservation of reserved and traditional buildings.
- Annual life insurance expenses (up to €1.200 for single and up to **€2.400** for married tax payers).
- Alimony paid to ex husband/wife (up to **€1.500**).
- Donations to Public and welfare institutions.
- Expenses for real property power upgrade (up to **€3.000**).
- Social security contributions.
- The amount of expense receipts relating to the purchase of goods and services in order for the taxpayer to be entitled to the tax-free bracket is still set at **25%** with respect to income up to **€60.000**. A 10% tax is still imposed on the difference arising, in case the amount of the submitted receipts is lower than the aforementioned percentage.

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