

Greek Subsidiaries and Global Tax Compliance

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In recent years, Greek subsidiaries and permanent establishments (PEs) of multinational enterprises (MNEs) have faced an increasingly challenging regulatory environment. While Greece has few Ultimate Parent Entities (UPEs) with consolidated revenues exceeding €750 million, it is home to numerous subsidiaries and PEs that are part of large multinational groups. These entities must comply with a growing list of tax reporting requirements and obligations, making the role of local management both critical and complex.

The Expanding Obligations for Greek Subsidiaries

Under the implementation of global tax transparency initiatives, such as the OECD's **Pillar Two** framework and the EU's **Public CbC Reporting Directive**, Greek subsidiaries face multiple layers of compliance obligations:

1. Reporting Obligations:

Subsidiaries and PEs must ensure timely and accurate filing of **Country-by-Country Reporting (CbCR)** notifications, public disclosure of tax data, and local transfer pricing documentation.

2. Supplementary Tax Declarations:

The introduction of **top-up taxes**, such as the Domestic Minimum Tax, requires local subsidiaries to compute and declare taxes using data aligned with group-level metrics and financial reporting, even when local accounting standards (Greek GAAP) diverge from those of the UPE (e.g., IFRS or UPE's local Accounting Standards).

3. Alignment with Group Reporting Periods:

Discrepancies between the fiscal year of the Greek subsidiary and that of the UPE create additional challenges, as local entities must align with the group's reporting timelines and periods (e.g., April 1 to March 31) for tax calculations and declarations.

4. Parent Entity Responsibilities:

In cases where the UPE does not fulfill certain obligations, local subsidiaries may bear the additional burden of acting as **Surrogate Parent Entities (SPEs)**. These obligations may include compliance with **Country-by-Country Reporting (CbCR)**, the **Public Country-by-Country (CbC) Report**, and the **Global Minimum Tax Declaration** under Pillar Two rules.

Adding Controlled Foreign Corporation (CFC) Rules to the Compliance Landscape

In addition to the obligations above, Greek subsidiaries must also contend with **Controlled Foreign Corporation (CFC) Rules** under Greece's tax framework. These rules, designed to prevent the shifting of profits to low-tax jurisdictions, impose significant compliance and reporting requirements:

CFC Rules in Greece: Key Provisions

1. **Definition of CFC Income:** Greek tax law considers certain types of passive income earned by foreign subsidiaries (e.g., dividends, royalties, and interest) to be taxable in Greece if specific control and low-tax thresholds are met.
2. **Attribution of Income:** Greek companies with direct or indirect control over foreign entities must include CFC income in their taxable base. This requires meticulous tracking of group structures and intercompany transactions to ensure compliance.
3. **Documentation Requirements:** Subsidiaries need to prepare and maintain robust documentation demonstrating compliance with CFC rules, particularly in cases involving tax havens or low-tax jurisdictions.

Challenges of CFC Compliance

- **Data Collection:** Accessing detailed financial data from controlled foreign entities can be difficult, especially if such entities are in non-cooperative jurisdictions.
 - **Alignment with Group Policies:** Ensuring CFC compliance often necessitates close collaboration with group headquarters, particularly when centralized tax planning strategies involve entities in diverse jurisdictions.
 - **Impact on Tax Positions:** CFC rules may alter the effective tax rate (ETR) calculations for Greek subsidiaries, complicating their alignment with **Pillar Two** requirements.
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Local Challenges in a Global Context

The compliance journey for Greek subsidiaries is often further complicated by the following factors:

- **Insufficient Coordination with Group Headquarters:**
Local management teams frequently face difficulties due to limited communication and coordination with group headquarters. Centralized decisions often fail to consider the unique local tax and regulatory environment, leaving subsidiaries to manage the fallout.
 - **Resource Limitations:**
Adapting local accounting and tax records to align with group requirements, such as reconciling Greek GAAP with IFRS or other standards, demands significant time and resources. This often diverts focus from core business activities.
 - **Inconsistent Support:**
Headquarters may not fully grasp the local complexities or provide adequate support, especially when prioritizing global-level compliance over local operational realities.
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Key Steps to Address the Challenges

To navigate these obstacles effectively, Greek subsidiaries need to adopt a proactive approach. Key actions include:

1. Open Lines of Communication with Group Headquarters:

Regular and transparent communication between local management and the group's tax and finance teams is essential. This ensures that local needs and challenges are taken into account in global compliance strategies.

2. Collaboration with Reliable Tax Advisors:

Engaging experienced tax consultants with expertise in transfer pricing, CFC rules, and international tax compliance is critical. These advisors can guide local teams through complex regulations, help adapt group policies to local requirements, and ensure full compliance with evolving tax laws.

3. Building Internal Expertise:

Investing in training for local finance teams on global tax developments, such as Pillar Two, Public CbCR, and CFC rules, can empower them to better navigate regulatory changes and effectively communicate with group headquarters.

Conclusion: Rising to the Challenge

For Greek subsidiaries and PEs of MNEs, the increasing demands of tax compliance require a robust and well-coordinated approach. The integration of CFC rules into an already complex regulatory framework adds another layer of responsibility for local management.

This underscores the importance of strong collaboration with group headquarters and reliance on expert tax advisors who understand both the local and international landscape. Given the complexity and overlapping nature of tax regulations, each constituent entity must carefully assess its specific obligations. Professional advisors are uniquely positioned to provide case-by-case analysis and guidance on the precise requirements for these tax-related compliance areas.

As compliance obligations continue to grow, embracing these strategies will be key to ensuring both regulatory compliance and business success in an ever-evolving global tax environment.

For more information, please contact our team at tax@privelpartners.gr.

