

VAT on rebate rationalized, and a major administrative burden distorting the pharmaceuticals' market eliminated by the Independent Public Revenue Authority

A recent circular by the Independent Public Revenue Authority, AADE, published at the Government Gazette 235/5.2.19, eliminates a major distortion on VAT on rebate. This decision leads the way to simplify the business environment and create a favorable investment climate in Greece.

Pharmaceutical companies were, until now, obligated to make excessive VAT payments due to revenue calculations that did not take rebate discounts into consideration. This resulted in additional costs equal to the VAT overpayment. "Claw-back" regulations initially caused similar distortions which were resolved in 2016 by excluding the discounted revenue from VAT.

An amendment to POL 1115/2016 states that VAT on rebate follows the same principle as in claw-back, which excludes any discounted revenue from VAT. In practice, VAT overpayments are reimbursed by a credit invoice issued by the social security organizations.

In addition to cash-flow rationalisation, the application of the same accounting principles on claw-back and rebate reduces administrative costs.

SEV's Committee of Pharmaceutical Industry (a partnership between SEV and PEF, the Panhellenic Association of Pharmaceutical Industry) has repeatedly highlighted the need for VAT rationalization on rebate. The Committee has provided memos and participated in discussions with the public administration to resolve the distortion. The close collaboration between SEV, pharmaceutical organisations (PEF & SFEE) and the Public Revenue Authority (AADE) is a blueprint for administrative burden elimination which can expedite growth.

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SEV Members Financial Data

ASSETS
€362 bn
71% of total*



EQUITY
€60 bn
48% of total*



TURNOVER
€61 bn
46% of total*



PROFITS BEFORE TAXES
€3.3 bn**
42% of total**



EMPLOYEES
200,000
11% employees insured by IKA



WAGES
€5 bn
20% of total***



SOCIAL SECURITY CONTRIBUTIONS
€2.2 bn
26% of total***



TAXES ON PROFITS
€1.1 bn
31% of total****



* 17,454 financial statements for fiscal year 2016 included in ICAP database

** sum of reported profits

*** % of total regular earnings (excluding bonuses and overtime)/social security contributions of employees insured by IKA

**** % of total revenues from corporate income tax

Source: ICAP, IKA, Ministry of Finance



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