



Tax - Breaking News

November 2020

Consistent with our commitment to keep you updated on the most significant tax developments, we outline below the most important provisions introduced with the new law 4738/2020 as well as the main points of the recently submitted draft bill.

With the new Law 4738/2020 titled “Regulation of debts and a Second Chance Provision”, a tax provision was introduced by the Ministry of Finance announcing the gradual elimination of the special solidarity contribution, effective as of tax year 2020.

In addition, based on a very recent draft bill titled **“Restriction of smuggling - Ratification of the Protocol to Eliminate Illicit Trade in Tobacco Products, provisions regarding public benefit properties and vacant successions, provisions for the circulation duties and registration fees, incentives for the attraction of tax residents”**, incentives for the transfer of individuals' tax residence in Greece are introduced.

The main points of the new law and draft bill are listed below:

Abolition of the special solidarity contribution

- In an effort to relieve the taxpayers from consequences of the negative economic environment in Greece caused by the ongoing pandemic of COVID - 19, the **gradual abolition** of the **special solidarity contribution** is introduced.
- Specifically, for tax year 2020, the income derived from business activities, capital (dividends, interest, royalties and rental income) and capital gains is exempted from the special solidarity contribution.
- For tax year 2021, only employment income from the private sector will be exempt from solidarity contribution.

Incentives for the attraction of tax residents

- In an effort to attract tax residents in Greece and further to the special tax regimes which have already been introduced (e.g. High Net Worth Individuals and Foreign Pensioners), a **new regime of alternative taxation for individuals who transfer their tax residence in Greece is introduced as of tax year 2021**.
- Namely, a **special regime for taxation on employment income, as well as for business activity rendered in Greece is introduced**.

- Specifically, the individual who will transfer their tax residency to Greece and qualify for the special taxation regime will be eligible to **income tax and solidarity contribution exemption on fifty percent (50%) of their employment income earned in Greece during any tax year**.
- The above exemption equally applies to individuals who will transfer their tax residency in Greece in order to operate business in Greece as entrepreneurs. Namely, 50% of their business activity income derived in Greece is income tax and special solidarity contribution exempt on any given tax year.
- Individuals who will qualify for the said special taxation may only enjoy this beneficial regime for seven (7) consecutive tax years. Following the seven (7) years period, the special tax regime is no longer valid.
- It is worth mentioning that individuals who will be subject to the special tax regime are exempt from imputed income criteria arising from the use of a residency and private car.

Conditions for the special regime

- We outline below the conditions which must be cumulatively met in order to qualify for the special regime:
 - i. the individual was not Greek tax resident for the seven (7) out of the last eight (8) years preceding the transfer of their tax residence to Greece;
 - ii. they transfer their tax residence from a member country of the E.U. or the E.E.A. or from a country with which Greece has an agreement in force for administrative cooperation in tax matters;
 - iii. they provide services in Greece on the basis of an employment contract with a Greek legal entity or a foreign legal entity with permanent establishment in Greece;
 - iv. they declare their intention to stay in Greece for at least two (2) years.
- The above conditions equally apply in case of business activity in Greece.
- It should be highlighted that the newly introduced **special tax regime applies only in case of “new job offerings/positions”.**

Application Process

- Individuals who wish to utilize the **special tax regime should file an application to the Tax Authority within the year they commenced their employment services (or commencement of business activity) and no later than the 31st of July of that year.**
- The Tax Authority will in turn review the application and reach a decision within 60 days from the submission of the application.

The above provisions are in force for tax years commencing 1 January 2021 onwards.

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This Newsletter aims to provide the reader with general information on the above-mentioned matters. No action should be taken without first obtaining professional advice specifically relating to the factual circumstances of each case.