

April 2015

## Breaking News Tax

Consistent with our commitment to provide [updated information](#) on current tax issues, we summarize below the clarifications provided by Ministerial Circulars (POL) on the amendments on tax residence status and submission of personal income tax returns.

### POL 1058/2015 regarding the amendment of tax residence status

On March 26 2015 the long expected ministerial circular providing guidance in terms of the amendment of tax residence status as of 1 January 2014, was finally issued.

It provides clarifications on the following:

- Individuals who wish to transfer their tax residence abroad should submit the relevant application (M0 form) together with forms M1 and M7, as well as an officially certified statement for the appointment of their tax representative. These should be submitted **no later than the last working day of the first ten days of March** of the tax year following the tax year of their departure, to the Department or Bureau of Compliance and Taxpayers Relations of their competent tax office.
- Specifically for those who would like to transfer their tax residence abroad for **the tax year 2014**, the deadline for submission of the application is the last working day of the first ten days of May 2015 (i.e. **8 May 2015**).

- Interested individuals are also required to submit, to the relevant Department or Bureau mentioned above, **no later than the last working day of the first ten days of September** of the tax year following the tax year of departure one of the following documents:
  - i. A Tax residence certificate issued by the competent tax authority of the country in which the individual is claiming to be a tax resident. Taxpayers who are residing in a country with which a Double Tax Treaty (DTT) is in force and provided that they receive income in Greece, may alternatively submit the DTT application form; **or**
  - ii. Copy of the foreign income tax assessment note issued in the other country; **or**
  - iii. In the absence of such assessment note, a copy of their relevant foreign income tax return.
- If none of the above mentioned documents can be provided, then a certificate issued by any other public or municipal or recognized authorities required providing proof that **the center of vital interests** of the individual is in the other country.
- Foreign public documents must be authenticated in accordance to the Hague Convention (Apostille) provisions, or in accordance to international legislation (consular authentication). Their official translation into Greek is also required. Such authentication and translation requirements are not required for the DTT forms nor for the tax residence certificates issued by the tax authorities of the USA and Turkey on the basis of the DTT signed with our country.

- The tax office is obliged to conclude on the tax residence status of the individual within two months following the date of submission of the above mentioned documents.
- Individuals who submit the relevant application (i.e. M0-M1-M7 forms) for the transfer of their tax residence and have timely provided the required documents should **submit their personal income tax return no later than the end of the tax year following the year related to their transfer request** (i.e. taxpayers who submitted the relevant forms and documents on time in relation to tax year 2014, should submit their personal income tax return no later than 31 December 2015).
- The above deadline applies regardless of whether the amendment of tax residence status will be accepted or rejected by the tax office (i.e. whether the individual will be considered as non-Greek tax resident or a Greek tax resident).
- Taxpayers who file the relevant application (i.e. M0-M1-M7 forms) on time, who however submit the **required documents late**, should submit their personal income tax return as Greek tax residents or as foreign tax residents depending on their case, which will however be considered overdue.
- Taxpayers who submit the relevant application form but **fail to provide the required documents**, should submit their personal income tax return as Greek tax residents, which will however be considered overdue.
- Children **over 18 years old** (e.g. students etc.) **who earn income, are obliged to submit** a personal income tax return, even if they are considered dependent parties.
- Foreign tax residents are obliged to submit a Greek income tax return only if they earn actual Greek source income, regardless of whether it is taxed (i.e. subject to tax scale, at source etc.) or is tax exempt. Therefore, the possession of a secondary residence/car in Greece or the purchase of Greek real estate property/car per se does not trigger filing obligation, provided that no Greek source income is earned.
- Tax advance payments shall be calculated only on the tax assessed on business activity income after the deduction of tax withheld and previous year's tax advance payment (i.e. tax assessed on income earned from other sources such as employment, pension, capital, etc. is not considered for tax advance purposes).
- For individuals earning only employment/pension income, who however are taxed based on deemed income, the employment/pension tax scale applies and no tax advance is calculated. On the contrary, if income from business activity is also reported, then a tax advance payment shall be calculated based on the guidance provided in the circular.
- Various issues regarding the tax advance payment of 4% or 10% on architects' and engineers' fees as well as the tax advance payment on lawyers' fees (15%) are also clarified.
- In case an individual's income is reduced by more than 25%, guidance is provided on the option to apply for a tax advance payment reduction.

## **POL 1067/2015 regarding the submission of personal income tax returns**

The ministerial circular provides guidance on foreign tax credits, personal income tax return obligations for individuals, as well as to the calculation of advance tax payments.

Specifically, the following clarifications are provided:

- For foreign tax credit purposes, the exchange rate to be used should be that of the date the tax was remitted to the foreign country as shown on the certificate issued by the foreign tax office or by a certified accountant. In case of periodical tax payments, the average annual exchange rate as determined by the Bank of Greece shall be taken into consideration in terms of currency conversion.
- In case certain income is subject to Greek taxation only based on DTT provisions, then no foreign tax credit is allowed. Furthermore, in case a higher tax rate has been imposed in the foreign country than the one stipulated in the relevant DTT, then a tax credit is allowed only for the portion of the tax calculated based on the DTT rate.
- Taxpayers **over 18 years old earning no actual or deemed income** are exempt from submitting a personal income tax return.

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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.

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