

GMS Flash Alert

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Greece - Various Modifications to Income Tax System

A recent law¹ in Greece introduced important amendments to the country's tax system, including:

- re-defining the "center of vital interest,"
- how to tax the income of "occasional workers,"
- the tax treatment of transfer and disposal of individual assets,
- determining the capital gain arising from the transfer of securities, and
- a special withholding tax applied to certain employees.

WHY THIS MATTERS

International assignees, their program managers, and tax advisers should stay abreast of the changes, make appropriate adjustments to tax organizers and assignment policies (where policies deal with the matters described in this newsletter) and take steps to be in compliance.

Center of Vital Interest

The definition of "center of vital interest" which determines the residence for tax purposes of an individual in Greece is redefined in compliance with jurisprudence of the Council of State and in alignment with the OECD's Model Tax Convention explanatory comments.

“Center of vital interest” is defined as the country where the individual develops his personal, financial, and social bonds.

Occasionally Occupied Taxpayers

Income earned by “occasionally occupied” taxpayers – who are not free-lancers nor who exercise agricultural activity – will be taxed based on the tax scale applicable to employees/pensioners/those with business activity, and they will be able to take into consideration the tax credit of EUR 1,900 to 2,100, provided that their actual income does not exceed EUR 6,000 and their imputed income EUR 9,500. This provision was transitional for years 2014-2017 and has now become permanent. The provision enters into force as of tax year 2018 onwards.

Profits from Business Activity

As of tax year 2018 onwards, when determining profits from business activity, the disposal of assets by an individual, assets inherited or donated from relatives up to the second degree,² or assets which have been retained for more than five (5) years, will not be taken into consideration.

Transfer of Real Estate, Securities

Furthermore, as of tax year 2019 onwards, the transfer of individual assets that fall within article 41 (transfer of real estate) and 42 (transfer of securities) of the Income Tax Code (ITC) will be exempted from the determination of profits from business activity.

In order to determine the capital gain from the transfer of securities, the purchase price of securities acquired through inheritance or donation, is considered to be the value that was used to calculate the applicable inheritance or donation tax or the exemption from such tax. The provision enters into force as of tax year 2018 onward.

Special Withholding Tax for Daily Wage-Paid Employees

A special withholding tax of 5 percent is introduced on net remuneration for employees paid on a “daily wage” basis and who provide services for a fixed period shorter than one year. This also applies to tourist guides who are subject to the provisions of article 37 L.1545/1985. The new provision enters into force as of 14 June 2018 (the Law’s publication date in the Government Gazette).

FOOTNOTES:

1 Law 4549/2018 on “Provisions for the completion of the Agreement on Fiscal Goals and Structural Reforms – Medium-term Fiscal Strategy Framework 2019-2022 and other provisions.”

2 Spouse, siblings, parents, and children, including in-laws, as well as grandparents and grandchildren.

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RELATED RESOURCE

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