

# GMS Flash Alert



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## Greece - Various Modifications to Income Tax System

There have been several noteworthy changes recently to the Greek income tax (this includes the social solidarity contribution) system that impact individuals – including international assignees – and their employers. Examples include new posted worker notification rules, introduction of filing separate returns for married couples, income tax and special solidarity contribution rate and threshold changes, a new 10-percent rate applicable to dividends, an increase in the national minimum salary, and changes to the Assets Declaration filing thresholds.

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### WHY THIS MATTERS

The various tax measures described in this newsletter could impact taxpayers by raising or lowering their tax burden, depending on their particular facts and circumstances. Taxpayers and their tax professionals should be aware of these changes, understand how they impact their liability and compliance, and take steps to make sure they are compliant with the rules. Depending on their situations and tax liability in Greece, these changes will impact the tax-related costs of international assignees to and from Greece.

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### Highlights of Changes

- 1) **Dividends:** Dividends are taxed at the rate of 10% as of 1 January 2019 in accordance with the law 4603/ 2019, Article 65, ratified by the Greek government, which amends Articles 40 and 64 of the Income Tax Code (L. 4172/2013).
- 2) **Income Tax/Special Solidarity Contribution Rates/Thresholds:** The income tax and special solidarity contribution progressive rates will be amended as of 1 January 2020 depending on the level of income in accordance to the Article 12 L. 4472/2017. (See Tables 1 and 2 below.)

- 3) **Married Couples Filing Returns:** The possibility of a separate tax return for married couples has been introduced in Greece as of tax year 2018 via issued Decision A. 1017/2019.
- 4) **Solidarity Contribution:** The special solidarity contribution has been recognized as an income tax that falls under the relevant provision of the applicable Double Taxation Treaty (DTT) in accordance with the issued Circular E. 2009/2019.
- 5) **Greek-Source Group Pension Distributions to Swiss Tax Residents:** Greek-source group pension distributions (in the form of lump sum and/or annuity) paid to Swiss tax residents constitute pension income and shall be taxable based on Article 18 of the DTT between Greece and Switzerland, thus taxable only in Switzerland in accordance with the issued Circular E. 2019/2019.
- 6) **Assets Declarations:** Provisions regarding Assets Declarations in line with amendments of L. 4571/2018 Assets Declaration Return (ADR) and the Financial Interests Declaration (FID) require the submission by liable individuals of said returns within 90 days from their appointment to a relevant position; otherwise the annual ADR and FID are submitted within three months following the expiry of the annual income tax returns submission deadline, with new clauses being added for obligors<sup>1</sup> and their spouses/ partners and dependents.
- 7) **Minimum Monthly Salary:** The national monthly minimum salary has been increased – starting 1 February 2019 – and now amounts to EUR 650.00 under the terms of the issued Ministerial Decision 4241/127/2019.
- 8) **Posted Workers Notifications:** Posted workers notifications are required for both European Union (EU) and non-EU national workers remaining on home employment contracts.
- 9) **Capital Gains Tax on Real Estate:** The imposition of capital gains tax from the sale of real estate by individuals is suspended for one more tax year, i.e., until 31 December 2019.

## More Details

### Income Tax and Special Solidarity Contribution Changes

As of 1 January 2020, the progressive income tax rates will undergo some adjustments; specifically the progressive income tax rates that will apply are as follows:

**TABLE 1**

<b>2020</b>	
<b>Taxable Income (EUR)</b>	<b>Rate</b>
First 20,000	20%
Next 10,000	29%
Next 10,000	37%
Over 40,000	45%

As of 1 January 2020, the progressive special solidarity contribution rates will undergo some modification; specifically, the progressive special solidarity rates will apply as follows:

**TABLE 2**

2020		
Annual Income Amount (EUR)		2020 Rate
From	To	
0	30,000	0%
30,001	40,000	2.00 %
40,001	65,000	5.00%
65,001	220,000	9.00%
220,001	above	10%

## Solidarity Contribution Recognized as Income Tax

For the years 2015 and after, no special solidarity contribution is levied on foreign-source income derived by a tax resident of Greece for which Greece does not have the right of taxation under the applicable DTT. Also, domestic income derived by a Greek non-resident taxpayer and for which Greece does not have the right of taxation under the applicable DTT, is not subject to a special solidarity contribution either.

## Filing of Separate Tax Returns: Married Couples

As of tax year 2018 – and in order to be aligned with jurisprudence of the Council of State – the relevant provisions of the tax code are amended explicitly introducing the option for spouses to file separate tax returns. The previous timely submission of a relevant application to file separately to the tax authority is required. In any case, taxes, duties, or contributions related to the income of spouses are assessed separately. There are related provisions that regulate issues regarding dependents and imputed expenditures. The option to submit separate tax returns applies as of tax year 2018 onwards.

## Greek-Source Group Pension Pay-outs to Swiss Tax Residents

Greek-source group pension plan pay-outs (either in the form of lump sum and/or annuity) received by a Swiss tax resident, in lieu of past employment, constitutes pension income and shall be taxed in accordance with the provisions of Article 18 of the DTT between Greece and Switzerland. Accordingly, any Greek-source pension pay-outs paid to a tax resident of Switzerland, for previous employment, is taxed only in Switzerland.

## Assets Declarations

Individuals who are liable must also report in their initial or annual ADR assets held by their spouse, the “de facto” separated spouse, or the person with whom they have entered into a civil union, and each of their minor children, even if they became adults within the year in question. The total (minimum) amount of assets (held in outside financial institutions, funds, and trusts etc.) which should be declared in the ADR, has increased from EUR 15,000 to EUR 30,000. Moreover, the value of each movable asset to be declared has increased from EUR 30,000 to values exceeding EUR 40,000, including VAT. All the prior electronically submitted 2016, 2017, and 2018 Assets Declarations are required to be resubmitted **by 30 April 2019**. The return submitted by the obligor has to be verified by the spouse/ partner.

## Increase of National Monthly Minimum Salary

The national monthly minimum salary has increased: it is now set at EUR 650. (This has a direct correlation to the social security ceiling for employees in Greece. That ceiling is currently set at 10 (ten) times the minimum gross salary, i.e., EUR 6,500 gross.)

## Posted Workers Notifications

The Greek Ministry of Employment, in replying to a specific request, upheld the notification obligations provided for by Greek legislation in cases of secondments applying to both EU/EEA and non-EU employers assigning personnel to Greek employers (up to present, this obligation applied only to EU/EEA employers). The Greek ministry's officials appear to have based their position on the wording of the Greek legislation, which provides that employers registered in third countries (i.e., other than those to which the legislation explicitly applies) cannot be subject to a more favourable treatment as compared to EU/EEA employers.

## FOOTNOTE:

1 "Obligor" is a term used in this case of a separate filing for certain categories of individuals who hold certain roles or meet criteria set by law (not the income tax code, rather a regulatory law for anti-money laundering).

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## Contact us

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**The information contained in this newsletter was submitted by the KPMG International member firm in Greece.**

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