

GMS Flash Alert

2020-474 | November 30, 2020



Greece - New Tax Law Measures Affect Individuals

Newly enacted laws in Greece, 4714/2020 , 4738/2020 and 4690/2020, include tax measures concerning the taxation of individuals.¹ There are reduced rates and an alternative tax system for foreign-source income for individuals, the special solidarity contribution is abolished, an employment tax exemption for “free shares,” favourable tax treatment of capital gains realised from stock options and on free shares, as well as special taxation for pilots and sports coaches.

Among other things, it is hoped that the new laws will enhance the development of the Greek economy.

WHY THIS MATTERS

With these and other corporate measures, the government aims to stimulate the economy to support businesses and individuals adversely affected by the COVID-19 pandemic.

Taxation of Individuals

Foreign Pensioners and Alternative Taxation of Their Foreign-Source Income

To attract foreign pensioners, the alternative taxation regime on foreign-source income earned by individuals who transfer their tax residence to Greece is expanded. In particular, the new provisions provide the option for foreign pensioners to benefit from the alternative taxation of their total foreign-source income.

Individuals who want to utilise the alternative taxation method need to meet these conditions:

- a) The individual was not a Greek tax resident for five out of the last six years preceding the transfer of tax residence to Greece, and

- b) The individual transfers tax residence to Greece from a country with which Greece has in force an agreement for administrative cooperation in tax matters.

Under the alternative taxation regime, the individual will be subject to an annual flat tax rate of 7 percent on total foreign-source income.

The tax is paid in a lump sum for each tax year until the last business day of July and it does not offset against any other tax liabilities or credit balances of the individual. The payment of this tax exhausts any further tax liability for the individual on such income. Accordingly, based on the explanatory memorandum of the law, such income is exempt from solidarity contribution.

Such provisions become effective from the following tax year of which the application for the alternative tax regime is filed and cease after 15 years.

The individuals subject to the alternative taxation method should report in their annual tax returns both their Greek and foreign-source income.

Note that based on the explanatory memorandum of the law, any foreign tax paid by the individual on the income subject to the alternative taxation may be claimed as a tax credit against the tax due in Greece up to the amount of Greek tax due on such foreign-source income.

Furthermore, the provisions do not affect the application of the international agreements for the avoidance of double taxation ratified by Greece.

The application process, the competent authority, the accompanying documents as well as any other detail required for the implementation of respective provisions will be administered by a common decision of the Minister of Finance and the Director of the Independent Authority for Public Revenue.

The above provisions are in force for tax years beginning 1 January 2020. Special provisions apply to individuals who submitted an application during 2020 – their deadline was 30 September 2020. Furthermore, for individuals who qualify for the alternative taxation and have already transferred their tax residence to Greece during 2019, their 2019 Greek Income Tax Return should have been submitted until 31 October 2020.

Employment Income Exemption of Free Shares and Domestic Tourism Vouchers

To expand employment income exemptions, a new provision is introduced that exempts benefits-in-kind in the form of free shares from the calculation of employment and pension income. To qualify for the exemption, such free shares must be offered within the framework of a share plan that requires the achievement of specific goals or the occurrence of a certain event.

These provisions are applicable on benefits-in-kind earned on tax years beginning 1 January 2020.

In addition, for tax year 2020, domestic tourism vouchers up to EUR 300 are exempt from the calculation of employment and pension income.

Abolition of Special Solidarity Contribution

In an effort to relieve taxpayers from the negative fiscal environment in Greece caused by the ongoing pandemic of COVID – 19, the gradual abolition of the special solidarity contribution is introduced in Law 4738/2020 article 298.³ Namely, 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 is exempt from solidarity contribution.

Favourable Tax Treatment of Capital Gain Arising From Stock Options and Free Shares

To attract skilled employees and to create a rewarding and incentivised employment environment, a tax reform is introduced such that capital gain arising from the sale of free shares given by companies to their employees within the framework of a share plan is classified as capital gain taxed at a flat tax rate of 15 percent.

Specifically, favourable tax treatment is introduced on the distribution of a company's free shares to its employees within the framework of a share plan that requires the achievement of specific goals or the occurrence of a certain event.

In particular, the income arising from the sale of shares acquired via such free share plans is treated as capital gain and is taxed with a flat tax rate of 15 percent.

For listed shares, the capital gain is equal to the closing price of the share in the stock exchange on the vesting date, assuming the sale price is equal or lower than that. If the sale price is higher than the closing price on the vesting date, any excess amount is taxed based on the general provisions applicable to capital gains from listed shares (i.e., exempt from income tax, assuming conditions are met) but subject to solidarity contribution.

For non-listed shares, the capital gain is equal to the sale price, assuming it exceeds the share value, as this was calculated on the day the free shares were transferred. However, if it is lower, it is equal to the share value of the day they were transferred.

The above provisions are applicable to income earned on tax years beginning 1 January 2020.

Pilots' Taxation

Airplane pilots, co-pilots and aircraft engineers of aircraft companies with tax residence or permanent establishment in Greece who are Greek tax residents are taxed at a flat tax rate of 15 percent, under Law 4690/2020 article 16, effective 30 May 2020.

Special Taxation of Coaches

The special taxation regime of athletes under certain conditions is being extended to sports coaches as well.

Namely, income earned by coaches in lump sum or in installments under a transfer contract, or the renewal or termination of a contract is taxed at a flat tax rate of 22 percent, extinguishing any further tax liability provided that the amounts received in lump sum or in installments exceed EUR 40,000 within the respective tax year.

Taxation of Donations and Parental Donations

Tax Exemption of Donations of Movable Property Located Abroad

- Gifts of movable property located and acquired outside Greece by Greek citizens residing abroad are exempted from gift tax. This exemption was introduced aiming to provide uniform treatment of transfers of moveable property for both inheritance and gift tax purposes when the moveable property is located abroad and owned by Greek citizens residing outside Greece for at least ten (10) consecutive years (and in case of relocation to Greece, less than five years have passed from their relocation date). The exemption applies on condition that the moveable property was not acquired in Greece during the last twelve (12) years.

Abolition of Flat Taxation of Parental Donations of Cash When Used for Purchase of "First" Residence

- The flat taxation of parental gifts of cash to children is abolished as long as the amounts are used by the beneficiaries for the purchase of their "first" residence. As a result, in the above case, there will be no flat tax rate

imposed on the total amount gifted, but, instead, the tax will be assessed based on the corresponding tax brackets taking into consideration the relevant tax-free threshold.

Vehicles Registration Duty

- The taxation of private passenger vehicles and trucks is adjusted and rationalised, to renew the types of vehicles circulating in Greece and promote the use of non-polluting vehicles.
- In particular, a new progressive tax bracket is implemented in relation to the calculation of the corresponding vehicles registration duty, along with the amendment of the relevant tax brackets, which is expected to reduce the cumulative price paid by a purchaser for the acquisition of a private passenger car.
- Furthermore, the applicable rates continue to be adjusted based on the CO2 emissions of the underlying vehicle, so that low-emission vehicles are benefited. However, for the first time it is stipulated that the rates will be increased according to a vehicle's EURO emission standards (EURO 5 and 6) and the date of first registration.
- Finally, hybrid cars with CO2 emissions equal to or lower than fifty (50) gram/km are exempted by 75 percent from vehicles registration duty, increased by 25 percent from the previous exemption of 50 percent.

FOOTNOTES:

1 You can find new tax law **4714/2020** named "Φορολογικά μέτρα για την ενίσχυση της ανάπτυξης του Έλληνα οικονομία, η εφαρμογή στην ελληνική νομοθεσία της ΕΕ Οδηγίες 2017/1852, 2018/822, 2020/876, 2016/1164, 2018/1910 και 2019/475, η συνεισφορά του Ελληνικού Δημοσίου στην αποπληρωμή των δανείων των επηρεαζόμενων δανειοληπτών από το αρνητικές επιπτώσεις του COVID-19 και άλλων διατάξεων" on the website (in Greek) of the [National Printing House](#).

2 New tax law **4690/2020** named " Μέτρα για την αντιμετώπιση των συνεχιζόμενων συνεπειών της πανδημίας του κορωνοϊού COVID-19 και άλλες κατεπείγουσες διατάξεις" & " Περαιτέρω μέτρα για την αντιμετώπιση των συνεχιζόμενων συνεπειών της πανδημίας του κορωνοϊού COVID-19 και την επάνοδο στην κοινωνική και οικονομική κανονικότητα» (Α'90) και άλλες διατάξεις. , κωδικοποιημένος με τον 4745/2020" on the website (in Greek) of the National Printing House at http://www.et.gr/docs-nph/search/pdfViewerForm.html?args=5C7QrtC22wHUdWr4xouZundtvSoClrL8-11WGLkYj8Z5MXD0LzQTLWPU9yLzB8V68knBzLCmTXKaO6fpVZ6Lx3UnKI3nP8NxdnJ5r9cmWyJWeiDvWS_18kAEhATUkJb0x1LldQ163nV9K-tD6SluY8BZwXQHcod6cUC5Ygay8wxapHPUJW6i8IMYUvqxMF.

3 You can find this new tax law **4738/2020** named "Ρύθμιση οφειλών και παροχή δεύτερης ευκαιρίας και άλλες διατάξεις" on the website (in Greek) of the National Printing House at: http://www.et.gr/docs-nph/search/pdfViewerForm.html?args=5C7QrtC22wHUdWr4xouZundtvSoClrL8ga89WekpFQd5MXD0LzQTLWPU9yLzB8V68knBzLCmTXKaO6fpVZ6Lx3UnKI3nP8NxdnJ5r9cmWyJWeiDvWS_18kAEhATUkJb0x1LldQ163nV9K-tD6SluSSYtwnti2tIfFWRXJ0WsyXRuO1kP3qWGzcmPr-Y1yGz

RELATED RESOURCE:

This article was partially excerpted, with permission, from a longer report, "[New Law 4714/2020](#)" (3 August 2020), published by the KPMG International member firm in Greece.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Greece:



Georgia Stamatelou
Partner, Head of Tax & Legal
Tel. + 30 210 60 62 227
gstamatelou@kpmg.gr

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