

GMS Flash Alert

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Greece - Recently-Introduced Measures Aim to Attract New Tax Residents

Greece's new Law 4758/2020 contains a tax provision introduced by the Ministry of Finance announcing incentives for the transfer of individuals' tax residence to Greece.¹

The main points are highlighted below.

WHY THIS MATTERS

The measures aim to attract tax residents to Greece and offer a preferential tax regime for a period of time to eligible individuals who transfer their tax residence to Greece. This serves to help support Greece's fiscal base and enhance its economic development.

The rules can be complicated; therefore it is advisable that individuals and their employers who may wish to avail of the new rules consult with their qualified tax professionals.

Incentives Aimed at Attracting Tax Residents to Greece

In an effort to attract tax residents to 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 offering a different tax system for individuals who transfer their tax residence to Greece is being introduced as of tax year 2021.

To this end, the government is introducing a special regime for taxation of employment income, as well as for business activity rendered in Greece. Individuals who, under certain conditions, transfer their tax residence to Greece and qualify for the special taxation regime will be eligible for an income tax and solidarity contribution exemption of 50 percent in respect of their employment income earned in Greece during any tax year.

The above exemption equally applies to individuals who transfer their tax residence to Greece in order to operate

businesses in Greece as entrepreneurs. In that case, 50 percent of business activity income derived in Greece is exempt from income tax and special solidarity contribution for any given tax year.

Individuals who qualify for this special taxation regime may only avail of its beneficial provisions for seven (7) consecutive tax years. Following the seven-year period, the special tax regime is no longer applicable, and ordinary tax rules will apply.

It is worth mentioning that individuals who are subject to the special tax regime are exempt from the imputed income criteria arising from the use of an employer-provided residence 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:

- The individual was not Greek tax resident for five (5) out of the last six (6) years preceding the transfer of his or her tax residence to Greece;
- Tax residence is transferred from a member country of the European Union (EU) or European Economic Area (EEA) or from a country with which Greece has an agreement in force for administrative cooperation in tax matters;
- The individual provides services in Greece on the basis of an employment contract with a Greek legal entity or a foreign legal entity with a permanent establishment in Greece;
- The individual declares his or her intention to stay in Greece for at least two (2) years.
- The above conditions equally apply in the case of business activity in Greece.
- It should be noted that the newly-introduced special tax regime applies only in the case of “new job offerings/positions.”

Application Process

- Individuals who wish to utilise the special tax regime should file an application with the tax authority within the year they commenced their employment services (or commencement of business activity) and no later than 31 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.

In Force Date

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

FOOTNOTE:

1 “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.” (το Νομοσχέδιο για την περιστολή του Λαθρεμπορίου, τέλη κυκλοφορίας, τέλη ταξινόμησης και κίνητρα προσέλκυσης φορολογικών κατοίκων.) Click [here](#).

RELATED RESOURCE:

This article was partially excerpted, with permission, from a longer report in *Tax – Breaking News* (November 2020), published by the KPMG International member firm in Greece.

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