

# GMS Flash Alert

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## Greece - Developments on Changing Tax Residence Status, Other Tax Reliefs

The latest edition of "Tax Updates" (14 December 2022), a publication of KPMG in Greece, contains a number of updates on tax matters affecting individuals, featured in new Law 5000/2022 (FEK A' 226/09.12.2022)<sup>1</sup>, amongst which:

- change of tax residence status for the purpose of qualifying under the alternative taxation of income arising abroad for High Net Worth Individuals ("HNWI");
- tax reduction provided for expenses incurred by individuals for energy, functional, and aesthetic upgrading of buildings owned by individuals; and
- capital gains tax on the transfer of immovable property by private individuals.

### WHY THIS MATTERS

The tax provisions in this new law affecting individuals have provided further clarity for the HNWI special tax regime and extend the opportunity to avail of some preferential tax provisions involving building upgrades and immovable property. This should help ensure compliance with the rules while, in some cases, lightening taxpayers' administrative and fiscal burdens.

### Amendments to Article 5A ITC: Tax Residence (HNWI Special Tax Regime)

The application for the change of tax residence status to qualify a taxpayer for the alternative taxation of income arising abroad under the HNWI regime as per article 5A of the Income Tax Code (ITC) must now be accompanied by proof of the transfer of the minimum amount of his/her investment to an account opened at a financial institution established in Greece. This requirement applies for individuals subject to the HNWI regime as of tax year 2022 onwards.

The tax administration will examine the application and, then, will issue a decision approving or rejecting it until the last working day of June (not of September, as was previously the case) of the year in which the application is submitted.

According to a new provision, if it is evidenced after the expiry of the three-year period within which the investment should have been completed that the individual has not completed the investment, then the application of the provisions of the HNWI regime is waived as of the first year the individual was subjected to the regime. In such way, the individual will be taxed from that time on his/her worldwide income according to the general provisions of the ITC. This provision applies for tax years 2021 onwards. In such case, the tax payable on foreign-source income cannot be less than EUR 100,000.

Furthermore, the tax payable on foreign-source income may be reduced by the amount of the lump-sum tax paid. However, that income tax reduction cannot exceed the tax payable on the individual's foreign-source income.

It is possible to change the investment once within the three-year period while the type of investment is clarified via a joint decision to that effect of the ministers of Finance and Development & Investment.

Especially for individuals who have been subject to the HNWI regime during tax years 2020 and 2021, the pre-condition for undertaking an investment in Greece is considered to be fulfilled if it is evidenced that the intended investment was completed within the stipulated period of three (3) years from the submission of the application.

For tax year 2022, the application for qualifying under the alternative HNWI taxation regime of Article 5A ITC shall be submitted to the tax administration by the individual until 15 December 2022. The tax administration shall examine the application and issue a decision approving or rejecting it by the last working day of December 2022.

## **Extension until 31/12/2024 of Income Tax Reduction for Building Upgrade Expenses under Article 39B ITC**

The 4-percent tax reduction provided for expenses incurred by individuals for energy, functional, and aesthetic upgrading of their buildings is extended until 31 December 2024, distributed equally, as is currently the case, over a period of four (4) tax years and for a maximum total amount of expenses up to EUR 16,000.

## **Extension until 31/12/2024 of Capital Gains Tax Suspension on Transfer of Immovable Property**

The suspension of applicability of Article 41 ITC, which provides for the imposition of capital gains tax at the rate of 15 percent on the transfer of immovable property by private individuals, is extended until 31 December 2024.

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### **KPMG NOTE**

Those with questions concerning the changes to the rules and eligibility for the HNWI tax regime should contact their qualified professional tax advisers or a member of the tax team with KPMG in Greece (see the Contact Us section below).

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## FOOTNOTE:

1 ΝΟΜΟΣ ΥΠ' ΑΡΙΘΜ. 5000 ΦΕΚ Α 226/9.12.2022. Ενσωμάτωση στην ελληνική νομοθεσία της Οδηγίας (ΕΕ) 2019/2235 Κύρωση Πρόσθετης Πράξης στο Νέο Συνυποσχετικό μεταξύ του Ελληνικού Δημοσίου και της Ναυτιλιακής Κοινότητας και φορολογικές ρυθμίσεις για τη ναυτιλία. Επείγουσες φορολογικές και τελωνειακές ρυθμίσεις. Θεσμικό πλαίσιο λειτουργίας της Κεντρικής Μονάδας Κρατικών Ενισχύσεων και του Δικτύου Κρατικών Ενισχύσεων Μισθολογικές ρυθμίσεις και άλλες διατάξεις οικονομικού και αναπτυξιακού χαρακτήρα. (Law No. 5000 Official Gazette A 226/9.12.2022. Incorporation into Greek legislation of Directive (EU) 2019/2235 Ratification of an Additional Act to the New Co-contract between the Greek State and the Maritime Community and tax regulations for shipping. Important tax and customs regulations. Institutional framework for the operation of the Central State Aid Unit and the State Aid Network Wage regulations and other provisions of an economic and developmental nature.)

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## RELATED RESOURCE

This article is excerpted, with permission, from "Tax Updates" (14 December 2022), a publication of the KPMG International member firm in Greece. In English, click [here](#). In Greek, click [here](#).

## 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:



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

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