

Greece – Rules Changed to Encourage Participation in Group Insurance Pension Plans

Greece's Law 5078/2023 (FEK A' 211/20.12.2023)¹ introduces amendments to the taxation of Professional Insurance Funds (TEA) and Group Insurance Pension Plans and equalises their tax treatment.

Professional Insurance Funds (TEA) and Group Insurance Pension Plans are voluntary insured occupational pension funds that were created approximately 20 years ago and provide supplemental retirement benefits. They are defined contribution arrangements, and each stipulates the applicable employee and employer voluntary contribution rates.

We will focus in this newsletter on the changes to Group Insurance Plans, as such plans will have participants who are globally-mobile employees in/from Greece.

WHY THIS MATTERS

The new measures are intended to encourage participation in Greece's Group Insurance Pension Plans by improving access and changing the tax treatment. This should help enhance the appeal of the plans both to employers and employees.

Moreover, it is expected that employees will be encouraged to save for their retirement.

International assignees (Greek assignees abroad or foreign national assignees in Greece) are impacted by the newly-issued regime, given that the limitation of the contribution to the group pension plan directly affects their taxable income (e.g., since contributions to the plan are considered as an income deduction item). Furthermore, in the case of foreign national assignees in Greece who participate in foreign group pension plans (where, based on plan rules, there is no contribution cap), further guidance is expected on how their contributions would be treated as well as the taxation of the pay-out upon distribution.

More Details

The new regulations that apply to Group Insurance Pension Plans are as follows:

- Insurance premiums/contributions made by employers/employees are not considered taxable employment income up to an amount which does not exceed 20% of the employee's gross employment income (whilst the productivity bonus is included in the total employment income). It is noted that the above threshold does not apply to already-existing defined benefits plans.
- Benefits paid by Group Insurance Pension Plans as a lump sum or as periodic payments (i.e., pension) are taxed at progressive rates (depending on the years of participation in the insurance plan). More specifically, the rates for lump-sum payments are: 5%, 10%, 15%, and 20% for more than 20 years of participation, from 10 to 20 years, from five to 10 years, and up to five years respectively. For periodic payments, such rates are reduced by 50%, and thus the above rates become 2.5%, 5%, 7.5%, and 10% respectively.
- The rates are increased by 50% in case of early redemption/withdrawal.
- For those insured after the age of 55, the above-mentioned rates that apply in cases where participation in the plan occurs for up to five years (i.e., 20% for lump-sum payments and 10% for periodic payments) are increased by 5% for each year below the five-year insurance threshold.
- The above new arrangements apply to contributions paid and income earned from 1 January 2024 onwards.
- Already accumulated amounts up through 31 December 2023, shall be taxed according to the previously-existing regime, whereas the total time the insured employee is part of a Group Insurance Pension Plan will be taken into consideration for the calculation of tax that shall apply to amounts that will be accumulated from 1 January 2024 onwards.

KPMG INSIGHTS

Employers should familiarise themselves with the new measures. They may also wish to review their existing retirement plans and options so as to consider how the new measures may impact them and their employees, and determine to what extent there may be opportunities to avail of due to the changes.

Any questions or concerns can be addressed to the employee's tax service provider or to the GMS / tax team with KPMG in Greece (see the Contacts section).

FOOTNOTE:

1 See (in Greek) ΝΟΜΟΣ 5078/2023 - ΦΕΚ Α 211/20.12.2023 at:
<https://www.kodiko.gr/nomothesia/document/932416/nomos-5078-2023>.

RELATED RESOURCE

This article is excerpted, with permission, from " Law 5078/2023: Amendments to the Taxation of Professional Insurance Funds (TEA) and Group Insurance Pension Plans," published in *TaxNewsflash* (9 January 2024), a publication of the KPMG International member firm in Greece. In English click [here](#) and 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:



Aneza Stavrou
Director, Tax
Tel. + 30 210 60 62 442
astavrou@kpmg.gr

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

© 2024 KPMG Advisors Single Member S.A., a Greek Société Anonyme and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

www.kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



kpmg.com

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in the U.S.A. USCS001250-2F

The KPMG name and logo are registered trademarks or trademarks of KPMG International. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 147 countries and territories and has more than 219,000 people working in member firms around the world.

Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

GMS Flash Alert is a publication of the KPMG LLP Washington National Tax practice.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.