

TRANSFER OF TAX RESIDENCE IN GREECE (NON-DOM TAXATION)



**ALL YOU NEED TO KNOW
ABOUT THE NEW GREEK
NON-DOM TAX REGIME**



**BAHAS, GRAMATIDIS
& PARTNERS LLP**

KEY ASPECTS OF THE NEW NON-DOM REGIME

A new Tax regime that involves important amendments to the Greek Income Tax Code (Law 4172/2013) and will contribute to attracting foreign direct investments, has been recently voted by the Greek Parliament.

A. Alternative tax regime for foreign high net-worth individuals (Article 5A/ Law 4172/2013)

A.1. Article 5a of the Greek Income Tax Code (law 4172/2013), as in force, provides for the **new non-dom tax regime**, i.e. the alternative taxation of foreigners becoming tax residents of Greece (Regime). The Regime, which is similar to Italy's resident non-domiciled tax regime, was introduced on 12.12.2019 and came into effect on 01.01.2020.

Individuals who opt for the Regime will pay a **flat tax of €100,000 on an annual basis** (by the end of July of each year), **regardless of the level of their foreign source income**. The settlement of the annual flat tax exhausts any further tax liability for the individual on his foreign source income. The individual is not obliged to declare his non-Greek income or assets; however, information on his bank and investment accounts will be sent to the Greek tax authorities, under the multilateral automatic exchange of information mechanism.

There is no minimum-stay in Greece requirement for individuals subject to the Regime; however, it is recommended that they maintain in Greece their permanent residence and center of vital interests, in order to avoid their Greek tax residence status being challenged by a foreign tax authority. Furthermore, individuals subject to the Regime are exempt from tax on any foreign assets they acquire by way of inheritance or gift.



The individuals subject to the Regime will qualify as Greek tax residents under local Greek tax law.

Therefore, the Greek Tax Administration shall issue tax residence certificates to such individuals under the tax treaties to which Greece is a party, and will notify accordingly the tax authorities of the state of the last tax residence of such individuals. Whether or not the other contracting state will accept the Greek tax residence certificate and grant them treaty benefits is not clear yet and depends on the other contracting state's interpretation of the Regime. To the best of our knowledge there are currently no reactions and/or (re)negotiations from other contracting states following the introduction of the Regime in Greece.

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The **extension of the Regime to any close relatives** of a person under the Regime (e.g. spouse, parents, grandparents, children, grandchildren etc.) consenting to also qualify is possible **by paying an additional tax equal to €20,000 per person per tax year**. No additional tax is required to be paid for underage children who reside with their parents.

The Regime may last for a maximum of 15 years and can be terminated at any time during these years in case the individual fails to fulfill his obligations or applies for revocation of the Regime.

We note that any tax paid in other jurisdictions in respect of non-Greek source income cannot be offset against the flat tax of €100,000. Furthermore, if the individual earns income that arises in Greece (such as employment income or directors' fees, interest on Greek bank accounts, dividends from Greek companies, etc.), this income will be taxed in accordance with the general provisions of the Greek Income Tax Code, on top of the flat tax of €100,000.



A.2. Eligibility criteria

For a person to be eligible for the Regime, the following conditions should be cumulatively met:

- a) the individual was not a Greek tax resident for 7 out of 8 years preceding the transfer of his tax residence to Greece; and**
- b) the individual or a close relative of his (e.g. spouse, parents, grandparents, children, grandchildren etc.) or a legal entity in which he holds the majority of the shares, invests a minimum of €500,000 in real estate or in undertakings or in securities or in shares / units in companies with registered seat in Greece;** the investment should be completed within 3 years after filing the application for the Regime. If the individual is already a holder of a residence permit for investment activity in shares, corporate bonds or deposits to national credit institutions (see above), this condition is deemed to be fulfilled.



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B. Alternative taxation of income for natural persons who are beneficiaries of pension income from abroad (Article 5B/ Law 4172/2013)

B.1. By virtue of Law No 4714/2020 a new alternative **tax regime for foreign pensioners** was established by a new article 5B in the Greek Income tax code (Law 4172/2013). **The new tax regime applies from tax year 2020 and it involves individuals, earning pension income arising from abroad** and wish to transfer their tax residence in Greece.

An individual that receives pension income from abroad and transfers its tax residence to Greece shall be taxed according to an alternative tax regime, which provides that each tax year **the individual shall pay a flat tax rate of 7% for all its global income**. Any income that is exempt from taxation in the country of its origin under the provisions of the Conventions on the Avoidance of Double Taxation of Income and Capital is also exempt from the flat tax of 7%.



B.2. Eligibility criteria

In order to be eligible for the Regime, the following conditions should be cumulatively met:

- a) **The individual must not have been Greek tax resident for the previous five (5) of the six (6) years before the transfer of his tax residence in Greece, and**
- b) **The individual must transfer its tax residence from a country with which Greece has concluded an agreement related to administrative cooperation in the field of taxation and said agreement is still in force.**

The flat tax rate of 7% per year in Greece exhausts any further tax liability in Greece for such foreign source income, including solidarity tax. Said tax must be paid annually until the end of July. However, the individual is subject to Greek individual income tax for all its Greek source income according to the general rules of the Greek Law.

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C. Upcoming alternative taxation of income from paid employment and business income arising in Greece of natural persons transferring their tax domicile to Greece (Article 5C/ Law 4172/2013)

C.1. A draft law for the amendment of Law No 4172/2013 provides for a **new alternative tax regime for foreign taxpayers**. By the addition of a new article 5C, **natural persons, who transfer their tax residence in Greece, will be subject to a reduced tax rate on their income arising from paid employment in Greece. More specifically, a 50% discount on income tax and for 7 years will be granted to foreign nationals who wish to transfer their tax residence to Greece provided that such nationals provide employee services in Greece to a Greek legal entity or to a foreign company permanently established in Greece (i.e. to a branch of foreign company).**

C.2. Eligibility criteria

For a person to be eligible for the new regime, the following criteria should be cumulatively met:

- a) **the applicant should not be a non-Greek tax resident for seven (7) out of the eight (8) previous years prior to the transfer of his tax residence to Greece;**
- b) **he is transferring his tax domicile from an EU or EEA Member State or from a State with which Greece has an agreement on administrative cooperation in the field of taxation;**
- c) **he provides services in Greece under an employment relationship, either with a Greek legal entity or with a foreign company permanently established in Greece (i.e. to a branch of foreign company); and**
- d) **he declares that he will reside in Greece for at least two years.**



C.3. After the above draft law will have been passed by the Greek Parliament, a joint decision by the Minister of Finance and the Director of the Independent Authority for Public Revenue shall be issued to determine the qualification procedure, including the tax domicile transfer, the competent department for the submission, examination and approval of the application, the supporting documents, the supporting documents evidencing that the conditions laid down in this article are met, and any other necessary matters or details.

CONTACT US FOR MORE DETAILS



The team of Bahas, Gramatidis & Partners shall be delighted to assist foreign nationals intending to benefit from the above tax developments by guiding them through the necessary processes and filings related to the application of the provisions of this article.

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