



CEE

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LEGAL MATTERS

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE
EUROPE'S EMERGING LEGAL MARKETS

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GREECE: INCOME TAXATION FOR INDIVIDUALS WHO TRANSFER THEIR TAX RESIDENCE TO GREECE

By Marios Bahas, Partner, Sonia Tzavella, Senior Associate, and Maria Thermogianni, Senior Associate, Bahas, Gramatidis & Partners



In early 2021, Greece has introduced a new ambitious tax regime in order to motivate the opening of new employment positions and especially motivate Greeks who have moved abroad

due to the severe economic crisis of 2010 to relocate back to Greece. In addition, salaried employees in the private sector, as well as average businessmen and freelancers who perform their activities in Greece while their tax residence is being registered abroad, can also benefit from the new favorable tax regime and transfer their tax residence in Greece.

More specifically, by virtue of *Law no. 4758/2020*, a special tax regime was introduced, which provides paying income tax and solidarity tax only on 50% of their Greek source employment income or freelancer income 50% for natural persons, who will transfer their tax residence in Greece. This favorable tax regime has an exclusive duration of seven years and can be terminated anytime, either by the individual or by the Greek Tax Authority, in case the individual no longer fulfills the eligibility criteria for more than 12 months. However, the individual may request to continue the special tax regime, with the total duration not exceeding seven years. The relevant application together with all supporting documents is submitted to the Greek Tax Authority until July 31 of the year during which the individual is starting employment or business activity in Greece and it relates to the fiscal year of the application and for the following seven fiscal years. Within 60 days from the submission of the application, the tax authority shall examine the application and decide either to approve it or reject it.

In order to be eligible for the new regime, the following criteria should be cumulatively met:

- (a) The individual should not have been a Greek tax resident for the previous five of the six years prior to the transfer of tax residence to Greece;
- (b) The individual should transfer their tax residence from an EU

member state or EEA country or from a country with which Greece has an agreement on administrative cooperation in the field of taxation;

(c) The individual should provide services in Greece under an employment relationship either to a Greek legal entity or to a branch of a foreign company in Greece; a similar provision applies to individuals who transfer their tax residence to Greece in order to carry out individual business activity in Greece; and

(d) The individual will declare that they will reside in Greece for at least two years.

At this point, it has to be noted that, there is no requirement for the individual to remain employed by the same employer for the entire seven-year period. If the employment relationship is terminated, then the individual has 12 months to start a new employment relationship or to start an individual business activity in Greece.

Recently, the new circular *no. E.2224/1.12.2021* was issued, which clarifies the “new employment position” requirement and also how the withholding of tax will be performed by the employer since only 50% of the income is subjected to taxation.

According to the said circular, it is stated that a new employment position exists in case of an increase (in absolute numbers) of the number of employees, on the day that the individual, who submits the request to be subjected under the special regime, starts the employment relationship with the domestic legal entity or the permanent establishment of a foreign company in Greece. In addition, it is provided that the increased number of jobs must not be reduced for at least one year from this date.

Also, it is stated that the employer shall proceed with withholding income tax and solidarity contributions (if applicable) only on 50% of the individual’s salaried income, while the remaining 50% will stay free and no withholding tax shall be imposed on it. ■

