



Greece
Tax incentives for the
transfer of tax
residence of individuals
to Greece
(L.4758/2020)

The new law L. 4758/2020 introduces amendments in the current tax legislation regarding special taxation of employment services and business activity income arising in Greece, earned by individuals who transfer their tax residence in Greece.

Employment income

▶ A new provision is introduced with effect for fiscal years starting as of 1.1.2021 onwards for individuals earning employment income in Greece, who transfer their tax residence in

Greece and choose to be subject to a favourable tax regime regarding their employment income for services rendered in Greece.

- ▶ In order for someone to be eligible they need to satisfy the following conditions: i) they have not been Greek tax residents for the previous 5 of the last 6 years before the transfer of their tax residence in Greece, ii) they relocate from a country with which Greece has a valid agreement concerning administrative cooperation on tax issues, iii) they are providing employment services in Greece through an employment relationship as defined by Greek law to a Greek legal person on legal entity or to a Greek branch of a foreign company and iv) they declare that their stay in Greece will be for at least two years.
 - ▶ However it is not clarified whether the special tax regime will be applicable in cases of change of employer during the seven year duration of the above regime or where the employment contract is terminated by the employer or where the employee resigns.
 - ▶ The favourable tax regime applies only to new employment positions.
 - ▶ *Administrative guidelines are expected in order to clarify the criterion under which the employment position will be indicated as “new” for application of this regime.*
 - ▶ The deadline to apply for this regime is 31 July of the year during which one commences employment. The decision of the tax authorities that accepts or rejects the application is issued within 60 days as of the application date.
 - ▶ Provided that the application for the transfer of the tax residence per the above process is successful the individual will be exempt from paying income tax and solidarity tax on 50% of their Greek employment income.
 - ▶ For all other Greek source income, as well as for non-Greek source income, (although law 4758 does not specify this) it is assumed that the individual will have to report them in his annual Greek personal income tax return and will be subject to income tax (and possibly solidarity tax, where applicable) according to the general provisions & rates applicable for all local tax residents.
 - ▶ Tax return filing deadline is 30th June of year following the one during which the application is made.
 - ▶ A maximum term of 7 years applies for the special taxation regime. If any of the respective conditions ceases to exist at any time, then the individual will no longer be subject to the special tax regime and will be taxed for the total amount of his Greek employment income onwards.
- Individual freelancer income**
- ▶ The special taxation regime applies also to individuals who transfer their tax residence in Greece with an intention to undertake business activity in Greece.
 - ▶ The deadline to apply for this regime is 31 July of the year during which one takes up the business activity.
 - ▶ Provided that the application for the transfer of their tax residence per the above process is successful the individual will be exempt from paying income tax and solidarity tax on 50% of their Greek source business activity income.
 - ▶ A 7 year term is provided for this special taxation regime.
 - ▶ Individuals who will be subject to the above favourable regime will be exempt from the annual imputed income arising from maintaining a residence or a private car in Greece.
 - ▶ It is not clear yet whether the above individuals will be also exempt from the deemed income deriving from expenditure for purchasing a property (residence) or private car etc. in Greece.
 - ▶ The details of the above process will be regulated with a Common Decision of Minister of Finance and of the Governor of Independent Revenue Public Authority.
 - ▶ It is not clear based on the wording of the new provision whether the above new tax regime may be applicable alongside the alternate tax regime of Article 5A of the Income Tax Code (applicable to individuals who transfer their tax residence to Greece and make investments at the amount of €500,000), provided that the conditions of both provisions apply.

- ▶ Moreover, it needs to be clarified by the Greek tax administration whether in order to maintain the above tax status the individual is expected to prove his intention to stay in Greece for the (7-year) duration of the tax regime or for a shorter period of time (2-year or other).

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