

## Greek Non-Dom Tax Residency

# THE MULTI FAMILY OFFICE

### 1. Non – Domiciliation of High Net Worth Individuals

The Greek Parliament with the ratification of the 4646/2019 has introduced significant changes in the Greek tax legislation, in which high net-worth individuals (**HNWIs**) have essential incentives for transferring their tax residency to Greece.

The Non Domicile status will allow investor to pay a fixed tax of €100,000 per tax year, irrespective of the total income earned abroad. This favourable regime can apply for a maximum duration of 15 fiscal years.

#### Conditions

HNWIs who choose to transfer their tax residence to Greece will enjoy the privileges of special tax treatment provided the below conditions are met:

- ❖ the taxpayer hasn't been a tax resident of Greece for the past 7 out of the 8 years prior to the transfer of his/her tax residence to Greece and
- ❖ the taxpayer has to prove that either (s)he or a relative have invested at least €500,000 in real estate or business or transferable securities or shares in legal entities seated in Greece; the investment may have been made through a legal entity in which the taxpayer holds the majority of the shares.

#### Extension of the Non Dom Regime to Relatives

Moreover, the individual has the right to request the extension of this regime to a relative. In that case, they will pay an additional tax of €20,000/relative while provisions on gifts, inheritance and parental gifts do not apply.

#### Other Obligations

- ❖ With the payment of this fixed tax, the individual bears no further tax obligation for income earned abroad and (s)he is also exempted from inheritance or gift tax on properties located abroad.
- ❖ Non-Dom tax residents are subject to the aforementioned favourable regime, irrespective of whether or not they are physically present in Greece for more than 183 days and the centre of their vital relations is in Greece, as the corpus and animus criterion is not included in the requirements prescribed by Art. 5A of Greek Income Tax Code.

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- ❖ However, individuals spending more than 183 days in another country could risk being considered as tax residents in such other country.

### Application Dates

Individuals who wish to become Non-Dom tax residents should bear in mind the following dates:

- ❖ application of transfer of residence is submitted until 31st March before the Tax Authority of non-Greek residents
- ❖ relevant documentation is accepted by the Authority within 60 days from the filing and until 31st May at the latest,
- ❖ the Tax Authority approves the application within 60 days from the filing and notifies the foreign Tax Authority regarding the transfer of the taxpayer's residence in Greece,
- ❖ the flat tax of €100.000 is assessed until 30th June, and
- ❖ the flat tax is paid as a lump sum until 31st July.

Exclusively for the first tax year, the individual should pay the aforementioned amount within 30 days from the approval of his/her application for the transfer of his/her tax residence to Greece.

The privileged Non-Dom regime, which lasts for a maximum of 15 years, may be terminated at any time, in case the taxpayer fails to fulfil his/her obligations under this tax regime or requests the revocation of the Non-Dom Tax regime.

Just a few months following introduction of a special tax regime addressed to HNWIs redomiciling into Greece, while investing in Greek real property, the Greek government has now introduced an additional tax regime addressed to foreign pensioners. The new tax regime aims to create an attractive tax environment for retirees in a similar way to the Italian 7% Substitute Tax regime.

## 2. Domiciliation of Foreign Pensioners

The new tax regime aims to create an attractive tax environment for foreign pensioners as follows:

- ❖ A 7% flat tax applies on foreign source pensions and any other foreign source income
- ❖ Effective tax rate is subject to application of Double Taxation Conventions (DTCs) between Greece and relevant source states. To be noted that under most DTCs between Greece and OECD states taxing rights on pensions are in principle attributed to the state of tax residence (save for pensions related to governmental functions)
- ❖ An exemption from special solidarity contribution applies
- ❖ Duration of maximum 15 tax years from qualification

### Conditions to qualify

- ❖ To earn non-Greek source pension amounts
- ❖ Have held their tax residence outside Greece for 5 out of the last 6 years
- ❖ Be former residents of a country holding an administrative cooperation agreement with Greece

### Application procedure

- ❖ Filing of an application by March 31 of the relevant tax year
- ❖ Approval of the application by the Greek tax authorities within 2 months from its filing
- ❖ Notification of the foreign tax authorities on the transfer of the applicant's tax residence into Greece

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### 3. Tax Break for the Greek Source Income

This tax incentive is addressed to executives, employees, freelancers and other entrepreneurs wishing to relocate and work from Greece.

Qualifying individuals will benefit from a 50% income tax break on their annual Greek source salary or business income over a period of 7 years.

The tax break will apply also with respect to the corresponding special solidarity contribution.

The marginal income tax rate on salary income and business income earned by individuals is 44%.

An exemption also applies from deemed income rules on the use of main residence or privately used vehicles for qualifying individuals.

#### Conditions to qualify

- ❖ Have held their tax residence outside Greece for at least 7 out of the 8 last years
- ❖ Be residents of an EU/EEA country or a country with which Greece holds an administrative cooperation agreement
- ❖ Become employed by a Greek company or a Greek permanent establishment of a foreign company (this condition does not apply with respect to freelancers and other entrepreneurs); to be noted that only newly recruited employees are eligible for the plan
- ❖ Stay in Greece for at least 2 years

#### Key dates

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|-------------------------------------|--|
| 1 <sup>st</sup> January 2021:       | The new tax incentive plan enters into force.                              |
| 31 <sup>st</sup> July of each year: | Deadline for filing applications to qualify for the relevant year expires. |

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With over a decade worth of experience and a prominent network of international clients, BKMS has established a reputation that speaks for itself. BKMS is covering a broad spectrum of industries, taking into account the required accounting treatment and tax implications as well as the challenging international regulatory framework. Client Trust and loyalty are the very fundament of every commitment undertaken by BKMS. Adherence to a strict policy of professionalism therefore results in continuously successful developments.

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