



KARATZAS
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Tax Law Alert

Incentives to attract foreign tax residents in Greece

Update of our tax law alert dated 7/12/2020

Introduction:

On April 26 the Independent Authority for Public Revenues ("IAPR") issued decision A.1087/2021, which regulates procedural aspects of the special tax regime applicable to both salaried and self-employed qualifying individuals who relocate their tax residence to Greece. Under this regime qualifying persons who transfer their tax residence to Greece are exempted from income tax and the special solidarity contribution for fifty percent (50%) of their income from salaried employment or self-employment (independent business activity, sole trader) generated in Greece. For more information on the regime itself, please read [here](#).

Procedural requirements:

Competent tax office:

The Tax Office for Residents Abroad and for Greek Tax Residents Subject to Alternative Taxation.

Deadline for applying to enter the regime:

31 July of each year in order to become tax resident in Greece for that year. Exceptionally, for 2021 the deadline is 30 September, provided that salaried employment or the registration of taxpayer with the IAPR as a self-employed person has taken place by 31 July. Applications are received even if the necessary supporting documentation (or part of it) is missing, in which case the taxpayer must cure any deficiencies within 60 days. Exceptionally for 2021 all supporting documentation must be filed by 30 September, unless documentation is unavailable because issuing organisations are not operating or are operating in a limited manner due to COVID 19, in which case that documentation must be filed by 22 November.

Ways of filing the application and supporting documentation:

By e-mail in electronic form, by post or courier and physically at the tax office.

Supporting documentation required:

Proof of previous tax residence

None if the taxpayer did not have a Greek tax registration number or if she/he appears as tax resident outside Greece for the relevant period in the database of the IAPR. For example, if the taxpayer has been filing income tax returns in Greece as a non-Greek tax resident.

Otherwise, a tax residence certificate (including a double taxation avoidance treaty claim form, which incorporates the tax residence certificate), or if this is not as a rule issued by the foreign tax authority, an income tax clearance certificate or, absent that, the income tax return.

If none of the above can be issued, documentation by a state or municipal or other authority proving the taxpayer resided in a fixed and permanent manner in that state.

Documents must be translated and apostilled as appropriate.

Proof that the taxpayer resided in an EU or EEA member state or a state which Greece has entered into an administrative treaty regarding taxation with.

This will be examined ex officio by the IAPR.

Proof that the taxpayer is providing salaried labour to Greek legal person or entity or permanent establishment in Greece as a result of the creation of a new employment position.

The employment agreement, or the notice of commencement of the employment relationship filed with the competent employment authorities, or the publication in the commercial registry of the resolution whereby the taxpayer is appointed as manager or director the legal person or entity, coupled with a solemn declaration by the employer that the taxpayer covers a newly-created employment position.

Proof that the taxpayer will work as a self-employed person (sole trader) in Greece.

The registration of the taxpayer as a self-employed person with the IAPR.

Proof that the taxpayer intends to remain in Greece for at least two years.

A solemn declaration to this effect.

Taxpayers who transferred their tax residence to Greece in 2020

These taxpayers may also benefit from the new regime for the years 2021 and onwards, provided that between 2015 and 2019 they were tax resident abroad, as this is the only way to fulfill the “5 out of 6 years abroad” tax residence requirement. If their employment relationship commenced before 04.12.2020, they do not need to file a solemn declaration by the employer that the taxpayer covers a newly-created employment position.

Forfeiting the benefits of the special tax regime

If the taxpayer ceases to provide salaried labour in Greece covering a newly-created employment position or ceases to be self-employed in Greece for more than 12 months, the taxpayer will be taxed under normally applicable income tax rules as of the year in which the salaried employment or self-employment ceased. If the taxpayer continues to be tax resident in Greece, she/he may re-enter the special regime upon finding qualifying employment or re-registering as self-employed for the remainder of the seven-year period for which the preferential tax rules apply. The same is true, in theory, if she/he changes tax residence, but in practice this would be difficult in most cases, as the “5 out of 6 years” rule regarding tax residence abroad will again apply in this case.

A taxpayer who is both self-employed and in a salaried employment relationship at the same time may benefit under the special tax regime under both these capacities or under only one of them, if only one qualifies.

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