

Tax incentives for the relocation of pensioners to Greece

Executive Summary

New law 4714/2020 introduces an alternative taxation regime for persons who are pensioners and decide to transfer their tax residence to Greece. The new regime provides for a flat tax of 7%, which exhausts the tax liability in Greece in respect of any income which these persons derive from sources outside Greece.

Discussion

With the addition of the new tax regime, the taxation of individuals who become tax residents of Greece is subject to one of the following three regimes, namely:

- **The generally applicable tax regime:** Tax residents to whom neither the non dom tax residence nor the foreign pensioners tax regime applies are taxed on their worldwide income as follows:
 - o In accordance with a progressive income tax

scale – reaching up to 44%, for the part of taxable income exceeding € 40,000 - for their employment, pension, self-employment or sole proprietorship income.

- o At separate progressive tax rates for their real estate income, reaching 45% for the part of total rental income exceeding € 35,000 and at rates from 15% to 35% for rentals totaling less.
- o At varying flat tax rates for their dividend, interest, royalty and capital gain income on the disposal of participations in entities, taxed, respectively, at 5%, 15%, 20% and 15%.

In addition, their total taxable income - regardless of source -

is subject to a surcharge, called solidarity levy, which is calculated in accordance with a separate progressive scale, specifically at 10% for the part of the income exceeding € 220,000, and for income brackets below that income level at rates ranging from 0%-9%.

Moreover, the generally applicable tax regime is also applied for any Greek source income of taxpayers who are subject to any of the following two regimes (which are applicable only in respect of offshore income).

- **The lump-sum optional regime for non-dom tax residents:** This regime, which was introduced in December 2019 (for more details regarding its application requirements and features please refer to our tax alert of December 2019: <https://ktl.gr/wp-content/uploads/2019/12/December-2019-Tax-Alert.pdf>, at pp. 3 et seq), is optionally applied, its application covers any offshore income item of the individual, which is exhaustively taxed with the € 100,000 annual lump sum tax and can be extended to cover also family members for additional annual lump sum tax amounts of € 20,000 per family member.

- **The new optional tax regime for pensioners who transfer their tax residence to Greece:** With the new regime, persons who are tax non residents, receive pension annuities and decide to transfer their tax residence to Greece, shall be taxed with a 7% tax for any income which they derive from sources outside Greece. This tax shall exhaust any Greek tax liability relating to offshore income.

Requirement for the application of this new regime is that the individual had not been tax resident of Greece during any of the 5 out of the last 6 years before relocation. Hence, persons who became tax residents in 2019 or shall become tax residents in 2020 onwards can apply provided they had not been tax residents of Greece during any of the previous 5 years. In addition, in order to qualify, they must transfer their tax residence to Greece from a country with which Greece has in place an agreement for administrative cooperation in the field of taxation. To that end, applicants must state in their applications the country from which they are transferring their tax residence.

The regime can apply for a maximum period of 15 years, whereby continuation of its

application during all those years depends on the individual making the payment of the whole amount of the corresponding 7% tax on time (i.e. by the end of July each year). Exceptionally, for 2020 this tax must be paid within 30 days from the application approval.

In order to be taxed with this regime, a person must file an application by March 31st. Exceptionally, for 2020 applications can be filed until September 30, 2020.

By contrast to the non-dom tax regime introduced in December, this regime applies on an individual basis. Moreover, the relevant taxpayer must report in his annual income tax return not

only income potentially realized from Greek sources, but also his offshore income that is exhaustively taxed with the 7% rate provided by the new regime.

Hence, even if the only income derived is offshore income subject the 7% tax, it will have to be mentioned in the annual income tax return.

Especially for 2020 the annual income tax return of persons who transferred in 2019 their tax residence to Greece and are eligible to be taxed with this new regime are due for filing by October 31, 2020, as opposed to end of June, which is generally the rule.

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