

A recent Greek Law introduced a new alternative tax regime for foreign pensioners with effect as of tax year 2020 onwards. It applies to individuals entitled to a pension that arises abroad, who decide to transfer their tax residence in Greece.

What does the new Law provide?

Article 5B of L. 4172/2013 added of a new article 5B in the Greek *Income Tax Code* (“ITC”) (Law 4172/2013). Also an explanatory joint decision by the Minister of Finance and the Governor of the Independent Authority of Public Revenues was published on 29.09.2020¹, providing further details for the implementation of this regime. Any foreign individual (hereinafter “the individual”) being beneficiary of pension income arising abroad and transfers his tax residence to Greece, is subject to an alternative taxation regime, if cumulatively:

(a) he was not a tax resident of Greece for the previous five (5) of the six (6) years prior to the transfer of his tax residence to Greece, and

(b) he transfers his tax residence from a state with which an agreement of administrative cooperation in the field of taxation with Greece is in force. Greece and the United Kingdom are members of OECD agreement of administrative cooperation and have concluded the double taxation agreement, ratified by the Greek legislative decree under no. 2732/1953.

If the above conditions are met, the individual pays a **tax of seven percent (7%) for the total income he earned abroad** per year.

How is the income taxed?

As per the income earned abroad:

The individual shall pay a tax of seven percent (7%) on the total income earned abroad, unless the double taxation agreement provides otherwise.

By the payment of the above tax, every tax liability of the individual who has been subject to the provisions of the alternative taxation regime for the income that arises abroad is exhausted. Furthermore, no special solidarity

¹ JMD No. A.1217/29.09.2020, B4215 Governmental Gazette

contribution of article 43A of law 4172/2013 is imposed on the said income.

Still, the above regime does not affect the implementation of Double Tax Treaties (DTTs) that usually provide that public sector pensions are taxed in the source state².

Furthermore, it is explicitly provided that the individual who has been subject to the above favorable regime, is not exempted from inheritance tax or property donation tax located abroad.

As per the income earned in Greece:

The individual, who is subject to the above provisions, is obliged to declare all his income that arises in Greece; such Greek source income shall be taxed according to the general rules of ITC.

As per the income taxation declaration & tax payment:

One act is issued by the authorities, including the whole tax due. The tax is paid for each tax year in one (1) installment until the last working day of July of each year and is not offset by other tax liabilities of the individual.

Exemption: any individual who has been subject to the foreign investors' favorable tax regime (i.e. investment in Greece above 500.000 EURO)

shall not qualify to apply for the above favorable tax regime (and vice versa).

Which is the Greek competent authority?

The Greek competent authority for the submission, examination, approval or rejection of the application for the favorable tax regime is the *Tax Revenue Office of Foreign Residents and Alternative Taxation of Tax Residents of Greece* (hereinafter "the competent tax office").

The competent tax office shall inform the tax authorities of the state where the individual had his last tax residence.

Which is the procedure to apply for the alternative taxation regime?

- I. The individual shall **submit an application until the 31st of March**, where he shall also mention the state in which he had his last tax residence until the submission of this application. Applications submitted after the 31st of March of each tax year are accepted and considered for the following tax year. The application is received even if it is not accompanied by the relevant supporting documents (as analyzed below) at the time of submission. In any case, the individual shall submit the relevant supporting documents to complete his application within the period of sixty (60) days provided by law for the issuance of the

² E.g. article 8 of the DTT between Greece and UK.

decision by the competent tax office. The application and the supporting documents can be sent by e-mail to the Head of the competent tax office or by post or by courier or by submitting them to the competent department in person or by representative. The date resulting from the stamp of the e-mail or the post office or the courier service or the protocol number of the competent tax office is considered as the date of submission.

- II. The competent tax office **examines the application within sixty (60) days from the submission** and, if it finds any deficiencies, informs the applicant about the completion or submission of the correct supporting documents. Within the same time limit, it issues a decision approving or rejecting the application.

Which supporting documents are required?

- (a) In order to prove the condition of the existing income from pensions, it is required to present **any document issued by:**

- *an insurance body / other public authority or*
- *a professional fund or*
- *an insurance company*

Proving the payment of:

- *pension deriving from a principal and auxiliary institution of compulsory insurance or*
- *professional fund established by law or*
- *insurance premium arising from group insurance policies for pensions (lump sum or periodically paid).*

- (b) As per the fulfillment of the condition that the individual was not a tax resident of Greece in the previous five (5) of six (6) years before the transfer of his tax residence in Greece: (a) a **certificate of tax residence** from the competent tax authority of the state where he declares to be a tax resident. In case that the individual was a resident of a state with which Greece has concluded a DTT, he can submit, instead of the certificate, the relevant **application of DTT**, where the certified tax certificate is included, signed and stamped by the competent foreign tax authority **or** (b) in the absence of the issuance of the above by the competent tax authority, a **copy of the act of clearance of the income tax declaration** or, in the absence of the act of clearance, a **copy of the income tax declaration**.

In case it is not possible to present any of the above supporting documents, then a certificate from any another public or municipal or other recognized authority, which will prove the permanent establishment of the individual in the other state is sufficient.

(c) As per the transfer of the tax residence in Greece, the ministerial decision does not require the submission of any additional document. Still, for the issuance of tax registration number the **individual shall have to declare a home address in Greece**. This could be proved through ownership, lease, or even a solemn declaration by a third hosting party.

Note: apostille or ratification by the Greek Consulate is required as per the proof of authenticity of foreign public documents.

Time line of procedure/effects

Once the application is approved, the individual **is a tax resident of Greece, for the tax year for which his application is submitted and for fifteen (15) tax years in total**. Still, relatives do not automatically change their tax residence, but have to apply individually.

Which are the cases of termination of the alternative tax regime?

Revocation by the individual

A revocation can be made by the individual until the 31st of March of each tax year. In case of

revocation, the individual's income is subject to taxation in accordance with the general taxation regime. After that, a new application of the individual in the provisions of the favorable tax regime is not possible.

Non-payment of tax

The individual who does not pay the entire amount of the tax until the 31st of December, ceases to be subject to the favorable tax and his income is henceforth taxed according to general taxation regime.

Is this regime applicable for the tax years 2019 & 2020?

The applications for the current year regarding the transfer of the tax were submitted until 30.09.2020, and the competent tax office shall issue the relevant decision by 27.10.2020.

For those who qualify and have already transferred their tax residence to Greece within 2019, the income tax declaration for 2019 is submitted until 31.10.2020 and the tax must be paid, in case of inclusion in the alternative taxation regime, by 26.11.2020.

***Your Legal Partners** are actively advising clients who decide to transfer their tax residence in Greece for this beneficial tax regime. Please do not hesitate to [get in touch with us.](#)*

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