

**PERSONAL INCOME TAX FOR NON-DOM RESIDENTS
AND INDIVIDUALS WITH FOREIGN PENSION INCOME**

Updated on 1st of December 2020

According to the provisions of n° 4172/2013 Law (Government Gazette issue A 167/2013), n° 4646/2019 Law (Government Gazette issue A 201/2019), n° 4714/2020 Law (Government Gazette issue A 148/2020) and following the Ministerial Decisions n°. A. 1036 (Government Gazette issue B 624/2020), n°. A. 1217 (Government Gazette issue. B 4215/2020).

I. Personal Income Tax regarding the foreign-source income (non-dom residents).

▪ **Scope of the application**

In accordance with the new article 5A, which has been added to n° 4172/2013 Law (Greek Income Tax Code), a lump-sum tax regime regarding the foreign-source income is provided for individuals (natural persons) transferring their tax residence to Greece (non-dom residents).

The article 5A of n° 4172/2013 Law provides that the taxpayer (natural person), who transfers his tax residence to Greece (non-dom resident) may benefit from this lump-sum taxation regime regarding his foreign-source income.

▪ **The conditions of application of the regime of article 5A**

The conditions for the application of the beneficial tax regime are defined according to the provisions of n° 4172/2013 Law and the Ministerial Decision n° A. 1036 of February 26, 2020, which are cumulatively the following:

- i. The taxpayer must not have been resident in Greece for tax purposes during the seven (7) of the last eight (8) years before the transfer of his tax residence to Greece.

ii. He must demonstrate his intention to invest in Greece (himself or through a legal person in which he has the majority of shares) either in real estate, or business, or transferable securities, or shares in legal persons or legal entities registered office in Greece. **The amount of the investment should not be lower than five hundred thousand euros (€ 500,000). The investment must be completed within a period of three (3) years of the request for submission to this tax regime.**

However, the Law provides an exception to the second condition, in case that the taxpayer (natural person) has obtained a residence permit due to investment activity in Greece, based on article 16 of n° 4251/2014 Law, that means that he would have already made the required investment.

People who have already made an investment within the meaning as described by the aforementioned Law and Ministerial Decision, may also request the transfer of their tax residence to Greece within a period of three years after the completion of the investment and benefit from the tax regime defined to Article 5A.

- **The method of the taxation**

The beneficial tax regime regarding the foreign-source income consists of the flat-rate taxation of the income of the beneficiary taxpayer (natural person); he should pay a lump-sum tax of 100.000 € per tax year. This lump-sum tax is fixed (flat-rate tax) regardless of the level of his foreign source income; that is why there is no reference scale.

The beneficial tax regime can also be extended to members of the beneficiary's family (spouse, unmarried partner, person into civil partnership, ascendant relatives, lineal descendants relatives) on condition of payment of an additional amount of € 20,000 for any family member, who thus becomes beneficiary and obtains his tax residence in Greece and is also exempt from inheritance or donation tax for his assets abroad.

The taxpayer, who becomes tax resident in Greece, is taxable for his Greek-source income (article 5§1 of n° 4172/2013 Law) according to the tax scale applicable to tax residents in Greece. The aforementioned lump-sum must be paid each year totally in a single payment, in order to benefit from the status of tax resident in Greece, and cannot be set off against other tax obligations or tax credits of the taxpayer in Greece. If the taxpayer has already paid tax on the same foreign-source income, this tax is not deducted from the flat-rate tax of € 100,000 which must be paid in Greece.

- **The application of the regime of Article 5A**

The method of taxation according to Article 5A is applicable from the first tax year following the acceptance of the request for inclusion to this tax system and to the respective transfer of the taxpayer's tax residence in Greece. The provisions of this tax regime remain in force and are applicable under the same conditions for a period of fifteen (15) years and cannot be extended. The Greek tax authorities inform the tax authorities of the taxpayer's country of origin about the transfer of their tax domicile to Greece.

The payment of the lump sum of **100.000€ exempts the taxpayer from any tax liability related to his income from foreign sources, including duties and contributions on the assets' inheritance and donations that are located abroad.**

However, if the taxpayer does not comply with the provisions of the Law on this regime, namely the annual payment of the tax amount of **100.000€**, **the beneficial provisions shall cease to apply from the concerned fiscal year**, and revenues are subject to the general tax regime in accordance with the provisions of the Revenue Tax Code (Law 4172/2013).

The beneficiary taxpayer of the beneficial regime of Article 5A, has the right to request the termination of his application. Upon his request, he is no longer required to pay the lump sum of 100.000€ and no longer benefits from the beneficial tax regime.

II: Taxation of pensioners who transfer their tax residence in Greece

- **The scope of application**

The Article 5B of Law 4172/2013, added by Law 4714/2020, provides that **the natural person with pension income** within the meaning of Article 12 of Law 4172/2014 and the circular of Article's 5B application, from a source located abroad and who wishes to transfer his tax residence to Greece, may be subject to the beneficial tax provisions of the law and more specifically to Article 5B.

- **The conditions of application of the regime of article 5B**

The Law no. 4172/2013 and the ministerial decree no A. 1217 of 29th September 2020 define the conditions for the application of this beneficial tax regime, which are cumulatively the following:

- i. The taxpayer must not have been a tax resident in Greece during the last five (5) to six (6) years before the transfer of his tax residence in Greece.
- ii. He must transfer his tax residence in Greece from a country that has signed a bilateral agreement of administrative cooperation in tax matters with Greece.

- **The method of taxation**

The favorable regime consists in the taxation of **the total income obtained abroad** by the beneficiary taxpayer who is a natural person, **with the single rate of 7% calculated on the basis of the total income**. The beneficiary is expressly exempt from any other tax, duty or contribution including the special solidarity contribution (SSC). He is entitled to deduct from the tax any tax paid abroad for the said income in accordance with the provisions of the Revenue Tax Code (Law 4172/2013) and the applicable international conventions. The beneficiary must pay the tax at a reduced rate of 7% per year in a single payment.

The amount of tax that is calculated by this way must be paid in a single payment by the last working day of July and cannot be offset, as the case may be, against other tax liabilities or tax deductions of the taxpayer.

The taxpayer, who becomes a tax resident of Greece, is taxed for his income from Greek sources (article 5§1 of Law 4172/2013) according to the tax scale that applies to taxpayers in Greece and must submit his respective tax declaration according to article 67 of Law 4172/2013.

- **The application of the regime of article 5B**

The tax method according to article 5B, is applied from the fiscal year after the acceptance of the application for submission to this regime and the corresponding transfer of the tax residence of the taxpayer in Greece. The program remains in force and is valid under the same conditions for a period of fifteen (15) years without the possibility of extension of its duration. The Greek tax

authorities inform the tax authorities of the taxpayer's country of origin about the transfer of his tax residence to Greece.

However, if the taxpayer does not comply with the provisions of the law relating to this regime, namely **the annual payment of the corresponding tax to his income from a foreign source at a rate of 7%, the favorable provisions cease to apply from the concerning fiscal year** and his revenues are subject to the general tax regime in accordance with the provisions of the Revenue Tax Code (Law 4172/2013).

The taxpayer of the favorable regime of Article 5B has the right to request the termination of his application. Following his request, **he no longer benefits from the favorable tax regime for his income from foreign sources.**

The application of the provisions of Article 5B does not exclude the application of international conventions for the avoidance of double taxation of revenue and capital, which have been ratified by Greece.