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## Law 5313/2026: Tax treatment of carried interest – Alternative Investment Funds & Third-Country Investment Funds

### Introduction

Articles 96-98 of Law 5313/2026 introduce legislative provisions that significantly broaden the framework for the taxation of carried interest and enhance Greece's attractiveness as a center for the provision of services in the field of alternative investments.

Specifically, they regulate:

- The extension of the favorable taxation of carried interest to employees of Greek companies providing services to AIF managers (EU and third countries).
- The introduction of a preferential tax rate of 5% (instead of 15%) under specific cumulative conditions.
- The recognition of the deductibility of carried interest as a business expense.
- The establishment of an explicit provision that no place of effective management and no permanent establishment is created in Greece for EU/third-country AIFs, as well as for their managers.

## Tax treatment as capital gains (Art.42 para. 9 of the Income Tax Code)

**Existing framework:** The carried interest of natural persons – members of the team of the AKES Manager is taxed as capital gains from the transfer of capital.

**New regulation:** The same tax treatment now also applies to income arising from carried interest and paid, based on a contractual right, to employees of Greek legal entities that provide services to:

1. Managers of alternative investment funds (AIFs) established in an EU Member State and subject to Directive 2011/61/EU (AIFMD).
2. Corresponding managers of investment funds established in cooperating states and supervised by a competent authority accredited to IOSCO.

**Note:** *The existence of an "affiliated" relationship (within the meaning of point (g), Article 2 of the Income Tax Code) between the Greek legal entity and the manager constitutes a basic condition for application.*

## Preferential rate of 5% (Art. 43 of the Income Tax Code)

A new paragraph 2 is added to Article 43, providing for taxation at a rate of 5% (instead of the general 15%) for income falling within the second sentence of Article 42 para. 9, provided that the following conditions are cumulatively met:

| Condition | Summary                                                                                                                                                                |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a)       | The establishment of an employment relationship with the Greek legal entity and the transfer of tax residence to Greece pursuant to Article 5C of the Income Tax Code. |
| (b)       | The incurrence of expenses of at least €3,000,000 per year in Greece by the legal entity (pro rata if the period is less than 12 months).                              |

**Duration:** The 5% rate applies from the tax year in which the application under Article 5C para.3 of the ITC is submitted and for a total of 7 tax years (with no possibility of extension).

## Deductibility as a business expense (Art.47 para.11 of the Income Tax Code)

The carried interest paid based on a contractual right is expressly recognized as a deductible business expense for the legal entity, thereby reinforcing the tax neutrality of the mechanism.

**AIFs – Place of effective management and permanent establishment (Art. 56 of Law 4706/2020)**

The replacement of Article 56 introduces a comprehensive framework:

- 1. Tax regime:** Application of point (b) of paragraph 21 – and paragraphs 22 and 23 of Article 7 of Law 2992/2002 to EU AIFs and (newly) to third-country investment undertakings established in cooperative states under direct or indirect (through the management company) supervision by an authority that is a member of IOSCO.
- 2. No establishment of a place of effective management:** The management, delegation of management (full or partial), and portfolio management of EU/third-country AIFs (under the above conditions) do not constitute a place of effective management in Greece. The same applies to foreign legal entities with at least 95% participation by the said AIFs, as well as to the unitholders of the said AIFs.
- 3. Non- application of tax residence:** Article 4 paras. 3 and 4 of the Income Tax Code does not apply solely by reason of the activities of the aforementioned AIFs, either to the other foreign legal entities with a 95% participation or to the unitholders of the said AIFs.
- 4. No creation of a permanent establishment- Services (para. 2):** The provision of management services, the delegation of management (full or partial), and portfolio management by Greek legal entities does not create a permanent establishment (Article 6 of the Income Tax Code) for EU and third-country AIFs, as well as for foreign legal entities with a 95% participation and the unitholders of the said AIFs.
- 5. No creation of a permanent establishment – Advisory services (para. 5):** Portfolio management services and advisory services, provided in the ordinary course of business, to (a) AIFMs subject to Directive 2011/61/EU, and (b) corresponding third-country managers (cooperative state/IOSCO), do not create a permanent establishment.

## VAT Code – Special cash-base regime (Art. 46 of the VAT Code)

The determination of the annual turnover for opting into the special VAT regime for payment of the tax upon settlement is expressly set out in Article 44 para. 2 of the VAT Code. Maximum threshold: €2,000,000. For taxable persons that did not operate for a full tax year, the turnover is calculated on an annualized basis.

### Effective dates

| Provision                                                                     | Application             |
|-------------------------------------------------------------------------------|-------------------------|
| Article 42 para. 9 (2nd sentence) & Article 43 para. 2 of the Income Tax Code | Tax years from 1.1.2026 |
| Article 47 para. 11 of the Income Tax Code                                    | Expenses as of 1.1.2026 |
| Article 56 of Law 4706/2020 (para. 1, 2nd sentence)                           | Tax years from 1.1.2025 |
| Article 56 of Law 4706/2020 (para. 1, 3rd sentence & paras. 2–5)              | Tax years from 1.1.2026 |

### Practical effects

#### For employees / carried interest beneficiaries

- Possibility of taxation at just 5%, subject to the conditions for transferring tax residence based on the Article 5C regime and a specific level of expenditure.
- A significant incentive for the relocation of specialized fund management personnel to Greece.

#### For Greek legal entities providing services

- The additional remuneration is deductible as a business expense — favorable tax footprint.
- Compliance with the expenditure threshold of €3,000,000 per tax year is critical.

#### For AIFs / Fund Managers

- Express safeguard that no place of effective management in Greece arises for the foreign AIFs, their unitholders, and companies in which they hold at least 95%, nor a permanent establishment, from services provided in Greece to these persons or their managers — ensuring legal certainty.
- Application of the favorable tax framework also to third-country undertakings and their managers, provided that they are established in a cooperative state and supervised by an authority accredited with IOSCO.
- The provision applies regardless of whether the delegation of management is full or partial.

## Practical effects (cont'd)

**Transfer Pricing:** From a practical standpoint, the implementation of these structures relating to the provision of intercompany portfolio management services and advisory services will require a structured approach to how the Greek presence is positioned and remunerated, supported by a clear transfer pricing framework, ensuring that the level of activity carried out locally is appropriately reflected in the overall operating model.

In this context, establishing a consistent transfer pricing approach becomes important to support the alignment between functions performed in Greece and the outcomes of the structure, particularly as operating models evolve and the depth of local activity increases over time.

## Changes to the Alternative Taxation of Foreign-Source Income

Article 94 of Law 5313/2026 also introduces amendments to Articles 5A and 5B of the Income Tax Code (Law 4172/2013), which govern the alternative taxation of foreign individuals and pensioners who transfer their tax residence to Greece.

In particular:

- The deadline for payment of the lump-sum tax of €100,000 (Article 5A) and of the 7% autonomous (flat) tax (Article 5B) is postponed by the last working day of December (instead of July), while the payment of the first year's tax within thirty days of the approval of the application is abolished.
- The final deadline for submitting the application for inclusion (31 March) is abolished under both regimes, as are the corresponding deadlines for its examination.
- The reference to the tax assessment act is updated to the new Tax Procedure Code (Law 5104/2024), and the issuance of the relevant regulatory decision is transferred exclusively to the Governor of the Independent Authority for Public Revenue (AADE).

**Let's talk**  
**For a more in-depth**  
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