

# Tax Flash

November 2020

## Greece enacts a new alternative taxation regime for individuals to attract foreign employees

A bill submitted to the Parliament on 23 November 2020 provides for the introduction of a new regime for the alternative way of taxing income from salaried employment, as well as from business activity arising in the Greece, for individuals transferring their tax residence to Greece. In detail:

### Conditions

For inclusion in this regime, and exclusively for the filling of new jobs, the individual, who transfers his tax residence to Greece is subject to favorable taxation for the income from salaried employment obtained in Greece, if cumulatively he:

- was not a Greek tax resident for the previous seven (7) of the eight (8) years prior to the transfer of his tax residence to Greece.
- transfers his tax residence from an EU Member State or EEA country or from a country with which an administrative cooperation agreement in the field of taxation with Greece is in force.
- provides services in Greece in the context of an employment relationship with a Greek legal entity or with a permanent establishment of a foreign company in Greece.
- declares that he will remain in Greece for at least two (2) years.

A similar application is envisaged for individuals who transfer their tax residence to Greece, in order to carry out individual business activity in Greece.

*It should be noted that this regime covers exclusively the income from salaried employment and from individual business activity in Greece. Therefore, income from other sources in Greece as well as all income earned outside Greece, will be taxed in accordance with the general provisions.*

*Finally, the condition of filling new job positions in order to be subject to this regime, may create practical issues of interpretation and application in practice.*

### Tax incentives

If the taxpayer's application is accepted, an exemption from income tax and the special solidarity contribution is provided for fifty percent (50%) of his employment income / income from individual business activity earned in Greece during the tax year. Furthermore, for individuals subject to the alternative taxation provisions, the annual deemed income will not apply to the amount resulting from the residence or passenger car.

*It is noted that for the tax year 2021, the total income earned from salaried employment in the private sector is exempt from the special solidarity contribution.*

### Deadline for filing an application

The application for the transfer of the tax residence for inclusion in the new regime is filed to the Tax Administration by the individual within the year of assuming his service and not later than the 31st of July of that year.

## Entry into force and duration

For tax years beginning on or after 1 January 2021, the provisions on alternative taxation shall apply to the income of the tax year for which the individual files his application and expires after a total of seven (7) tax years, with no possibility of further extension.

*With the introduction of the new alternative taxation regime, the package of tax incentives to attract foreign individuals to transfer their tax residence to Greece is reinforced. The new provision is combined in the explanatory memorandum with the end of the transitional period for the definite exit of the United Kingdom from the European Union on 31 December 2020.*

*It is noted that the above is based on the text of the draft bill, which is expected to be voted in the coming days. Therefore, the final content of the provisions may differ. In this case, we will inform you via a new newsletter.*

*It is important to note that each individual case needs to be examined based on its own merits, and that the above-mentioned general principles might not necessarily capture all possible eventualities. Our expert advisors are in a position to advise you on the implications arising from a Greek perspective in relation to your specific case.*

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This information is intended only as a general update for interested persons and should not be used as a basis for decision-making. For further details please contact PwC: 268, Kifissias Avenue 15232 Halandri tel. +30 210 6874400

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