

# Tax

# Flash

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## Establishment of a favorable tax framework for attracting family offices in Greece

Law 4778/2021 introduced a new legal framework, in force from the tax year 2021 onwards, which provides incentives for the establishment of special purpose family property management companies (family offices) in Greece. In detail:

**What are the family offices?**

Family offices are legal entities (other than non-profit legal entities) whose sole purpose is to manage the family property, investments and cash flows held either directly or indirectly - i.e. through legal entities - by natural persons, who have their tax residence in Greece.

*The condition of tax residence of natural persons in Greece may in practice limit the possibility of including family offices in this favorable regime (e.g. in cases of families where not all members have their tax residence in Greece). Given that the purpose of the new framework, as reflected in the explanatory memorandum, is the employment of staff involved in wealth management in Greece, this condition could be reconsidered in order to attract the establishment of family offices in Greece regardless of the country of tax residence of the family members.*

**Which persons can participate?**

Members of the same family - spouses, civil partnership parties, their parents and unmarried children - as well as legal entities in which these members participate, may take part in family offices. However, the natural persons - members of the company, can not be employees in it.

*The restriction of "family members" to only spouses, parents and children of natural persons for the application of this regime seems to be particularly narrow, given in particular that in practice the management of family property extends to several generations.*

**What are the conditions?**

Family offices in Greece must employ staff of at least 5 people within 12 months from their establishment and onwards, while incurring operating expenses of at least EUR 1,000,000 per year. The provision of services may be assigned to third parties, subject to the Income Tax Code provisions on tax residents in non-cooperating countries or subject to preferential tax regimes.

*The minimum expenditure of EUR 1,000,000 is particularly high, making the regime less attractive than in other countries.*

**What services can be provided?**

The services that the family offices will be able to provide, as well as all the other necessary details for the application of these provisions, are expected to be clarified by a joint decision of the Minister of Finance and the Governor of the Independent Authority for Public Revenues.

### How are they taxed?

The gross income of family offices is determined by the cost method (including all types of expenses and depreciation, except income tax) plus a profit margin of 7%, while the tax is calculated at the current rate. Furthermore, they are obliged to withhold tax for the payments they make, in accordance with the applicable provisions.

*Determining the profit margin at a fixed rate of 7% may raise concerns about the compatibility of these provisions with the provisions of European State aid legislation in cases where this margin is considered to create a selective tax advantage compared to profit margins earned by independent providers of similar services.*

### How are they treated in terms of VAT?

Transactions carried out between family offices and the persons participating in them, are considered to be outside the scope of VAT, as transactions carried out within a single entity.

*It is noted that the fact that the above-mentioned transactions are outside the scope of VAT implies that family offices will not be granted the right to deduct their input tax.*

### Application in relation to other regimes

This regime applies to natural persons with tax residence in Greece, regardless of whether they have transferred it under an alternative / special method of taxation (natural persons - investors, retirees or employees / self-employed).

*Clearly, this new regime is expected to further strengthen the efforts to attract high-net-worth individuals having their tax residency abroad. However, pending the joint decision with which further clarifications will be provided, there are some key points which require special attention for its successful implementation.*

*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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