

TAX BRIEFING: Monthly Insight

Recent Developments in Tax Legislation

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Special Tax Regime for Individuals Relocating to Greece

A. Circular E.2224/2021 Provides Clarification on the Special Tax Regime for Individuals that Relocate to Greece as Employees or Free-lancers under Article 5C of Law 4172/2013 (the Article)

1. In the context of the requirement that positions are newly created for relocating individuals, it is clarified that for a position to be newly created, it must have the effect of increasing the number of employees on the day when the person submitting the application for inclusion in the provisions of the Article takes up service:
 - a. with the Greek legal person or legal entity; or
 - b. with the permanent establishment of a foreign company in Greece.
2. The overall number of positions resulting from the addition of newly created positions cannot be reduced for at least one year from the application date, unless they fall into one of the following categories:
 - a. voluntary redundancies of employees;
 - b. termination of fixed-term employment agreements;
 - c. retirement of personnel; and
 - d. termination of an employment contract before its expiration for a serious cause related to the employee.
3. Following the acceptance of the individual's application by the tax authorities:
 - a. the individual is registered as a Greek tax resident;
 - b. 50% of their Greek sourced income is exempted for income tax and solidarity contribution purposes; and
 - c. any non-Greek sourced income is subject to income tax without any deductions.
4. Individuals subject to the provisions of the Article are required to submit to their payroll agent the relevant approval decision in order benefit from the reduced payroll tax.
5. This special tax regime also applies to the taxation of income from business activities. In particular, 50% of income from business activities is exempt from income tax and special solidarity contributions, while the remaining 50% is taxed in accordance with the ordinary progressive income tax scale.
6. Law 4172/2013 provides for a minimum amount of expenses that must be paid by way of electronic means (the e-expenses) and failure to comply with this restriction results in increased income tax. Pursuant to the Article's special regime, the income on which the amount of e-expenses is calculated is the total income resulting from employment and business activities.
7. Even though the taxpayer may file supporting documentation after the application has been filed, the Circular clarifies that at the date of its filing the taxpayer must also submit a solemn declaration stating their intention to reside in Greece for a

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minimum of two years. In the case of employment income, the taxpayer has to accompany their application with a solemn declaration from their employer regarding the new position, the employment date or the appointment of the individual as

a member of the Board of Directors. In the case of a taxpayer engaged in business activities, the application is accompanied by a certificate of commencement of the business activity (either as freelancer or as a sole proprietorship).

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