



Ministerial decision issued on alternative lump sum taxation for individuals

On 27 February 2020, Greece's Ministry of Finance issued a decision (A1036/2020) establishing the conditions and procedure for high-net worth individuals who transfer their tax residence to Greece to qualify for alternative lump sum taxation under article 5A of Law 4172/2013 (Income Tax Code (ITC)).

Article 5A allows nonresident individuals to transfer their tax residence to Greece and elect to be taxed under a favorable regime. Qualifying individuals must make an annual lump sum tax payment of EUR 100,000 for foreign-source income (EUR 20,000 per relative) and be exempt from donation/inheritance tax on foreign-source income provided the individual invests at least EUR 500,000 in Greece on qualified investments. Greek-source income is taxed under the standard ITC provisions.

The new rules apply to residence applications filed as from calendar/fiscal year 2020 and to investments effected as from 12 December 2019.

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The new ministerial decision provides as follows:

- The Tax Office for Foreign Tax Residents is appointed as the competent tax office.
- To qualify for the lump sum tax regime, the individual must file an application and supporting documentation within specific deadlines.
- Supporting documentation includes the following:
 - If tax residence abroad for seven out of the eight previous years is not evident from the tax office's records, the applicant must provide the following documents for each relevant year:
 - Tax residence certificate showing residence abroad;
 - If a residence certificate is not available, a copy of the annual income tax return clearance or a copy of the annual income tax return;
 - If neither of these documents is available, a certificate from a foreign authority verifying the permanent and fixed residence in the foreign country for seven out of the eight previous years.
 - A certificate or other documentation from a public foreign or local authority is required to prove the relationship of the applicant's relatives.
- Applicants must adhere to the following procedure to qualify for the lump sum regime:
 - The application and supporting documentation must be filed by 31 March of each year. In certain cases, the supporting documentation may be filed after the application is filed (i.e., within the 60-day period for the authorities to issue their decision but, in all cases, no later than the last business day of May of each year).

- If the lump sum tax regime is to be extended to a relative of the applicant, the relative's application must be filed by the same deadline (however, there is no filing or EUR 20,000 payment requirement for unmarried children under 18 years old who live with the applicant).
- If an applicant is divorced, the ex-spouse will not qualify for the special regime.
- Investments in Greece must be effected as from 22 December 2019 and the application must be filed upon commencement of the investment or up to three years after its completion.
- The tax authorities will issue their decision (rejection or approval) on the application within 60 days; however, if the supporting documentation was filed by the last business day of May, the decision will be issued by or before 30 June. In their decision, the tax authorities also will notify the applicant that the special lump sum tax regime will be automatically terminated after a non-extendable 15-year period.
- The first lump sum tax payment (EUR 100,000 and EUR 20,000 per relative) must be made within 30 days from the issuance of the decision; for each of the following 14 years, a tax assessment will be issued by or before the last business day of June. If the amount is not paid in a timely manner, penalties will be assessed for each month that the tax is delinquent. If the amount is not paid by 31 December each year, the taxpayer will be subject to tax under the standard ITC provisions.
- Revocation applications may be filed by 31 March of each year.
 - After a taxpayer has filed an application no longer to be subject to the special regime, a new application may be filed under certain conditions should the taxpayer wish to

- opt back into the lump sum taxation regime.
- A revocation application filed by a taxpayer is deemed to include a revocation request from the taxpayer's relatives.
- Individuals subject to the special lump sum tax regime must file an income tax return under the standard ITC provisions with respect to their Greek-source income. In determining the taxpayer's imputed income and total income, the tax authorities will take into account amounts reported in the tax return as evidenced by appropriate supporting documentation.
- After three years from the date of filing an application and within six months from the three-year period, taxpayers are required to provide to the Tax Office for Foreign Tax Residents supporting documentation evidencing the completion of their investment (unless such proof is already available to the tax authorities). If the investment is not completed within three years, taxpayers will not be treated as being subject to the special regime as from the first year of their application and will be subject to tax under the standard ITC provisions instead. Any lump sum payments made will not be refundable.



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