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TAX INCENTIVES IN ORDER TO ATTRACT NEW TAX RESIDENTS UNDER ARTICLES 5A, 5B & 5C OF LAW NO. 4172/2013 (ITC)



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The provisions of articles 5A, 5B and 5C of Law No. 4172/2013 (Α' 167), hereinafter the ITC (Income Tax Code), seek to attract individuals, non-residents, in order to transfer their tax residence to Greece.

In particular, under the provisions of Article 5A of the ITC, tax incentives are established in order to attract high-net-worth tax residents, with the aim of increasing public revenues, importing capital into Greece, creating unit trusts or participating in investment schemes or companies, as well as creating jobs, through the alternative taxation of their foreign-sourced income. According to the provisions of Article 5B of the ITC, individuals-beneficiaries of a foreign pension are given the opportunity to transfer their tax residence to Greece and be subject to alternative taxation of their foreign-sourced income. Finally, the provisions of Article 5C of the ITC complete the framework for attracting non-resident individuals in order to transfer their tax residence to Greece, through the establishment of a special taxation method for their income from employment and business activity arising in the country.



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Article 5A

Alternative taxation of foreign-sourced income of individuals who transfer their tax residence to Greece

1. Eligibility

Individuals who transfer their tax residence to Greece may opt for alternative taxation of foreign-sourced income, provided that they fulfill the following conditions cumulatively:

- they were not tax residents of Greece for the previous seven (7) out of eight (8) years before the transfer of their tax residence to Greece,

and

- they prove that either themselves or any of their relatives or through a legal person or legal entity in which they hold the majority of stocks or shares, invest in real estate or companies or securities or stocks or shares in legal persons or legal entities established in Greece. The amount of this investment cannot be less than five hundred thousand (500.000) euros. The investment should be completed within three (3) years with effect from the application date.

The latter condition does not need to be fulfilled, in case of individuals who have obtained and hold a residence permit for investment activity in Greece, according to the provisions of article 16, Law No. 4251/2014 (A' 80) on the granting and renewal of a residence permit for investment activity (par. 1, article 5A of the ITC).

Investments must have been made from 12.12.2019 onwards.

2. Procedure and deadlines

- Individuals may submit an application for the transfer of tax residence in order to be subject to alternative taxation of foreign-sourced income, under Article 5A of the ITC, to the competent Tax Authority of IAPR (Tax Office for Residents Abroad and Alternative Taxation of Domestic Residents) by March 31st of the relevant tax year.



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The application for extension of the provisions of Article 5A of the ITC to a close relative of the individual should also be submitted by March 31st of the relevant tax year.

- **Within the above deadline, individuals who fulfill the conditions referred to in par. 1, Article 5A of the ITC and have already transferred their tax residence to Greece within the previous tax year, can also submit an application in order to be subject to alternative taxation of foreign-sourced income.**
- **The application for the transfer of tax residence in order to be subject to alternative taxation of income, under article 5A of the ITC, must be accompanied by proof of the transfer of the minimum investment amount of five hundred thousand (500.000) euros to an account in a financial institution established in Greece.**
- **The application in order to be subject to alternative taxation of income, under Article 5A of the ITC, may be submitted either at the start of the investments or, at the latest, up to three (3) years after their completion.**

Possibility of withdrawal:

In any tax year during the application of the provisions of Article 5A of the ITC, individuals may submit an application for withdrawal from being subject to those provisions.

3. Tax obligations

- **Individuals subject to alternative taxation of income, under Article 5A of the ITC, shall pay an annual lump-sum tax of one hundred thousand (100.000) euros for foreign-sourced income, regardless of the amount of that income, for fifteen (15) tax years, starting from the year of submission of the application.**
- **In case of extension of the provisions of Article 5A of the ITC on alternative taxation to relatives of the applicant, a lump-sum tax of twenty thousand (20.000) euros is payable by each relative, while the provisions on taxation of donations, inheritance and parental gifts do not apply.**

The term “relative” refers to the spouse and lineal ascendants or descendants. Individuals who have entered into a civil partnership are treated as married.



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- **There is no obligation for the individual to declare foreign-sourced income which is subject to alternative taxation under article 5A of the ITC.**
- **Once the above lump-sum tax is paid, there is no other tax obligation for the individual who is subject to the provisions on alternative taxation for foreign-sourced income and he/she is tax-exempt for inheritance or donations of property located abroad.**

If an **individual** who is subject to the provisions of article 5A of the ITC,

- **fails to pay the full amount of lump-sum tax referred to in par. 2, Article 5A of the ITC in any tax year, he/she ceases to be subject to the above provisions and from the relevant tax year onwards, he/she is taxed on his/her worldwide income according to the general provisions of the ITC**
or
- **has not completed the investment after the expiry of the three-year period, as defined in par. 1(b), Article 5A of the ITC, he/she ceases to be subject to the provisions of that Article from the relevant year and he/she is taxed on his/her worldwide income according to the general provisions of the ITC.**

Relevant Regulatory and Interpretative Framework

- **Joint Decisions No. A.1036/2020 (B' 624 and B' 700) and A.1066/2022 (B' 2666) by the Deputy Minister of Finance and the Governor of the IAPR.**
- **Decision No. A.1130/2020 (B' 2335) by the Governor of the IAPR.**
- **Joint Decision No. 46834/2023 (B' 3393) by the Deputy Minister of Finance and the Deputy Minister of Development and Investments.**
- **Circular No. E.2150/2021 by the Governor of the IAPR.**



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Article 5B

Alternative taxation of individuals - beneficiaries of income from foreign pensions, who transfer their tax residence to Greece

1. Eligibility

Individuals, beneficiaries of foreign pensions, according to Article 12 of the ITC, who transfer their tax residence to Greece, may opt for alternative taxation of foreign-sourced income, provided that they fulfill the following conditions cumulatively:

- **they were not tax residents of Greece for the previous five (5) out of six (6) years before the transfer of their tax residence to Greece,**
- and**
- **they transfer their tax residence to Greece from a country with which Greece has an agreement in force on administrative cooperation in the field of taxation.**

2. Procedure and deadlines

- **Individuals may submit an application for the transfer of tax residence in order to be subject to alternative taxation of foreign-sourced income, under Article 5B of the ITC, to the competent Tax Authority of IAPR (Tax Office for Residents Abroad and Alternative Taxation of Domestic Residents) by March 31st of the relevant tax year.**
- **Within the above deadline, individuals who fulfill the conditions referred to in par. 1, Article 5B of the ITC and have already transferred their tax residence to Greece within the previous tax year, can also submit an application in order to be subject to alternative taxation of foreign-sourced income.**



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Possibility of withdrawal:

In any tax year during the application of the provisions of Article 5B of the ITC, individuals may submit an application for withdrawal from being subject to those provisions.

3. Tax obligations

- **Individuals subject to alternative taxation of income, under Article 5B of the ITC, shall pay each tax year, a tax on their aggregate foreign-sourced income at a rate of seven percent (7%).**
- **The provisions of Article 5B of the ITC will enter into force on the tax year following the year in which the individual submits an application in order to be subject to the provisions of this article and expire after fifteen (15) tax years. The application of the provisions of Article 5B of the ITC is possible for the next fifteen (15) tax years.**
- **If an individual who is subject to the provisions of Article 5B of the ITC, fails to pay the full amount of tax referred to in par. 2 of the above Article in any tax year, on the aggregate foreign-sourced income, he/she ceases to be subject to the provisions of article 5B of the ITC and from the relevant tax year onwards, he/she is taxed on his/her worldwide income according to the general provisions of the ITC.**
- **The provisions of Article 5B of the ITC do not affect the implementation of international conventions ratified by Greece, regarding the avoidance of double taxation on income and on capital.**

Relevant Regulatory Framework

- **Joint Decision No. A.1217/2020 (B' 4215) by the Deputy Minister of Finance and the Governor of the IAPR.**



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Article 5C

Special taxation method for income from employment and business activity, earned domestically, regarding individuals who transfer their tax residence to Greece

1. Eligibility

Individuals who transfer their tax residence to Greece may opt for taxation according to article 5C of the ITC, provided that they fulfill the following conditions **cumulatively**:

- a) they were not tax residents of Greece for **the previous five (5) out of six (6) years before the transfer of their tax residence to Greece,**
 - b) they transfer their tax residence from an EU or EEA member-state or from a country with which Greece has an **agreement in force on administrative cooperation in the field of taxation,**
 - c) they provide services in Greece in the **context of an employment relationship** either at a domestic legal person or legal entity in Greece or at a permanent establishment of a foreign company in Greece and exclusively for the **purpose of filling new job positions,**
- or they perform business activity (sole proprietorship),**
- d) they declare that they will remain in Greece for at least two years.

In case an individual who is subject to the provisions of Article 5C of the ITC, **does not meet the third and fourth of the above-mentioned conditions** in any tax year, he/she ceases to be subject to the provisions of Article 5C of the ITC and from the relevant tax year onwards, he/she is taxed on the aggregate income from employment or business activity, earned domestically, according to the general provisions of the ITC.



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2. Procedure and deadlines

- Individuals may **submit an application** in order to be subject to the provisions of Article 5C of the ITC to the **competent Tax Authority of IAPR** (Tax Office for Residents Abroad and Alternative Taxation of Domestic Residents).

The application is submitted as follows:

- In case of taking up duties **by the 2nd of July of the year concerned**, the application shall be submitted for the year of taking up duties and until the end of that year. The application may also be submitted within the following year and shall be examined in terms of being subject to the provisions of Article 5C of the ITC for that year.
- In case of taking up duties **after the 2nd of July of the year concerned**, the application shall be submitted for the following year and until the end of that year.

In case of **individuals** who transfer their tax residence to Greece, **in order to perform business activity (sole proprietorship)** in Greece, the term **“taking up duties”** refers to the **commencement of business**.

3. Tax incentives

Individuals, who earn **income from employment and business activity arising in the country**, are subject to the **provisions of article 5C of the ITC** on a special taxation method for their aggregate income, provided that the conditions referred to in this article are met for each of these income categories. In particular, the individual:

- **is exempt** from income tax for **fifty percent (50%) of his/her income** from employment and/or business activity earned in Greece, **for seven (7) tax years**.
- **is exempt from the annual objective expenditure**, which arises on the basis of **residence** (primary and secondary) and **private cars**, regardless of the number of vehicles, **for seven (7) tax years**.

In case that an individual ceases to provide services in Greece in the context of an employment relationship within the meaning of par. 2, Article 12 of the ITC, or ceases to perform business activity (sole proprietorship) in Greece for a period



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exceeding twelve months, this individual ceases to be subject to the provisions of Article 5C of the ITC from the tax year of termination of the employment or business activity (sole proprietorship). From that tax year onwards, the individual is taxed on his/her aggregate income according to the general provisions.

Relevant Regulatory and Interpretative Framework

- Joint Decisions No. A.1087/15-04-2021 (B' 1691) and A.1089/05-07-2022 (B' 3594) by the Deputy Minister of Finance and the Governor of the IAPR.
- Circulars No. E.2224/01-12-2021 and E.2029/24-03-2022 by the Governor of the IAPR.



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Combination of Articles 5A, 5B & 5C of the ITC

- **Individuals subject to the provisions of Article 5A of the ITC cannot be subject to the provisions of Article 5B of the ITC.**
- **Individuals subject to the provisions of Article 5B of the ITC cannot be subject to the provisions of Article 5A of the ITC.**
- **Individuals subject to the provisions of Articles 5A or 5B of the ITC, may become subject to the provisions of Article 5C of the ITC, and vice versa, provided that the conditions referred to in each Article are met at the time of acceptance of the relevant application.**

The above also apply to cases where acceptance of the relevant application takes place during the same year.