



## Greece

### Introduction

Persons residing in Greece are liable for income tax on their worldwide income, whether remitted to Greece or not. Where tax has already been paid outside Greece on non-Greek-sourced income, the tax may be deducted up to the amount of tax payable in Greece on the same income.

Nonresidents are taxed only on Greek-sourced income.

The determination of residency status in Greece is based on numerous factors related to the individual and the individual's connections with Greece. Greek tax law does not provide a definition for "resident"; however, pursuant to guidance issued by the Greek Ministry of Finance, residence (for Greek tax purposes) is defined by the Greek Civil Code. The Greek Civil Code states that the residence of an individual is determined as the place of the individual's principal and permanent establishment and that a person cannot simultaneously have more than one residence (except for commercial/business purposes). Where a person lives in more than one place, residence is considered to be the individual's principal residence. The material factors to be considered are the maintenance of a home, a place of work, professional activities, etc. In addition, one must consider the person's intentions, i.e., as what place the individual intends to treat as a permanent place of establishment. However, such intention is determined on the basis of the individual's actions (i.e., on the above material factors).

It should be noted that the Greek tax residency rules are currently under revision as analyzed in the following pages.

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## Income tax

### Liability for income tax

Greek tax law currently does not provide for a "number of days rule" when it comes to residency issues. The 183-day rule is being introduced on the basis of a draft law, which is under ratification by the Greek parliament. The rules governing the individual's income taxation will be determined by reference to the individual's tax residency status (i.e., Greek tax resident or non-Greek tax resident).

### Tax trigger points

The taxability of employment income of non-Greek residents is determined by reference to the applicable double tax treaty for the avoidance of double taxation (if any).

On the assumption that the individual is registered as a non-Greek tax resident and in case of future tax audit, the Greek tax authorities might require tax residency certificates for the individual in order to evidence/support that the individual is tax resident (and therefore subject to tax on the individual's worldwide income) in another jurisdiction/state. An individual who is not in a position to provide the requisite documents will automatically be classified as a Greek tax resident by the tax authorities, who will seek to assess tax on the individual's worldwide income plus penalties (if applicable) for inaccurate filings (when due).

### New tax residence provisions

According to a new tax bill submitted to the Greek Parliament on February 21, 2011, the definition of tax residence is introduced on the basis of OECD Guidelines. The concept of usual (permanent) residence is determined for tax purposes in Greece if someone resides in Greece for more than 183 days in total within the same calendar year. The usual residence is assumed to exist, unless the taxpayer proves the opposite; however, the type of evidence required is not described in the tax bill.

### Tax rates

The income tax scale and corresponding tax rates for all individuals for 2011 are as follows (amounts in euros):

Income bracket	Tax rate	Tax per bracket	Aggregate income	Aggregate tax
First 12,000	Exempt	0	12,000	0
Next 4,000	18 percent	720	16,000	720
Next 6,000	24 percent	1,440	22,000	2,160
Next 4,000	26 percent	1,040	26,000	3,200
Next 6,000	32 percent	1,920	32,000	5,120
Next 8,000	36 percent	2,880	40,000	8,000
Next 20,000	38 percent	7,600	60,000	15,600
Next 40,000	40 percent	16,000	100,000	31,600
Exceeding 100,000	45 percent			

Source: KPMG in Greece, June 2010

An individual whose usual residence is in Greece and is subject to taxation for global income in a country that has not signed a double tax treaty with Greece, and such country is not on the list of noncooperating countries, is subject to taxation in Greece for the first three years. Therefore, such an individual who is subject to taxation in Greece for income arising in Greece should submit an income tax return.

Only the tax that has been paid in a country with which Greece has signed a double tax treaty will be credited in Greece. This provision does not take into consideration that many Greek residents work in countries with which Greece has not signed a double tax treaty (e.g., FYROM, Serbia, etc.).

If the individual wishes to transfer residence to another country, the individual is obliged to provide evidence, such evidence to be determined subsequently through a Ministerial Decision.

A Greek tax resident cannot be considered to have changed tax residence and become a tax resident of a country included in the list of noncooperating countries issued by the Ministry of Finance. Furthermore, a Greek tax resident who transfers residence or usual residence to a country with a preferential tax regime but retains substantial financial interests in Greece is considered to be subject to tax in Greece for global income for a period of five years after the change in residence. This period commences from the filing of the declaration for the change of the residence. Such provisions may be subject to a Constitutional challenge.

### Types of taxable income

Taxable income is classified into six categories (real estate, investment, employment, agricultural, business, and professional). Although income from each source is separately computed, individuals are subject to tax on the aggregate of income from all categories.

Married persons are subject to tax separately on their own income but are required to file a joint tax return.

For foreign tax resident individuals, with the exception of EU residents earning 90 percent of their income in Greece, the progressive income tax rates commence at 5 percent, not 0 percent, and they have a lower amount of tax deductions.

## Social security

### Liability for social security

According to Greek law, all employers must register their employees with the relevant Greek social security fund on commencement of employment in Greece. In addition to the basic social security funds, employed persons must also be covered by a supplementary insurance fund. The main funds applicable to employed persons are the Social Insurance Fund (IKA) and the Employees' Supplementary Insurance Fund (TEAM). All employers are required to register their employee with IKA in the area where their operations are located. Their registration with and contributions to TEAM are dealt with by the IKA offices.

## Compliance obligations

### Employee compliance obligations

Personal income tax returns must be filed between March 1 and May 31 of the year following the end of the relevant tax year. The tax year for individuals is the calendar year.

Pensioners, salaried individuals, non-Greek residents who earn Greek-sourced income, and Greek residents who earn foreign-sourced income file tax returns in May. Individuals who declare income from agricultural activities file tax returns in April. Individuals who declare income from commercial activities (self-employment), on the condition that they keep accounting books or earn income as freelance professionals, file tax returns in April.

Individuals earning income from commercial activities, freelancers, as well as those whose income tax return is filed by an authorized accountant are required to file their respective returns via the Internet.

The filing date depends on the last digit of an individual's Greek tax number (AFM).

### Employer reporting and withholding requirements

Under Greek tax law, employment income is taxable in the hands of the employee in the year in which the employee is entitled to claim such income, whereas income tax withholding should be effected by the employer. Employers are under an obligation to withhold Greek income tax on the remuneration paid to employees in Greece on a monthly basis (in Greece, salary is payable 14 times per year). Amounts of payroll tax withheld on a monthly basis should be remitted by the employer to the tax authorities on a bimonthly basis (an exception applies for employers who employ more than 500 people in Greece, in which case the tax withheld must be remitted monthly).

## Other

### Work permit/visa requirements

Citizens of EU member states, of the states of the European Economic Area (i.e., Iceland, Liechtenstein, and Norway), and Swiss citizens must apply for the appropriate type of certificate of registration of EU citizens (i.e., for the provision of dependent employment services, for the provision of non-salaried services, etc.) if they wish to work in Greece or decide to take up residence in Greece. A visit of up to three months does not require a permit.

Citizens of countries outside the EU must apply for work visas before arriving in Greece if they wish to work in Greece and apply for a resident permit immediately upon arrival.

Because the application procedure for work visas is lengthy, the procedure should be commenced well in advance of the planned date of arrival.

Some non-EU citizens may require visas to enter the country even for vacations or short business trips.

### Double taxation treaties

Greece has entered into double taxation treaties with more than 40 countries to prevent double taxation and allow cooperation between Greece and other tax authorities in enforcing their respective tax laws.

### Permanent establishment implications

Entities established in Greece are resident in Greece for tax purposes and are taxable on their worldwide income. A foreign entity is subject to Greek corporate tax on income arising in Greece if it has, or is deemed to have, a permanent establishment in Greece.

Foreign enterprises are generally regarded as having a permanent establishment in Greece if they:

- Maintain one or more branches, agencies, offices, warehouses, plants, laboratories, or other facilities in Greece for the purpose of exploiting natural resources
- Are engaged in manufacturing activities or the processing of agricultural products
- Transact business or offer services through a representative in Greece who is authorized to negotiate and conclude contracts on behalf of the foreign enterprise
- Render services of a technical or scientific nature in Greece, even without a representative
- Keep inventories of merchandise for their own account out of which they fill orders
- Participate in a personal or limited liability company (partnership or EPE)

These criteria are superseded by the provisions of the double taxation treaties concluded by Greece with other countries, which include a narrower definition of a permanent establishment.

### Indirect taxes

Indirect taxation provides more than 50 percent of the state's tax revenue.

A value-added-tax (VAT) was introduced in Greece in 1987 and is the most important indirect tax. The basic VAT rate applicable to all goods and services is 23 percent, except for some goods where a reduced rate applies.

### Transfer pricing

The main anti-transfer pricing provision of Greek tax law is article 39 of Law 2238/1994, which implements the arm's-length principle. In particular, the recently enacted law 3842/2010 provides that where domestic enterprises or a domestic and a foreign enterprise enter into transactions that take place under financial terms different from those that would have been agreed had the agreement been concluded with another (unrelated) party under similar market circumstances (that is, the arm's-length price), the difference is deemed as profit of the enterprise receiving less or paying more than the arm's-length price.

If a transfer pricing case is established, the tax authorities disallow the amounts exceeding the arm's-length charges for corporate income tax purposes (or adjust the revenue accordingly) and assess a penalty amounting to 20 percent of the respective difference identified for balance sheets closing from December 31, 2010 onwards.

Law 3728/2008 introduced documentation requirements for transfer pricing purposes and the amendment in the provisions of Law 2238/1994 also provides that the threshold of the value of the transactions on the basis of which an exemption from the documentation obligation is provided is reduced from EUR 200,000 to EUR 100,000.

### Local data privacy requirements

Services performed within Greece shall comply with the provisions of the Greek and EU legislation regarding the protection of personal data. Greece has incorporated European directives regarding the protection of personal data.

### Exchange control

There are no foreign exchange control restrictions. However, all monetary transfers abroad must be **effected** through commercial banks in Greece. When approving such transfers, commercial banks are obliged to ensure that the payment has been subject to or are exempt from withholding tax.

Payments and other transfers relating to current transactions between residents and nonresidents must also be made through commercial banks operating in Greece, which may ask for certain supporting documentation (related to the authenticity of the transaction) prior to making payments.

### Nondeductible costs for assignees

Non-Greek residents are not allowed any deductions from their income, unless they are citizens of the European Union earning more than 90 percent of their global income in Greece. If this condition applies, EU citizens are entitled to the tax-free bracket and most of the tax credits. European Union citizens who wish to claim these deductions should provide the Greek tax authorities with a certificate issued by the tax authority of the country where they are declared as residents, stating the amount of their worldwide income and the amount of Greek-sourced income.

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