

## Termination of residence

Tax compliance requirements stop existing when leaving Greece. However, the assignees who received income for services rendered in Greece (which is taxable in Greece) have the obligation, to submit an income tax return for this income and pay corresponding tax thereon. In case the individual has no intention returning to Greece for another assignment after submission of the required income tax returns the individual may notify with the Greek tax authorities on his/her permanent departure from Greece.

## Short-term assignments

Regarding short-term assignments, the tax treaties usually dictate that the resident of another country will not be subject to income tax in Greece where the following are cumulatively true:

- The individual is present in Greece for 183 days or less in any tax year.
- The remuneration is received from an employer who is not a resident of Greece.
- The remuneration is not deducted as an expense of a permanent establishment which the employer has in Greece.



*This guide has been prepared by KPMG in cooperation with "C. Papacostopoulos and Associates Law Firm" (CPALaw)*

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# EX-PAT taxation in Greece



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## Residence status

Greek law stipulates different tax treatment for the Greek and non-Greek tax residents. The determination of whether an individual is Greek resident or not depends on the individual's intention to adopt Greece as the permanent place of residence, which must be apparent from objective evidence such as the acquisition of a house. Therefore, physical presence alone does not necessarily imply Greek resident status. The fundamental difference in the tax treatment of Greek and non-Greek residents lies in that individuals who are Greek residents are subject to tax in Greece on their worldwide income whereas, non-Greek residents are taxed only on their Greek-source income.

## Taxable income

Regarding the types of compensation which constitute the taxable income, the overriding assumption is that remuneration for services provided in Greece (employment income) is taxed in Greece. In addition, benefits which are deemed to be employment income include the value of gift vouchers, the value of marketing vouchers for the purchase of goods with the exception of food vouchers up to EUR 6, the amount of paid or deemed housing allowance, the payments of personnel in-house assistance and allowances paid to employees by reason of their position and responsibility undertaken (the list is not exhaustive and is valid for benefits provided after 1 January 2005). However, in accordance with jurisprudence, the reimbursement of expenses incurred by the employee for the purposes of carrying out assigned employment duties should not be deemed to be employment income to the extent that the appropriate tax record has been issued in this respect.

Regarding expatriate's compensation package, income from employment includes all amounts paid along with benefits-in-kind, cost-of-living allowances, expatriation premiums, reimbursements of foreign and/or home-country taxes and deferred compensation schemes, on condition that respective amounts relate to services provided in Greece. However, school tuition reimbursements, the cost of air tickets provided to expatriates and their families for annual trips to their country of origin along with the use of a company car constitute typical elements of an expatriate's compensation package that are non-taxable.

## General deductions from income

Certain personal deductions and allowances are available to Greek residents in computing their taxable income. In addition respective deductions and allowances are also available to citizens of the European Union earning more than 90% of their global income in Greece but they are not available to non-Greek residents. Such deductions and allowances are deductions for dependent children, the mandatory employee-portion of social security contributions on employment income, life insurance premiums up to EUR 1 200 for both spouses, monetary donations and the losses incurred from business activities which may be offset against income from employment. Additionally, 40% and up to EUR 8 000 of the expenses for brokers conservatories, dance schools, gymnastics, ballet rooms, martial arts, wrestling and other similar sports, swimming pools, fitness and beauty institutes, hairdresser's, dieticians, homeopathic, logo-physician, masseurs, wedding and christening receptions and expenses for facilities of food and entertainment services except for fast food restaurants as well as the expenses for provision of services for restoration or conservation of air-conditions and ventilation systems and for services provided by plumbers, electricians, oil-painters and other professionals who work on restoration and conservation of buildings are deductible, provided that they have been affected in Greece. Further deductions are available where the taxpayer and/or his/her dependents are disabled.

## Declared income vs. imputed income

The legal provisions designed to prevent tax evasion specify that individuals filing a tax return in Greece are taxed on the higher of their declared income or imputed income. Income is imputed on the basis of living expenditure or acquisition of certain assets (i.e. the manufacturing price and/or the engine size of owned motor vehicles, the repayment of loans, the purchase of real estate, etc). Imputed income will constitute taxable income if it exceeds actual income reported on the income tax return by more than 20% of the declared family income (that is that of the taxpayer, his/her spouse and his/her dependents). Where more than two living expenditure items are declared that give rise to imputed income, respective amounts corresponding to the third and any subsequent living expenditure item are increased by 10% each. Such an increase may not exceed two times the value of the larger expenditure item declared and does not apply where the aggregate amount of such expenditure is less than EUR 7 350.

## Tax rates

### Residents

Income tax rates for income earned in 2008 (resident income tax table – amounts in EUR):

Income tax table for 2008			
Taxable income bracket		Total tax on income below bracket	Tax rate on income in bracket
From	To		
EUR	EUR	EUR	Percent (%)
0	10 500	0	0
10 501	12 000	225	15
12 001	30 000	5 085	27
30 001	75 000	21 735	37
75 001	Excess		40

### Non-residents

Income tax rates for income earned in 2008 (non-resident income tax table<sup>2</sup> - amounts in EUR):

Income tax table for 2008			
Taxable income bracket		Total tax on income below bracket	Tax rate on income in bracket
From	To		
EUR	EUR	EUR	Percent (%)
0	10 500	525	5
10 501	12 000	750	15
12 001	30 000	5 610	27
30 001	75 000	22 260	37
75 001	Excess		40

For tax payers with employment income and pensioners, the amount of the tax free bracket (first bracket) in the first table above is increased by EUR 1 500 to EUR 12 000, while the income tax bracket that is taxed at 15% (second bracket) is deleted from the scale.

The tax-free amount of the first income bracket (as determined) is increased as follows depending on the number of children (amounts in EUR):

Number of children	Increased tax-free bracket
1	1 000
2	2 000
3	10 000
4	11 000

For taxpayers with more than four dependent children, the tax-free bracket increases by an additional EUR 1 000 for each additional child.

## General tax credits

Once the tax has been calculated, several tax credits apply. Particularly, 20% tax credit is provided for rental payments under several conditions and up to EUR 1 200, for medical and hospital care expenses for the taxpayer and his/ her dependents up to EUR 6 000, for education expenses up to EUR 1 200, for interest on loans for the acquisition of the taxpayer's first residence and for alimony (not exceeding EUR 3 000) paid.

## Dates and penalties

Personal income tax returns must be filed between 1 March and 31 May of the year following the end of the relevant tax year. The tax year for individuals is the calendar year (ends on 31 December each year). Pensioners, salaried individuals, non-Greek residents who earn Greek-source income and Greek residents who earn foreign-source income file tax returns in May. The filing date depends on the last digit of an individual's Greek tax number (AFM).

Penalty for the late filing of tax returns amounts to 1% of the tax due for each month of delay, with maximum 100% of the tax which was to be avoided by the failure to file a timely tax return. Penalty for failing to file a tax return amounts to 2.5% of the tax underpayment for each month of delay (maximum 200%). Finally, the penalty for filing of an inaccurate tax return amounts to 2% of the underpayment, for each month of delay (maximum 200%). In case no tax is due, fines ranging from EUR 117 to EUR 1 117 are imposed for the above omissions or delays.

