New draft law on "Family Offices" submitted for vote to the Greek Parliament

Following various legislative measures adopted to attract non-domestic investors to move their tax residence to Greece, the government is preparing another package of incentives to attract the wealthy; it establishes "Family Offices" ("FO") to manage their assets and initiates a plan that would provide incentives for such offices to operate in Greece, with a view to attracting ultra-high-net-worth individuals (UHNWI[1]) to move their tax residence to Greece.

According to the official announcements of the Minister of Finance, the main benefit Greece is expecting to gain thereof is not only the taxes they will attribute to the state, but also parallel activities that will help boost the Greek economy.

A definition of FOs may be concluded based on the international practice[2]; they are private wealth management advisory firms that serve UHNW investors, offering a total outsourced solution to managing their financial and investment needs, from investments to taxation, philanthropy or even the payroll of individuals in the family's service. By using an FO, UHNWIs can leverage economies of scale and access high calibre advice from a team of specialists (lawyers, accountants, financial/investment advisors, e.t.c.).

The above legislative initiative is expected to complement the already existing "Non-Dom" tax regime[3], which was firstly introduced in Greece by Law 4646/2019[4] and further enriched by Law 4714/2020[5] and Law 4758/2020[6]. In a nutshell, the Non-Dom tax regime of article 5A of the ITC[7] provides the exhaustion of tax liability for any foreign-sourced income by paying an annual flat tax of €100.000, regardless of the amount of income earned abroad and with no obligation to declare any foreign income in Greece. Said regime also provides for an exemption from any inheritance or donation tax regarding any property abroad, whereas it may also extend to family members of the individual by contributing for each member annually an additional flat tax of €20.000.

This special regime does not impact the tax treatment of the Greek-sourced income and thus, the latter is taxed according to the general ITC's rules. Two main requirements need to be met in order to become a Greek Non-Dom tax resident:

- ✓ the individual was not a Greek tax resident in the previous 7 out of 8 years prior to the transfer of the tax residence in Greece, and
- ✓ the individual himself or through a legal entity or one of his relatives (i.e. spouse, direct ascendants or descendants) has invested or will invest at least 500.000€ in Greece.

---

[1] According to Investopedia (https://www.investopedia.com/terms/u/ultra-high-net-worth-individuals-uhnwi.asp) and Wikipedia (https://en.wikipedia.org/wiki/Ultra_high-net-worth_individual), UHNWI are people with investable assets of at least $30 million.
[2] FOs operate in many countries worldwide, including USA, Denmark, Sweden, Netherlands, Germany, Belgium, United Kingdom, Australia, Dubai, Singapore, e.tc.
[3] Individuals may benefit from the favorable Greek Non-Dom regime as of the tax year 2020 onwards.
[4] Said Law added article 5A in the Greek ITC.
[5] Said Law added article 5B in the Greek ITC.
[6] Said Law added article 5C in the Greek ITC.
[7] Greek Income Tax Code – Law 4172/2013.

Individuals subject to the Golden Visa program under Law 4251/2014 art. 16 are not liable to prove investments in Greece in order to become Non-Dom Tax residents.

In addition, the new article 5C of the ITC provides a special method for taxing income from salaried work and business activity acquired in Greece by individuals who transfer their tax residence therein, provided that the following preconditions are cumulatively met:

- ✓ He was not a tax resident in Greece for 5 out of the 6 years prior to the transfer of his tax residence to Greece.
- ✓ He transfers his tax residence from an EU's or an EEA's Member State or from a state with which an administrative cooperation agreement in the field of taxation is in effect with Greece.
- ✓ He provides services in Greece in the context of an employment relationship[8] at either a Greek legal entity or at a permanent establishment of a foreign entity in Greece.
- ✓ He declares that he will remain in Greece for at least 2 years.

Under the above regime, the taxpayer is exempt from income tax and from the special solidarity contribution[9] for 50% of his income from salaried work/business activity acquired in Greece during the tax year. The above provisions apply to income for the tax year for which the individual's application for the transfer of its tax residence is submitted and expire after the lapse of 7 tax years; an extension on the above period cannot be granted.

Finally, all the above legislative initiatives are expected to highly encourage and stimulate investments and consumption in Greece, fostering thus growth in the Greek economy at a time when most desired.

[8] Within the meaning of Article 12(2) of the ITC.
[9] Article 43A of the ITC.