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TAX PRACTICE

## Introducing Family Office's Regime in Greece

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# Introducing Family Office's regime in Greece

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Another tax measure aiming to make Greece an even more attracting destination for HNWIs' economic activity has been ratified by the Greek Parliament and relates to the introduction of Greek single family offices providing a wide range of services tailored to meet the needs of HNWIs.

In rough lines, such new regime provides for the management of the wealth of individuals and their family members, tax residents in Greece, which can be carried out by special purpose corporate vehicles (i.e. family offices) that operate in any legal form, except that of non-profit legal entities. Further ministerial guidance is expected to be provided in the near future as regards the detailed scope of services that can be rendered by the family offices as well as other details for such regime's implementation.

### 1. Key conditions for this regime to apply

For the lawful operation of such vehicles the following conditions should be cumulatively met:

- 1) The family office should employ in Greece at least five (5) individuals within 12 months of its establishment;
- 2) The office should incur operating costs in Greece of at least EUR 1 million on an annual basis.

### 2. Family members and employees

Greek tax residents family members, as well as legal entities in which family members participate can be involved as members in a family office. For the purposes of the current provision, as family members are considered:

- 1) The spouse of the individual;
- 2) Their unmarried children;
- 3) The unmarried children of the other spouse, in case that the custody has been legally assigned to each one respectively;
- 4) The parents of the spouses.

Under the said regime, special purpose companies are entitled to engage people specialized in different fields in relation to the provided services. However,

individuals who are involved in a family office as members cannot be employed by the same entity.

### 3. Determination of taxable income

The gross income stemming from the services provided by family offices and which can be received only through bank transfers is determined on the basis of the cost plus method, i.e. with the application of a mark-up set at 7% on their total business expenses and depreciations excluding corporate income tax. All expenses, on which the mark up applies, shall be tax deductible for income tax purposes, on the condition that they are supported by fiscal records complying with the Greek GAAP legislation.

Transactions carried out between the family office and the family members are considered as incurred within a single entity and therefore fall outside the scope of VAT.

### 4. Remarks/Issues to further consider

Looking at this new single family office's regime it is apparent that it has been explicitly designed to operate in combination with the non-dom structures related to the transfer of tax residency in Greece of HNWIs. In this respect, the fact that the Greek tax residency of the family members is a prerequisite for the application of this new regime for family

offices indicates the target of the Government which is to incentivize HNWIs who wish to repatriate in Greece along with their families rather than to establish a family office regime that would operate also for international families, although extension to the latter as well may be well considered in the future so as for this regime to become even more effective and alluring. In parallel, the rather high amount of the annually required expenditure could also discourage HNWIs from opting for such a regime taking also into account the lower amount of expenses required in other jurisdictions for setting up similar structures, whereas the notion of a single family office, as introduced under this current scheme, disregards the emerging trend as to the operation of multi-family offices able of supporting multiple families to manage their wealth. Last but not least, tax residence issues for foreign entities holding family assets, the management of which is made through a local family office, should be well assessed so as the application of place of effective management Greek rules not to apply, whereas the deductibility of the input VAT on the expenses to be incurred at the level of the family office could also be a thorny issue.

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