

Tax treatment of Trusts and Foundations

On 26 July 2017 the Independent Authority for Public Revenues issued Circular POL. 1114/2017 that provides guidelines for the tax treatment of trusts and foundations, shedding light on a long-standing unresolved matter under Greek law.

Tax treatment of Trusts

Pursuant to the above Circular, for income tax purposes, trusts are to be treated as transparent entities for the years up to 2013 and as opaque entities for the years onwards. For gift and inheritance tax purposes, trusts should be treated as transparent entities.

The following table summarises the key points of the Circular on the tax treatment of trusts:

Taxable events	Years until 31.12.2013	As of 01.01.2014 onwards
Transfer of assets into the trust	Non taxable event (upon the settlement of the assets into the trust)	
Undistributed income arising within the trust	Income tax liability at the level of the settlor depending on the type of income (e.g. interest, dividends, capital gains)	Possible taxation at the level of the settlor as business income under the CFC rules
Distributions from the trust	No income tax liability	Taxation of the distributions received by the settlor as dividends
Transfer of the trust's assets to other beneficiaries	Such transfer is treated as gift or inheritance and is taxed according to the gift/inheritance tax scale applicable depending on the kinship between the settlor of the trust and the recipient of the assets	
Dissolution of the trust and transfer of the assets to the settlor	Non taxable event	Non taxable event, to the extent the funds are considered as "capital repayment". The amount exceeding the capital initially transferred to the trust is taxed as dividend.

Tax treatment of Foundations

Pursuant to the above Circular, for income tax purposes, foundations are to be treated as opaque entities. For gift and inheritance tax purposes, foundations should be treated as transparent entities.

The following table summarises the key points of the Circular on the tax treatment of foundations:

Taxable events	Years until 31.12.2013	As of 01.01.2014 onwards
Transfer of assets into the foundation	Non taxable event (upon the transfer of assets from the founder to the foundation)	
Undistributed income arising within the foundation	No income tax liability arises	Possible taxation at the level of the founder as business income under the CFC rules
Distributions from the foundation	The founder is liable to income tax for any distribution received from the foundation according to the tax scale applicable for freelancers	Taxation of the distributions received by the founder as dividends
Transfer of the foundation's assets to other beneficiaries	Such transfer is treated as gift or inheritance and is taxed according to the gift/inheritance tax scale applicable depending on the kinship between the founder and the recipient of the assets	
Dissolution of the foundation	Non taxable event, to the extent the funds are considered as "capital repayment". The amount exceeding the capital initially transferred to the foundation is taxed according to the tax scale applicable for freelancers.	Non taxable event, to the extent the funds are considered as "capital repayment". The amount exceeding the capital initially transferred to the foundation is taxed as dividend.

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