

Law 5313/2026:  
Key Tax Reforms  
for Foreign  
Investment  
Funds,  
Investment  
Management  
Companies and  
Carried Interest

Law 5313/2026 (Government Gazette A' 102/25.06.2026) introduces significant amendments to the Greek tax framework applicable to investment funds and investment management activities. The new provisions clarify the tax treatment of foreign investment funds, introduce safe harbors against the creation of Greek tax residence and permanent establishment in specified circumstances, and expand the existing carried interest regime to cover contractual performance-based remuneration.

## Tax Treatment of foreign funds

Article 97(1) of Law 5313/2026 amends Article 56 of Law 4706/2020, clarifying the tax treatment of Alternative Investment Funds (AIFs) falling within the scope of Directive 2011/61/EU (AIFMD). The amendment corrects a legislative cross-reference and confirms that foreign EU AIFs remain outside the scope of Greek income taxation.

The legislation further extends the same tax treatment to corresponding collective investment vehicles (hereafter “CIVs”) established outside the European Union, provided that:

- they are not established in jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes; and
- they are supervised, directly or indirectly through their manager, by a competent authority accredited with the International Organization of Securities Commissions (IOSCO).

According to the explanatory memorandum, the notion of CIVs follows the OECD approach and refers to regulated, widely held investment vehicles holding diversified investment portfolios. As a result, the same tax treatment now applies to qualifying collective investment vehicles established both within and outside the European Union.

# Tax Residence and Permanent Establishment

The reform also introduces an important statutory safe harbor designed to facilitate the establishment of investment management functions in Greece.

Firstly, the legislation confirms that the investment activities of qualifying AIFs and CIVs in Greece do not, by themselves, create Greek tax residence or a permanent establishment. This protection extends not only to the investment funds themselves, but also to legal persons and legal entities in which the relevant funds directly or indirectly hold at least 95% of the participation interests and which operate exclusively as holding or investment vehicles ("investment entities"), as well as to fund managers and investors.

Secondly, the legislation provides that the provision of portfolio management, investment management, investment advisory and ancillary services by a Greek management company does not, in itself, create Greek tax residence or a permanent establishment for the relevant investment funds, their investment entities (including sub-funds), fund managers or investors.

These provisions significantly strengthen legal and tax certainty for international fund structures and remove an important source of uncertainty for groups considering the establishment of investment management functions in Greece. This is particularly important for hedge funds and other actively managed strategies, where investment decisions are often taken in real time and operational realities do not always align with traditional governance models.

# Performance-Based Remuneration and Carried Interest

Article 96 of Law 5313/2026 expands the existing carried interest framework under Article 42(9) of the Greek Income Tax Code (hereafter “ITC”).

While the previous regime was limited to carried interest received by members of the management team of Greek Venture Capital Mutual Funds (AKES), the new legislation expressly introduces the concept of performance-based remuneration (on an employment contract basis). Such remuneration consists of contractual remuneration linked to the investment performance of qualifying investment structures and is treated, for Greek tax purposes, under the same framework applicable to carried interest.

Accordingly, performance-based remuneration contractually paid by Greek ManCos to related Alternative Investment Fund Managers or to equivalent managers of qualifying CIVs, is treated as capital gains for Greek tax purposes and is subject to a 15% tax rate under Article 42(9) ITC.

Law 5313/2026 also amends Article 47(11) of the Greek Income Tax Code. Under the new provision, performance-based remuneration paid as per the above constitutes a deductible business expense for companies within the meaning of Article 45 ITC, provided that an amount equal to such remuneration has previously been recognised as business income by the paying entity (fund manager). The amendment ensures symmetry between the taxation of the recipient and the corporate tax treatment of the payer by expressly allowing a corresponding tax deduction.

# 5% Tax Rate on Performance-Based Remuneration for Individuals Relocating to Greece

Article 96 Law 5313/2026 also introduces specific rules governing the taxation of qualifying performance-based remuneration received by individuals transferring their tax residence to Greece under the inbound taxpayer regime set out in Article 5C ITC.

Qualifying performance-based remuneration is subject to a 5% tax rate, provided that:

- the individual transfers his or her tax residence to Greece pursuant to Article 5C and enters into an employment relationship with a qualifying Greek entity; and
- the employing entity incurs annual operating expenses of at least €3 million in Greece (pro-rated where applicable).

The reduced tax rate applies for a maximum period of seven consecutive tax years.

Finally, the legislation introduces an allocation rule for performance-based remuneration relating to periods preceding the transfer of tax residence. Where such remuneration relates partly to services performed before the individual became a Greek tax resident and commenced employment with the qualifying Greek entity, only the portion attributable to the period of Greek tax residence and employment falls within the scope of the special regime.

The amendment aligns the taxation of deferred performance-based remuneration with the period to which the remuneration economically relates and reduces timing mismatches that may arise in cross-border mobility cases.

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