

**DOING  
BUSINESS  
IN**

**GREECE**



**HLB** Hellas SA

Certified & Registered Auditors



*doing business  
in Greece*

# *foreword*

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Laws in Greece regulating business and taxation are numerous and quite complex. Therefore, we would advise you to consult with HLB Hellas in Greece before taking any specific action.

HLB Hellas SA  
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# general information

## **LOCATION, POPULATION, LANGUAGES AND CURRENCY**

Greece (official name Hellas) is located at the southeastern edge of Europe and has a vast number of islands. Due to its long coastline and numerous islands, it features the 11th longest coastline worldwide, approximately 14,000 kilometres. Greece is ideally located as an entry point to the European Union from the Middle East, North Africa and some Balkan countries. Greece's time zone is seven hours ahead of New York and six hours behind Tokyo, making it possible to work both with the west and the east when operating from Greece during normal working hours.

Greece enjoys a pleasing Mediterranean climate with mild, wet winters and hot, dry summers.

According to the Hellenic Statistical Authority (ELSTAT) the population of Greece in 2011 was approximately 11m. Athens is the largest city and Capital of Greece, while its urban area also includes Piraeus, the country's largest port. About 40% of the population lives in the wider Attica area, primarily Athens and Piraeus, while another 1,000,000 people approximately live in Thessaloniki, which is the second largest city of the country located in Northern Greece. Other major cities with urban population exceeding 100,000 inhabitants include Patras, Heraklion, Larissa, Volos, Rhodes, Ioannina, Chania and Chalcis. The official language of the country is Greek; English is also widely spoken, followed by German and French.

Having been a full member of the European Monetary Union (EMU), Greece replaced its national monetary unit, the Greek Drachma (GRD), with the Euro (EUR) as of 1 January 2002 at a conversion rate of 1 EUR : 340.75 GRD.

Except for its membership with the European Union, Greece participates as a member in a series of commercial and financial organisations, the most important of which are the following:

- World bank group
- International Monetary Fund
- European Bank for Reconstruction and Development
- United Nations Industrial Development Organization
- Organisation for Economic Co-operation and Development
- World Trade Organisation

## **POLITICAL AND LEGAL SYSTEMS**

Greece is a Presidential Parliamentary Democracy. Members of parliament are elected for a four-year period. The nominal head of the State is the President of the Republic, who is elected for a five-year period by Parliament. According to the Constitution, which contains 120 Articles and has been revised for a third time in 2008, a separation of powers is provided into three branches: the executive, the legislative and the judicial. The government is the executive branch and comprises the Prime Minister, leader of the political party that can obtain a vote of confidence from Parliament, and the cabinet members who are appointed as heads of the various Ministries. Legislative powers are exercised by the 300-member Parliament, elected by popular vote. Laws are voted on by Parliament; enactment requires

ratification by the President. The judicial branch is independent of Parliament and the Government, is divided into two branches and comprises three Supreme Courts: the Court of Cassation, the Council of State and the Court of Auditors. The Court of Cassation is the Supreme Court for civil and penal justice, while the Council of State is the Supreme Court for administrative justice. The Court of Auditors (or Chamber of Accounts) is also a supreme administrative court, whose jurisdiction is limited to certain particular areas; its decisions are irrevocable and out of the control of the Council of State.

The legal system in Greece is particularly influenced by German and French law and is considered a member of the family of European laws. Greek law is, at its largest part, codified. Sources of law lie only on enacted laws, with custom and international law used in a complementary manner; the importance of custom, however, is minimal and it is used only in accordance with enacted law. Constitutionally, generally accepted rules of international law as well as ratified international treaties become part of domestic law.

## **ECONOMY AND INFRASTRUCTURE**

Up to and including 2008, the Greek economy achieved high growth rates. However, since 2009, Greece has been facing the most severe consequences of the debt crisis apparent in the Eurozone. The problem became intense when the government deficit for 2009 was revised from an estimate of 6% to 15.4% of GDP, following an excessive deficit procedure methodological mission in Athens. As a means of achieving fiscal consolidation, the country sought and received substantial financial aid from a trilateral mechanism comprising the EU, the IMF and the ECB; in exchange the government has committed in taking all the necessary financial measures and proceeding with the required reformation of the public sector in order to make sure that the country's debt will ultimately become manageable.

The measures applied, including inter alia the drastic limitation of public spending, resulted in a deterioration of GDP, which decreased by 3.4% in 2010 and further by 6.9% in 2011. During 2011, with the recession being admitted to be deeper than initially expected, creditors holding Greek bonds have agreed to a haircut of approximately 50%. In spite of the country's poor debt position and additional measures of the order of €11.5 billion that need to be implemented during 2012-2013, it is expected that reforms and restrictive policy implementations will begin to return positive results, from 2013 onwards. The reformation policies under implementation aim at the development of a more attractive investment and business environment, including, among others, new investment incentives, flexibility in the labour market that will result in lower production costs and market efficiency through the liberalisation of a number of markets and faster licensing procedures.

Greece has considerably improved in terms of infrastructure during the past decade and particularly in the context of the Olympic Games held in Athens. Improvements made include the road and rail network, upgrading port facilities, building and extending sub-way lines and the construction of the Athens International Airport. Except for the improvement in the living standards of people in urban areas, the investments in infrastructure have facilitated transportation, thus enabling Greece to operate as an international hub.

According to the Association of Greek Tourism Enterprises, in 2011, tourism had a contribution of 16.5% to GDP and accounted for a direct or indirect contribution to employment of 18.5%. Another further 6% approximately is contributed by the shipping industry with the corresponding contribution to employment being at 4%. Notably, Greece has the largest merchant navy in

the world calculated as a percentage of the global 'dmt'. Other significant industries include agriculture and fishery, telecommunications and energy.

# investment factors

## PREVAILING CONDITIONS

As already indicated in the Economy section, Greece is currently implementing a strict fiscal programme and serious economic reforms in exchange to the aid received from its partners in EU and the IMF. The government has expressed its willingness in privatizing various public entities (banks, transport, utilities-energy), with a view of immediately securing funds, but also as a tool to attract permanent investment in Greece.

Among the other measures detailed in various strategic reform plans, the investment incentives scheme has recently been amended to encourage development for economic recovery. The long run focus is to form favourable conditions that will facilitate new investments, create new jobs and promote healthy competition. Local investment centres have already been established in order to facilitate investors in acquiring the necessary licenses and permits required by Greek law; further procedures have been enacted to expedite the establishment of legal entities.

## APPLICABLE INCENTIVES

The most recent investment law 3908/2011 was enacted in early 2011 and replaced the incentives scheme applicable since 2004; it is harmonized with the Regional Aid Map applicable in the EU for the period 2007 to 2013 and outlines regional aid guidelines as well as maximum permissible limits of state aid. Applicants are in many cases able to select one or more of the available incentives.

Qualifying investments may be partly compensated against the following incentives, which can be granted

individually or in combination:

- tax relief
- cash grant
- leasing subsidy.

## Permissible investments

Investment law 3908/2011 describes in detail what types of investments do not fall within its provisions; in this regard it is the investor's responsibility to examine whether an investment project qualifies. Qualifying investments are divided into two major groups as follows:

General Investments <i>(Further divided into)</i>		
	Investment Type	Incentive
1	General Business	Tax relief
2	Technological Development	Cash grant or leasing subsidy covering 80% / 90% of the entire subsidy for existing or new businesses, respectively. The remaining balance is covered by tax relief
3	Regional Cohesion	Cash grant or leasing subsidy covering 70% / 80% of the entire subsidy for existing or new businesses, respectively. The remaining balance is covered by tax relief

Specific Investments <i>(Further divided into)</i>		
	Investment Type	Incentive
1	Youth Entrepreneurship: Investments relating to the formation and operation of small enterprises; at least 50% of the capital should be held by individuals under 40 years of age who exclusively manage the company.	Subsidies include cash grants for the first five years of operation (up to EUR 500,000 in total) or leasing subsidies (up to EUR 1 million in total); specific categories of expenses may also qualify for coverage. The maximum incentive provided per year cannot exceed 33% of the total incentive granted.

2	Substantial Investments: It refers to investments of at least EUR 50 million	The cash grant or the leasing incentive cannot exceed 60% of the entire aid provided.
3	Integrated Long term Business Projects: It refers to long term (2 to 5 years) integrated plans for businesses already operating for at least 5 years. Minimum investment is set at EUR 2 million, targeting at technological, administrative, organizational and business modernization development costs	Tax relief
4	Synergy and Networking: Investments programmes by groups in order to develop competitive business advantages, or best utilize infrastructure created with the aid of national and European financing, or contribute to the adaptation of specific and geographically defined productive activities and services towards a modern financial and technological environment.	All types of incentive

each prefecture. In general, smaller enterprises and least developed prefectures are entitled to receiving the higher subsidies.

For some investments implemented in some islands and remote or underdeveloped areas, the Regional Incentives Map of the European Committee provides for up to 50% coverage of the qualifying investment cost. The total amount of incentives available over a four-year period is:

- EUR 10 million for each enterprise, and
- EUR 18 million for a group of associated or cooperating entities for investments carried out in the same region.

The above amounts are doubled for investments falling under the General Business category and these limitations do not apply to Substantial Investments.

### Incentives for Substantial Investments

As already indicated above, substantial investments refer to projects of at least EUR 50 million; a major shift from the preceding incentives law is that now the total cost of the investment is considered as opposed to the examination of certain qualifying expenses under the preceding incentives scheme. The maximum subsidies granted under Law 3908/2011 are as follows:

- for subsidized expenses up to EUR 50 million, 100% of the permitted assistance for the region is granted,
- for expenses exceeding EUR 50 million but up to EUR 100 million, 50% of the permitted assistance for the region is granted, and
- for expenses exceeding EUR 100 million, 30% of the permitted assistance for the region is granted.

### Subsidy Levels

The threshold is set at 50% of the qualifying cost of the investment; however, the maximum amount of subsidy depends on the size of the investment vehicle and the geographical zone in which the investment is implemented.

Greece has been divided into three zones according to the development rates of

## Commitments for beneficiaries

Enterprises that enjoy incentives under the incentives legislation in force, must comply with the obligations set by the law for five years following their submission to the incentives regime or, if applicable, from the end of the period of the leasing subsidy (if it exceeds five years). The relevant obligations include (the list is not exhaustive):

- (i) continuous operation
- (ii) acquisition of equipment at the end of the lease agreement
- (iii) restrictions on transfers of subsidized assets,
- (iv) approved restructures.

In case of violation, serious sanctions are provided for by the law, indicatively: return of subsidy, payment of tax with the relevant surcharges, etc.

The above penalties also apply in case of capitalization or distribution of the tax-free reserves created pursuant to the incentive law.

## Payment of the subsidies

Cash grants and leasing subsidies are reimbursed according to a priority listing, prepared in accordance with State and EU resources committed and depending on the progress stage of each investment, after the relevant appraisals have been performed.

The tax relief benefit commences in the accounting period in which the decision of completion of the project and commencement of production is issued. The maximum amount of tax relief used in this particular year should not exceed one third of the total amount approved. The tax relief subsidy is formed from taxable profits and it is transferred to a tax-free reserve.

## SPECIAL FEATURES

### Shipping companies

Greek companies operating ships registered under the Greek flag, are exempt from:

- (a) income tax on the earnings derived from operating the ship
- (b) profit on the sale of the ship
- (c) receipts of insurance claims

A special tonnage tax is assessed on the basis of the capacity and the age of the vessel. Certain reductions or exemptions from tax may be granted when the ship is built or repaired in Greece.

### Leasing companies

As already mentioned above the Investment Incentives Law 3908/2011 provides for certain subsidies covering part of the lease payments relating to leases that have been entered into for the acquisition of new machinery and other equipment, under the presumption that the ownership of such assets will pass to the lessee upon the expiry of the lease. Furthermore, leasing contracts, assignments of leasing contracts and leasing rentals are exempt from stamp duty.

### Portfolio investment companies

Portfolio Investment companies, established under Law 3371/2005, are exempt from all tax, stamp duties and contributions to the state, with the exception of capital concentration tax, VAT and the relevant contributions to the Capital Market Committee.

Such companies are taxed at 10% of the Euribor rate set by the European Central Bank, increased by one point. The tax is calculated on the value of average semi-annual investments and is payable in the first 15 days of July and January. This tax is final for both the portfolio company and the investors.

Withholding tax on dividends received is set off against the tax payable in the subsequent semester; any balance is not refunded but can be utilized in subsequent periods. There is no withholding tax on interest, with the exception of interest on bonds, provided that the bonds have been acquired up to 30 days prior to the day, which is set for interest payment.

## Mutual funds

The creation of a mutual fund and the purchase or sale of units, are exempt from any kind of tax, duty, stamp duty, contribution, or any other charge in favour of the State, public law entities, or any third party. The applicable tax rate is calculated at 10% of the Euribor rate set by the European Central Bank, increased by:

- 0.25 points for bond funds
- 0.5 points for mixed funds
- one point for stock funds and real estate mutual funds.

The tax is calculated daily on the semi-annual average net asset value of the fund and is payable in the first 15 days of July and January. This tax is final for both the fund and the investors. Withholding tax on dividends received is set off against the tax payable in the subsequent semester; any balance is not refunded but can be utilized in subsequent periods. There is no withholding tax on interest, with the exception of interest on bonds, provided that the bonds have been acquired up to 30 days prior to the day, which is set for interest payment.

## Close ended mutual funds

Law 2992/2002 prescribes the framework for this type of funds. Investments in companies are not subject to any kind of taxation. Any income realized by the holders is taxed in their hands as personal income. Transactions in units

are treated as transfer of the related ownership of the fund's assets. Participation from non-resident unit holders does not result in the creation of permanent establishment in Greece.

## SOURCES OF FINANCE

The major source of financing for both commercial and industrial operations are banks, while the Stock Exchange has also been playing an important role in the past two decades.

## Banking system

The banking environment is considered deregulated, although some control is still exercised by the Bank of Greece. Current regulations cover:

- reserve requirements and capital adequacy
- foreign exchange control
- loans (to a small degree)
- deposits.

There are presently approximately 30 Greek banks (including cooperative banks), and approximately 20 foreign banks operating through one or more branches in Greece.

In spite of the recent development of capital markets, bank loans still comprise the key driver in industry funding and remain the primary finance tool for Greek industry and commerce.

## Athens Stock Exchange

The Athens Stock Exchange SA (ATHEX), being the primary securities market operating in Greece, has in the past few decades been a pillar for significant fund raising by large organizations operating in various economy sectors. However, continuous recession, the credit crisis and the consequent lack of trust in the markets, have eliminated ATHEX capacity in operating as a primary funding vehicle. Adaption of fiscal requirements and cutting down public debt is expected to gradually restore trust in the markets and

will ultimately allow the exchanges market to recover its primary role.

The Athens Exchange Regulations have been fully harmonized with EU directives. The latest amendment of the ATHEX regulation has been published in its site ([www.ase.gr](http://www.ase.gr)), providing detailed information on admission requirements.

## **FOREIGN EXCHANGE CONTROLS**

Generally, there are no restrictions on importation and exportation to/from Greece. Transactions, however, should be effected through commercial banks, which are required to review the authenticity of the transactions and ask for supporting documentation. Regulations for the Prevention and Suppression of Money Laundering and Terrorism Financing are applicable.

Residents and non-residents may maintain foreign currency accounts with banks in Greece. The funds and interest thereon may be freely transferrable abroad.

Exporting entities are allowed to maintain all their foreign currency receipts in foreign currency bank accounts with banks operating in Greece or abroad. The same applies for persons established abroad, regarding their profits, commissions, or other benefits in foreign currency earned by Greek residents from the provision of services in Greece, or rents from the leasing of immovable property in Greece, or the proceeds from the sale thereof.

## **IMPORTS AND EXPORTS CONTROLS**

There are only limited restrictions imposed over imports and exports in conformity with quantitative and tariff quotas and tariff ceilings determined at EU level; in such cases a special license should be obtained by the relevant department of the Ministry of Finance. Customs' authorities carry out all the

controls in order to ensure that the relevant legislation is properly applied. As of 1 January 2011, Greece has implemented the Import Control System (ICS) of the EU.

There are no duties imposed on imports from EU Member States; the Community Customs Code, the Common Customs Tariff and the Greek Customs Code are applicable on imports from non-EU countries. The relevant duties are calculated on the customs value of the imported goods, which includes the transaction value plus any incidental expenses. The relevant rates depend on the classification of the imported goods based on the combined provisions of the Common Customs Tariff and the Integrated Tariff of the European Communities (Taric).

Duties and VAT are payable at the time goods are cleared through customs. Agents and custom brokers are commonly used to put through the relevant transactions.

## **EMPLOYMENT REGULATIONS**

### **Working permits and visa requirements**

Citizens of the European Economic Area and Swiss citizens wishing to work or reside in Greece, should obtain an appropriate type of Certificate of Registration of an EU Citizen; a visit of up to three months does not require a permit. The relevant Certificate should state that it is for the provision of dependent employment services, for the provision of non-salaried services etc.

Citizens from countries outside the EU, who wish to work or reside in Greece, should obtain a visa issued by the Greek Consulate of their place of origin or residence before arriving in Greece; a residence permit should be obtained for working purposes, after their arrival in Greece. Given that the process could take a substantial time, it is advisable to start

the relevant procedure well in advance of the planned date of arrival.

### Wage rates and minimum age for employment

The minimum wage rates are established on an annual or biannual basis through the National General Collective Labour Agreement (GCLA), except for certain sectors where sectorial or professional labour agreements apply. Recently, Specific Business Collective Labour Agreements have been introduced, regulating the employment terms of a particular business. It should further be mentioned that the agreements recently entered into between Greece and Troika (EU-ECB-IMF) have pushed to more flexibility in the labour market, particularly through cutting down minimum wages described in the GCLA.

Currently the minimum wage is EUR 26.18 and minimum salary EUR 586.08.

Discrimination in work made on the basis of an employee's religion or belief, disability, age or sexual orientation is forbidden.

The minimum age for employment is 15 years, but the age of 18 is considered critical for certain types of work (industrial and manufacturing) or night working.

### Working hours, vacations and annual remuneration

40 hours per week over five days is currently the normal working hour scheme; however, part time work and other flexible working arrangements are also possible.

Employees are entitled to paid vacations from commencement of their employment. Annual vacations must be taken by 31 December of each year. Annual vacations vary between 20 to 30 days, depending on the years of service

and the overall working arrangements (5-day or 6-day working week). Annual vacations for new employees are prorated on the actual months of service within the year of hiring.

Employees working at the private sector are entitled to receive bonuses at Easter (1/2 of monthly salary), at the time of an annual vacation (1/2 of monthly salary), and at Christmas (1 monthly salary). The relevant bonuses for new employees are prorated on a time basis.

### Social security system

The Social Security System in Greece is quite complicated, given that there are more than ten different main social security funds covering various categories of professionals and sectors of the economy; a convergence is expected in the near future. In addition to main funds, there is an obligation for coverage by supplementary retirement funds. All funds are under the direction of the Ministry of Employment and Social Protection. The main Social Security Fund for ordinary employees is IKA and their main supplementary retirement fund is ETAM. The ordinary social security contributions for IKA and ETAM calculated on gross salaries, are as follows:

Fund	Employer (%)	Employee (%)	Total (%)
IKA	24.46	13.50	37.96
ETAM	3.00	3.00	6.00
Total	27.46	16.50	43.96

### Social security for foreign employees

There are certain exemptions provided to foreign employees from registering with the Greek social security system. In particular, EU residents or non-EU residents coming from countries with which bilateral agreements are in place, may receive a temporary exemption from registering with a Greek social security fund provided that they have been

visiting Greece on secondment and are still insured in the country of origin by their employer. Of course there are procedures to be followed in order to get such exemptions.

An employee being posted, i.e. required to work abroad for a limited period, to another EU country (in this case, the 27 EU member states plus Iceland, Liechtenstein, Norway and Switzerland:

- may remain covered (for up to **2 years**) by his home **social security** system
- **will not need a work permit**

Registration with the social security system of the host country requires contributions being paid in that country.

# types of business organisations

## PRINCIPAL FORMS OF BUSINESS

Greek law provides for a variety of business type options. For instance a single person could start a business as a sole trader / proprietor. Leaving aside these personal businesses there are certain options for investors, who may chose to set up an independent entity, legally having its own personality. The most typical business forms in Greece are:

### I. Sole Proprietorship

### II. Partnerships

- a. General Partnership (Omorithmi Etairia)
- b. Limited Partnership (Eterorithmi Etairia)
- c. Silent Partnership (Afanis Etairia)

### III. Capital Entities

- a. Corporation (AE) (Anomyimi Etairia – Similar to public company)
- b. Limited Liability Company (EPE) (Etairia Periorismenis Eftynis)
- c. Limited Partnership by Shares (Eterorithmi Etairia kata Metoches)
- d. Private Capital Company (IKE) (Idiotiki Kefalaiochiki Etairia)

### IV. Other Business Type Entities

- a. European Company (SE) (Europaiki Etairia - Societas Europaea)
- b. European Economic Interest Group (EEIG) (Europaikos Omilos Oikonomikou Skopou)
- c. Offshore Entities (Grafeio Nomou 89)
- d. Branch

Professional costs for setting up an entity may vary depending on the actual circumstances, i.e. whether legal

counsels would be involved to draft the articles of incorporation, professional accountants to set up the accounting and tax functions and so on. Basic costs for setting up a capital entity could be summarised as follows:

	AE	EPE	IKE
Capital tax (% of capital)	1%	1%	1%
Competition Committee (% of capital)	0.1%	-	-
Notarial fees	€1,800	€1,100	-
Company establishment flat fee	€70	€70	€70*
Lawyers' fee (if capital > €100,000)	1%-0.45%	1%-0.01%	Variable
Lawyers' social security fund	-	€5.80	-
Chamber of Commerce registration	€10	€10	€10
Chamber of Commerce annual subscription	€420	€150	€100

\* For up to three shareholders and €5 for each additional shareholder

The costs for forming partnerships or sole proprietorships are substantially lower given that the involvement of a notary public is not necessary.

### Sole Proprietorship

The sole proprietorship is a simple form of business, where the owner is engaged in a typical commercial business. Personal liability exists for all debts, while there certain limited requirements including registration with the tax authorities and the relevant commercial chamber. Apparently the costs involved in setting up a sole proprietorship are quite limited.

### Partnerships

Partnerships are usually established for small businesses. There are no minimum capital requirements, while the formation

procedures are similar to those of corporations; however, articles of association need not be executed before a Notary Public.

### 1. General Partnership

A general partnership (OE) is the relationship between two or more persons carrying on a business in common, under a firm name, with a view to profit. In this type of entity, all the partners are jointly and severally liable for the debts of the partnership without limitation in liability.

The relationship between the partners is usually stipulated in a partnership agreement. Each partner has the right and is required to be involved in the management. The partnership can acquire rights and liabilities and obtain real property and other rights over land, in spite of not being a legal person.

### 2. Limited Partnership

The limited liability partnership is similar to the general partnership; the main difference is that it consists of one or more general partners who are liable for all the debts and obligations of the firm, and one or more limited partners who contribute a stated amount of property or work valued at a stated amount at the time of entering the partnership, and who are not liable for the debts or obligations of the firm beyond the amount contributed.

### 3. Silent Partnership

A silent partnership, is a contract whereby two or more persons agree to pursue a common objective and cooperate on the basis that only one of them is disclosed and appears to carry on the business while the other(s) remain undisclosed and silent as regards third parties. The establishment of a silent partnership is not subject to any particular form or publicity requirements. A silent partnership has no legal personality.

## Capital Entities

### 1. Corporation (AE)

An Anonymos Etairia is an entity with own legal personality, in which the liability of a shareholder is capped at the amount contributed to the share capital. AE is considered the equivalent of the French "Société Anonyme" or the German "AG". The formation, operation and dissolution of an AE are regulated by Law 2190/1920.

Formation procedures for an AE are carried out by a Notary Public, who is considered a 'One Stop Authority'. The Notary Public is responsible for making most payments and submitting to the authorities all documents and applications required for the establishment.

The following are typically required:

- Temporary registration of the corporate name with the Chamber of Commerce
- Articles of Incorporation signed by the founders before a Notary Public. The Articles should at least include the following provisions:
  - Corporate name: the inclusion of words "Anonymos Etairia" is obligatory.
  - Corporate purpose (objects of activity).
  - Duration of the corporation (the length usually varies from 20 to 50 years - can later be extended).
  - Place of registered office
  - Share capital and the number and nature (registered or bearer) of the shares to be issued.
  - Composition, operation and authorities of the Board of Directors and of the General Meeting of the shareholders
- Payment of capital concentration tax @ 1% on the capital issued.
- Registration of the corporation with the General Commercial Registry.
- Publication of the establishment in the Government Gazette

From a law perspective the establishment is considered complete upon the registration of the Corporation with the General Commercial Registry. Certain types of corporations (Banks, insurance companies etc.) require approval from the Ministry Development, Competitiveness Infrastructure, Transportation and Networks.

The minimum share capital required for an AE is EUR 24,000, although the threshold is set at a higher level for particular types of entities. The capital can be contributed in cash or in kind, in which case a valuation is required. Contributions in cash can be made through partial payments. The shares issued are either bearer or registered with a nominal value per share between EUR 0.30 and EUR 100.00.

The relationships of the AE are managed by the Board of Directors, its member being elected / appointed by the shareholders in general meeting; the members of the board may serve for a maximum period of six years, but their term may be extended through re-election. The General Assembly of Shareholders is responsible for taking the most important decisions, including business decisions that are implemented by the Board of Directors. Among others, the shareholders in general meeting are alone responsible for resolving on the following matters:

- Increase / decrease of the share capital
- Amendments to the Articles of Incorporation
- Merger or transformation of the company
- Distribution of profit
- Extension of the duration or voluntary dissolution
- Appointment of the external auditors

Net profits after tax are distributable after transferring 5% to a statutory reserve, requirement that ceases as long as the reserve reaches 1/3 of the capital of the

company. The minimum dividend payable, after the deduction for statutory reserve is equal to 35% on net profit; non-observance of this regulation requires approval of at least 65% of the shareholders. Interim dividend may also be distributed, following certain procedural steps.

## 2. Limited Liability Company (LTD or EPE)

EPE is also a 'capital' entity with own legal personality, where the liability of the stakeholders is limited to the amount contributed as capital. EPE is considered the equivalent of the French Sarl or the German GmbH; it resembles an AE in that there is limited liability for the members and a partnership in that all decisions are taken by majority of both the number of members and of the capital. The formation, operation and dissolution of an EPE are regulated by Law 3190/1955.

The formation procedures for an EPE are similar to those of an AE. The minimum capital required is EUR 2,400. The capital can be contributed in kind, but at least 50% should be paid in cash. The capital is divided into units (unlike the AE which has shares) the nominal value of each should be at least EUR 30 or multiples thereof.

The internal organization consists of the meeting of members and the management. Although all members of the limited liability company are entitled to manage the company's business, in practice management is assigned to one or more administrators, not necessarily members (unit holders). Practically, the EPE is governed by the General Meeting (GM) of the members. The GM is convened at least once a year within three months from the end of the financial year. Every member (i.e. holder of at least 1 'unit') is entitled to take part in the GM and has one vote for each 'unit'. Resolutions are made by majority of the number of members who must also altogether hold more than 50% of the paid up capital (double requirement).

### 3. Limited Partnership by Shares

A variation of the simple limited partnership is the limited partnership by shares, which is also recognized by Greek law. The difference is that the contributions of limited partners are represented by shares, as in the case of Societes Anonyme (AE), which are freely transferable without causing the dissolution of the company. Shareholders only bear limited liability up to the amount contributed – similarly to limited partners – while the general partner/s are liable all the debts and obligations of the firm. This type of entity is rarely chosen in Greece.

### 4. Private Capital Company (PCC or IKE)

The private capital entity was recently introduced under Law 4072/2012, as a means of facilitating investments and sustaining development in the internal Greek market. Unlike other capital entities, the main characteristic of PCC is the minimum capital required, which should be at least EUR 1.00 and should be reflected in shares. Apart from that members may participate through non-capital contributions or guarantee deposits, which in any event cannot exceed 75% of the liability covered. All non-capital or guarantee contributions should be defined in the Articles of Incorporation.

The establishment procedure is similar to those of an AE or EPE, although the Articles of Incorporation need not be executed before a Notary Public. These Articles should at least include the following:

- Entity name: the inclusion of words "Idiotiki Kefalaiochiki Etaireia" is obligatory.
- Purpose (objects of activity).
- Place of registered seat
- Full details of its members, including their e-mail addresses where applicable; in case of a single member, its details are subject to publicity

- Members' contributions by kind
- Share capital
- Number of shares for each member and nomination of the contribution reflected therein
- Administration and representation of the entity
- Duration (12 years if not mentioned in the Articles)

## Other Business Type Entities

### 1. European Company (SE)

The SE is a form of public limited liability company, which has a legal personality separate and distinct from that of its members. This form enables its participants to create an SE as a single entity and carry on business through it on a European scale, free from the obstacles arising from the limited territorial application of national company laws and the disparities between them. Incorporation is effected by registration in only one member state, and this is regarded as effective for all purposes throughout the EU without the need to re-register it or its separate establishments in the various member states where it operates.

An SE is a corporate body having full legal capacity as from the date of its registration. An SE may be formed in the following ways:

- by means of a merger of public limited-liability companies formed under the law of a member state, with registered offices and head offices within the EU, provided that at least two of them are governed by the law of different member states
- by the formation of a holding SE by public and private limited-liability companies formed under the law of a member state with registered offices and head offices within the EU, provided that each of at least two of them (a) is governed by the law of a different member state, or (b) has for at least two years had a subsidiary company governed by the law of another member state or a branch

- situated in another member state
- by the formation of a subsidiary SE by companies and firms and other legal bodies, formed under the law of a member state, with registered offices and head offices within the EU, provided that each of at least two of them meet the criteria set out in the preceding paragraph
- a public limited-liability company formed under the law of a member state which has its registered office and head office within the EU may be transformed into an SE if for at least two years it has had a subsidiary company governed by the law of another member state.

The Regulation in Articles 17–37 describes the detailed requirements for each of these modes of formation. Under article 3 of Law 3412/2005, a company the head office of which is not in the EU may participate in the formation of an SE provided that it is formed under the law of a member state, has its registered office in that member state and has a real and continuous link with a member state’s economy, e.g. by having a branch or other establishment there. The name of an SE must be preceded or followed by the abbreviation SE.

An SE must be registered in the member state in which it has its registered office, in a register designated by the law of that state. It may not be registered unless the requirements of the Directive on employee involvement have been met, or the period for negotiations pursuant to Article 5 of the Directive has expired without an agreement having been concluded.

Article 11 of Law 3412/2005 provides that a company governed by Greek law may not take part in the formation of an SE by merger if opposed by the tax authority or any other competent authority beforehand. This can only be on public interest grounds and is subject to judicial review.

An SE must take the form of a company

with share capital and limited liability. The capital must be expressed in euros, but there is an opt-out allowing states, which are not within the Eurozone to denominate capital in other currencies, in which case it may be expressed in euros as well, using the conversion rate of the last day of the month preceding formation.

There is a minimum subscribed capital requirement of €120,000. According to article 5 of Law 3412/2005, the SE having its registered seat in Greece is also governed by national law provisions, providing for a higher subscribed capital requirement than the one provided in par 2 of Article 4 of the Regulation.

## 2. *European Economic Interest Group (EEIG)*

The EEIG is a structure for cross-frontier collaboration between groupings of companies, firms and individuals from different member states of the European Union. The question whether an EEIG has corporate personality is determined by the law of the member state where it is registered. However, even if that law confers legal personality, the members of an EEIG do not enjoy limited liability.

The purpose of an EEIG is to facilitate and develop the economic activities of its members, to combine resources and to share costs and risks, but not to make profits for itself or its members or itself carry on an economic activity or practice a profession. Its activities must be related to the economic functions of its members, but must not be more than ancillary to those functions. An EEIG may not exercise any power of management or supervision over its members or another undertaking, hold shares in its members, employ more than 500 persons, be used to make prohibited loans to company directors, be a member of another EEIG or take investment from the public.

Whether or not an EEIG has separate legal personality, it has legal capacity to

enter into contracts and accomplish other legal acts, to acquire rights and obligations and to sue and be sued in its own name. Subject to this, questions of capacity and status are determined by the law of the state of registration. An EEIG may operate without territorial restrictions. Presidential Decree 38/1992 confers legal personality on any EEOS registered in Greece.

An EEIG is created by the execution of a formation contract by the initial members, which must be registered in accordance with the procedures prescribed by the domestic law of the member state where its official address is located. The contract must include at least:

- o the name of the grouping, including the words 'European Economic Interest Grouping' or the abbreviation 'EEIG' (or, as appropriate, the equivalent in another official EU language)
- the EEIG's official address
- the objects for which it is formed
- the name, business name, legal form, permanent address or registered office, and the number and place of registration (if any) of each member
- the duration of the EEIG, except where this is indefinite.

Member states are required to designate the registry or registries responsible for effecting registration. Matters relating to the formation contract and the internal organisation of the EEIG are governed by the law of the member state where it has its official address.

There must also be filed with the registry:

- any amendment to the formation contract or change in the composition of the grouping
- notice of the setting up or closure of any establishment or branch
- any judicial decision establishing or declaring the nullity of the grouping
- notice of the appointment of the manager or managers of the grouping, their names and any other identification particulars required by the law of the state of registration, notification that

they may act alone or must act jointly, and the termination of any manager's appointment

- notice of the assignment by a member of all or part of his/her/its participation
- any decision by the members or by a court ordering or establishing the winding up of the grouping
- notice of the appointment of a liquidator or liquidators, their names and other identification particulars, and of the termination of any such appointment
- notice of the conclusion of a liquidation
- any proposal to transfer the official address
- any clause exempting a new member from the payment of debts and other liabilities, which originated prior to his admission.

Participation in an EEIG is limited to companies, firms and other legal bodies formed under the law of a member state and having their registered office (if any) and central administration located in the EU, and to natural persons carrying on industrial, commercial, craft, agricultural or professional activities in the EU. At least two of the participants must be from different member states.

Organisations from outside the EU may not become members. A member state may restrict the number of participants to 20, and exclude certain classes of persons, companies, firms and other legal bodies from participation on grounds of public interest.

There is no capital requirement for an EEIG, although provision may be made for this in the formation contract. Its members share profits and contribute to the excess of expenditure over income in the proportions agreed in the formation contract, or equally if no provision is made. Members may finance the EEIG by the contribution of capital or loans, but it may not invite investment by the public.

### 3. Offshore Entities (Γραφείο Νομού 89)

A company incorporated outside Greece with a commercial or shipping object may establish an offshore branch in Greece in accordance with CL 89/1967 as amended by Law 3427/2005 and CL 378/1968. Such establishment is subject to registration; the offshore branch may establish itself in Greece for the exclusive purpose of providing consulting, central accounting support, quality control in the manufacturing of products, procedures and services, drawing up reports, plans and contracts, advertising, marketing, data processing, obtaining and providing data, development and research, to its foreign central offices or associated companies with no presence in Greece. Further, offshore branches are required to employ at least four persons in Greece (one person may be employed part-time) within twelve months of the date of approval of the company's application and their annual operational charges should amount to at least EUR 100,000.

A foreign undertaking must submit to the Ministry of National Economy and Finance the following documents:

- an application containing the name, registered seat and nationality of the company, its legal form, the composition of the Board of Directors as well as the persons representing it. The application must also include the main activity of the foreign company, the specific services it shall provide from Greece, the details of its legal representative, the persons it shall employ and their skills and the associated companies which shall be benefiting from these services
- a certified copy of the company's articles of association, including any relevant amendments
- a decision of the foreign undertaking for the establishment of the branch in Greece and the appointment of a legal representative
- a recent certificate issued, within the last two months, by the competent public authorities of the country where the foreign undertaking has its seat,

containing the following information:

- ✓ certifying that the foreign undertaking has been legally established and operates legally
- ✓ the composition of the Board of Directors and particulars of the persons who are authorised to represent the company at its seat
- ✓ an aggregate balance sheet and the financial results of the corporation or its parent company
- a study of the proposed profit margin of the company in Greece, from services provided to the corporations or parent company
- an accurate description of the services provided, as well as details of the persons (from the company) benefiting from these services
- notarial act authorising a certain person (legal or natural) to be the foreign company's representative in Greece and attorney for service of process (the two capacities need not necessarily coincide in one person)

All the above documents issued abroad must be duly certified either by a Public Authority or in accordance with the Hague Convention of 1961.

In addition, foreign undertakings having a branch in Greece are under an obligation to notify the Ministry of National Economy or the Ministry of Merchant Marine of any change to the above information.

### 3. Branch

A foreign company branch may be established in Greece through registration with the Ministry of Development. Establishment requires filing the following documents with the Ministry:

- Articles of Incorporation of the foreign company,
- Certificate of good standing issued by the foreign company's competent supervising authority,
- Resolution of the foreign company's competent corporate body approving the establishment of a branch in Greece,
- Power of Attorney appointing the branch's legal representative and the person authorized to receive correspondence.

A branch may be registered, under Law 2190/1920 as a branch of a foreign corporation limited by shares (AE) or, under Law 3190/1955, as a branch of a foreign limited liability company (EPE). The foreign company is normally required to meet the minimum capital requirements set by Greek law for similar legal entities (EUR 24,000 for an AE or EUR 2,400 for an EPE).

Administration of the branch rests with an individual (representative) appointed by the foreign company by virtue of a Power of Attorney. The legal representative's personal data and documents detailing responsibilities must be filed with the Ministry of Development. If the individual appointed as the legal representative of the branch is not an EU citizen, he or she must secure a Greek residence permit. The establishment of the branch and certain details concerning its object of activities, registered address and legal representative must be published in the government gazette. Normally, the accounting year-end of the branch would be the same as that of its head office.

The representative of the branch is generally under the same management liability as the member of a Board of Directors of an AE or the administrator of an EPE. In particular, the representative of a branch is subject to imprisonment if it is proved that he has committed or co-operated in tax evasion activities or if income tax withheld or social security contributions have not been remitted to the Greek State.

A branch must file a copy of the financial statements of its head office annually with the Ministry of Development. Depending on size criteria and/or industry (for example banking and finance institutions, insurance), branches are subject to audit by certified auditors and certain publication requirements.

## **LEGAL, ACCOUNTING AND AUDIT REQUIREMENTS**

### **Commercial Registry**

Registration with the General Commercial Registry is typically required for all business types. The database maintained should contain the following information for each entity:

- the name of the company
- the head office of the company
- the commercial purpose of the company
- the amount of initial capital of the company and how this is allocated to shares / units
- the duration of the entity
- duration of the accounting year
- details for the directors / administrators of the entity.

### **Accounting Records and Financial Statements**

Depending on the size of each entity, there are certain requirements prescribed by Greek Tax Legislation as to the type of books that need to be maintained by each entity. Small entities are required to post their transactions at an "income-expense" single-entry book, but they can optionally adopt a full set of books and records as provided for capital entities. Practically all entities with annual revenue exceeding EUR 1,500,000 are required to maintain a full set of books and records, i.e. they have to apply 'double-entry' accounting. This requirement is obligatory for all capital entities irrespective of their size.

The accounting period is twelve months. However, on the commencement of operations the first accounting period may be shorter or longer (only for capital entities) than twelve months but may not exceed 24 months. The accounting year must end on 30 June or 31 December. However, entities over which foreign control applies may have the same year-end as their parent company,

provided that the parent company has a holding of at least 50% of the domestic entity. Greek Company Law has been revised to incorporate the provisions of EU Directives.

Generally, a company must prepare individual accounts for each financial year comprising a balance sheet, a profit and loss account, an appropriation account, notes to the accounts and the directors' report. The auditor(s) must prepare a report to the shareholders stating whether the accounts have been prepared in accordance with the law and present a true and fair view. Consolidated accounts must be prepared by parent companies. Exemption is available under certain circumstances.

Entities required to apply 'double-entry' accounting should follow an account structure as prescribed in the Greek General Chart of Accounts or, if the entity is a bank, the Banking Chart of Accounts. Both company law and the Chart of Accounts prescribe the form of presentation of financial statements, which is in line with the EU 4th Directive.

Listed entities are required to prepare their financial statements under IFRS. Non-listed entities can optionally adopt IFRS as their financial framework, provided that there is a resolution from the General Meeting of the Shareholders for such adoption; voluntary adoption has duration of at least 5 years.

The preparation of Group Financial Statements is provided for in Greek Company Law. Group accounts are prepared by the parent company, with the following exceptions:

- ✓ the group qualifies as a small group
- ✓ the parent is itself a subsidiary and is included in the accounts of a larger group
- ✓ all subsidiaries are excluded for one reason or another.

A group qualifies as a 'small group' if, in the year under consideration and the preceding year, two or more of the following conditions are satisfied, provided that none of the entities within the group is listed on the stock exchange of a Member State of the European Union:

- ✓ aggregate group turnover does not exceed EUR 7,400,000
- ✓ aggregate group assets do not exceed EUR 3,700,000
- ✓ average number of persons employed by the group does not exceed 250

## Audit Requirements

Annual financial statements issued by a non-listed Corporation (AE) are subject to audit either by two auditors, registered with the Economic Chamber of Greece, or by a firm of certified auditors appointed by the General Meeting of Shareholders.

Irrespective of the type, entities that satisfy two of the following three criteria for two consecutive annual accounting periods are required to appoint an audit firm or a registered auditor [typically all auditors are registered with the Institute of Certified Public Accountants of Greece ("SOEL") and the Accounting Standards and Oversight Board ("ELTE")]:

- total assets exceeding EUR 2.5 million
- net turnover exceeding EUR 5 million
- average number of employees exceeding 50.

# *business tax*

## **TAX YEAR**

Generally the tax year coincides with the calendar year; however, exceptions apply depending on the accounting year of each entity. Corporations (AEs), limited liability companies (EPEs) and branches of foreign entities are required to file their tax returns by the 10th day of the fifth month following the end of their accounting year. General and limited partnerships and joint ventures applying double entry accounting have to file their returns within three and a half months following the end of their accounting year.

## **GENERAL STRUCTURE**

The general concept is that net income gained by Greek entities is taxable in Greece, irrespective of the entity form and the place that profit is derived. Profits distributed are subject to further taxation. Furthermore, foreign enterprises operating in Greece through a branch or a subsidiary company, or indeed having acquired a "permanent establishment" in Greece, are subject to corporate tax in Greece. Exceptionally, in case of partnerships, where income-expense books (as opposed to double entry books) are maintained, the tax liability is calculated based on the rates provided for free-lancers and proprietorships.

## **CORPORATE INCOME TAX**

### **Tax Rates**

The rate of corporate income tax on taxable earnings is 26%. This rate applies to all AEs, EPEs, cooperatives, civil law companies and joint ventures and partnerships, except for those maintaining single-entry books. Legal entities subject to corporate tax are also required to pay an amount equal to 80% (100% in the case of Greek banks

and branches of foreign banks and 55% for general partnerships) of the current year's income tax as an advance against the following year's tax liability. Credit is given for the advance tax paid in the previous year.

The tax and the advance tax are payable in eight equal monthly instalments, the first instalment being due upon filing of the tax return.

### **Taxable Earnings**

Companies are taxed on their worldwide profits. Taxable profits (or losses) of each year are the profits (losses) shown in the financial statements, derived from the official books kept in accordance with the Code for Tax Recording of Transactions, effective from 1 January 2013, (or with the International Financial Reporting Standards (IFRS) if the company has adopted them and they are not in line with the Code) after adjustment for non-deductible expenses, non-taxable income and differences resulting from the application of the IFRS. There are certain deviations from the general rules for banks and insurance companies.

Taxable income includes all types of income irrespective of the type or source; practically Greek tax legislation identifies five income sources: income from immovable property (land and buildings), income from movable property (investment income), income from business, income from agriculture and income from other sources.

In order to reach taxable profits, certain deductions apply. In general, expenses are tax deductible only if they are incurred for business purposes and are properly recorded in the accounting books on the basis of lawfully issued records and in the period to which they relate.

A ministerial decision is issued at short time intervals listing the deductible expenses as they have been determined by jurisprudence and administrative practice. The list is binding on the tax auditors but it is not treated as an exhaustive list.

When a company has both taxable and tax-free income, including dividends or income from participations in Greek entities or joint ventures, a portion of the expenses is deemed to have been incurred in earning the tax-free income; consequently, that portion is not deductible.

Royalties and fees paid to resident companies for the use of licences, know-how, technical aid, patents, trademarks, industrial processes, copyrights, etc. are normally deductible in the year in which they are paid or credited to the beneficiary. Where such payments are made to non-resident companies, they are deductible, provided that:

- they are payable by:
  - (a) trading companies for trademarks, trading or distribution methods and other similar rights; or
  - (b) multi-purpose companies to the extent that the payments are connected with their trading activities and have not been included in the price of a product;
- if they have not been paid in the financial year, the amount is credited to the beneficiary by the deadline for the preparation of the balance sheet;
- they are evidenced by a contract and the respective invoice; and
- the relevant withholding tax has been paid.

The percentage of royalties of the relevant gross income cannot be higher than the average percentage that applies to similar payments by other members of the group. Deductible royalties should also be at arm's length according to the rules for transfer pricing.

Interest on loans and other credits is deductible in the year in which it is due. However, the deductibility of interest may be limited under the thin capitalization rules.

No deductions other than those specifically authorized by law and directly related to the business activity are allowed. Pursuant to the ministerial decision listing deductible expenses, other decisions may be issued listing those expenses that are treated as non-deductible by the tax authorities.

Following the recent amendments, Greek entities are allowed to deduct in 30 equal instalments the losses sustained on the exchange of Greek sovereign bonds in the context of private sector investment; the first instalment is deductible in the accounting period in which the exchange takes place.

There are certain taxes and penalties, which are non-deductible, including:

- corporate income tax;
- taxes levied on taxpayers other than the company, even though they are paid by the company, e.g. income tax paid on behalf of employees;
- capital gains tax on the revaluation of immovable property;
- state real estate duty;
- penalties and fines for failure to file a tax return or for late filing, and interest for overdue taxes and social security contributions;
- depreciation on fixed assets purchased from a foreign- registered offshore company;
- royalties and fees paid to a foreign-registered offshore company;
- other expenses as specifically provided in ministerial decisions issued by the Ministry of Finance to that respect;
- transactions with entities based in offshore jurisdictions or jurisdictions with which information cannot be exchanged; and
- transactions with entities based in countries, with a favourable tax regime,

that is the corporate tax rate is lower than 60% of the prevailing rate in Greece.

## Capital Gains

Capital gains (or losses) are generally regarded as ordinary business income (or losses) and are treated accordingly for tax purposes. However, a 20% capital gains tax rate applies to gains from:

- the sale of a business, branch, participation in a partnership, EPE, joint venture (other than construction joint venture) and joint ownership of rights governed by civil law. The same treatment applies for the waiver of right by a member or partner to participate in a capital increase of an EPE or partnership, respectively;
- the sale of other business rights, such as patents and industrial property; and
- the assignment of leasing rights, i.e. the right to lease or sublease an asset. Any amount paid by a lessee to the lessor in excess of the agreed lease payment is also subject to this rate.

The payment of the capital gains tax does not extinguish the corporate income tax liability. The gain is included in the company's profits subject to the ordinary tax rate; a credit is granted for the 20% tax paid.

The capital gains tax regime will also apply for shares in non-listed AEs purchased post 1 July 2013. Currently, the regime applicable in such cases is the following: a 5% tax is levied on the proceeds ('actual sales price') from the sale or contribution of shares in AEs not listed on the Athens Stock Exchange. The tax is imposed on the higher of the contractual sale price or the deemed sale price. If a gain is realized from the sale of such shares, the 5% tax does not extinguish the income tax liability and the gain is subject to income tax with a credit being given for the 5% tax paid.

## Losses

Accounting losses reported in the financial statements may not constitute tax losses provided that certain expenses may not be deductible. Losses incurred by all business types may be carried forward for 5 years. Loss carry-backs are not permitted. In the case of a merger, losses of merged companies whose trade is transferred are not transferred for tax purposes to the company that continues the business and are not carried forward. A company may deduct from its profits any losses realized due to deterioration, loss or depreciation of capital assets. Accordingly, losses realized from the sale or destruction of capital assets are deductible only from the profits of the year in which they are realized. If no profits were made in the particular year, capital losses increase the amount of ordinary losses and in this way they may be carried forward. Losses from the sale of any shares or from the revaluation of shares and bonds in general are not deductible from profits.

## Other Taxes on Income

There are no local income taxes, with the exception of a municipal tax on gross revenues applying to (i) entertainment businesses and (ii) food catering businesses (restaurants, clubs, etc.). The rates are 5% and 0.5%, respectively. A 3% surtax is payable on income derived by companies from immovable property, but it cannot exceed the income tax liability calculated with the application of the ordinary tax rate.

## WITHHOLDING TAXES

The following principal rules apply to resident companies and non-resident companies.

### Actual and Deemed Investment Income

- As from 1 January 2014, dividends (or other profit distributions) distributed

out of taxed earnings are taxed at a rate of 10% (25%: for distributions in 2013); the relevant tax extinguishes any further liability at natural person level. Dividends distributed to a parent in the EU are exempt from withholding tax provided that the parent holds a substantial share in the local entity for at least two consecutive years.

- Dividends received from a subsidiary situated in the EU are exempt from income tax provided that they are transferred into a special 'tax-free' reserve in the year received; such dividends are distributable the following year onwards, free of income tax, by subtracting a withholding tax of 10%.
- Directors' remuneration, for those directors not included in payroll, is taxed at 40%; the relevant tax extinguishes any further liability at natural person level.
- Return over group insurance contracts, i.e. amounts paid to the beneficiaries, are taxed at 10% for amounts up to €40,000 and 20% on the excess, while provisional payments are taxed at 15%. Early redemption of such contracts results in doubled withholding tax rates.
- A 15% withholding tax is levied on interest from government bonds and treasury bills, bonds issued by resident companies (including banks and insurance companies) and bank deposits, as well as on income (treated as interest) from repo transactions. The withholding tax is a prepayment, which is creditable against the final income tax liability.

## Other Cases

- Royalties paid to foreign entities are normally subject to a 25% withholding tax; tax treaties may provide for lower rates.
- A withholding tax applies to rental payments, fees paid for services rendered in Greece and fees for studies, designs and supervision of

construction projects. The rate is 25% (unless otherwise provided under a tax treaty).

- A 15% withholding tax rate applies to fees paid to agents for supplies agreed with foreign entities. A 3% rate applies to construction contractors' fees (temporarily reduced to 1% until 31 December 2010).
- Withholding tax is imposed at 8% on service fees and 4% on the consideration for the sale of goods if paid by the state. In all the above cases, the tax withheld is credited against the final income tax liability of the recipient.
- There is no withholding tax on domestic royalties.

## INTERNATIONAL ASPECTS

### Double Taxation Relief

In the absence of a tax treaty, a resident company is entitled to a credit for foreign tax paid on foreign-source income against the Greek corporate income tax payable on that income. The amount of the credit is limited to the amount of Greek tax attributable to the foreign source income (overall limitation).

With respect to foreign dividends, the foreign tax credit is generally granted for the withholding tax suffered in the foreign country and the 20% tax levied in Greece. Furthermore, where a participation of more than 10% exists continuously for at least 2 years, a foreign tax credit is also granted for the underlying corporate income tax paid or the dividend withholding tax suffered by the first-tier foreign subsidiary or any lower-tier foreign subsidiary.

Where the double taxation relief provided by a tax treaty is more advantageous than unilateral relief, the treaty relief is applied. If, however, unilateral relief offers more advantages, the unilateral relief applies.

## Taxes on Income and Capital Gains

Non-resident companies having a permanent establishment in Greece are liable for Greek corporate income tax on income and capital gains derived through the permanent establishment. In addition, Greek-source income (e.g. interest, royalties, capital gains) derived directly by the non-resident company is attributed to its permanent establishment (force-of-attraction principle) unless a tax treaty provides otherwise.

The computation of income of permanent establishments is made on the basis of the same rules as those applying to resident companies. In computing the taxable income of a permanent establishment in Greece, the permanent establishment may deduct a portion of the operating costs of the head office, which should not exceed 5% of the permanent establishment's administrative expenses incurred in Greece. However, this restriction does not apply if the relevant tax treaty provides otherwise.

The rate of corporate income tax for non-resident companies is generally the same as the normal rate that applies to resident companies.

Companies without a permanent establishment in Greece are taxed on their Greek-source income (e.g. dividends, interest, royalties, services in Greece), unless a treaty provides otherwise. Taxation of such income is normally effected through withholding at source, which extinguishes the income tax liability.

## Taxes on Capital

There is no net worth tax. Non-resident companies are subject to real estate duties with respect to immovable property located in Greece.

## Administration

A non-resident company with a permanent establishment in Greece is taxed by assessment in the same manner as resident companies. Otherwise, taxation of non-resident companies is normally effected through withholding taxes, which extinguishes the income tax liability.

### **ANTI-AVOIDANCE**

Greece does not have any general anti-avoidance provisions. Nevertheless, the tax authorities are authorized to challenge fictitious transactions.

## Transfer Pricing

The arm's length rule applies when goods or services are supplied between associated enterprises, that is enterprises having a relation of direct or indirect substantial administrative or economic dependence or control between them. This principle also applies to a non-resident company and its permanent establishment in Greece, with regard to transactions between them.

Failure to comply with the arm's length principle may lead to additional income being taxed at the entity's level, in addition to the fines that may be imposed for incorrect filing of the income tax returns for the relevant years.

According to the new regime, all domestic enterprises operating under any legal form in Greece (including permanent establishments) and qualifying as an enterprise affiliated to a foreign enterprise are obliged to provide data and information required for the documentation of transactions between them, including royalty payments and management fees.

The Summary Information Table must be submitted electronically to the tax authorities no later than 50 days after the end of each financial year.

Companies operating in Greece must prepare a Transfer Pricing Documentation File for transactions with domestic and foreign affiliated entities. The file must be prepared before publication of the Tax Compliance Report (Tax Certificate) and, in any case, no later than 50 days after the end of a financial year. The documentation file must be made available to the tax authorities within 30 days following a request.

Transactions between related entities exceeding EUR 200,000 should be documented if the operating revenue of all related parties is above EUR 5 million; the relevant threshold for smaller groups is EUR 100,000.

One-off penalty at 0.1% of the company's revenue is imposed for late filing of the Documentation File or the Summary Information Table; in any case the relevant penalty cannot be less than EUR 1,000 or more than EUR 10,000. Failure to submit any of the above-mentioned documents results in one-off penalty calculated at 1% of the company's revenue; in any case the relevant penalty cannot be less than EUR 10,000 or more than EUR 100,000.

### Thin Capitalization

Thin capitalization provisions were added to Greek income tax legislation in July 2009. According to the new rules, the accrued interest on loans or credits which is paid or credited to associated enterprises, as defined for transfer pricing purposes is deductible on the condition that the proportion of these loans or credits to the net assets of the enterprise does not exceed the ratio of 3:1 on average per fiscal year. Accrued interest on loans and credits exceeding this ratio is not deductible. This rule applies to loans or credits granted from 21 July 2009 onwards. Leasing companies are exempt from thin capitalization rules.

## VALUE ADDED TAX

Value added tax was introduced in Greece in 1987 and is the most important indirect tax. The Greek VAT legislation has been amended to conform to the EU VAT Directives. The tax is designed to be borne by the ultimate consumer of goods and services. The general principle is that VAT incurred by an entrepreneur on his purchases can be offset against the VAT charged by this entrepreneur on his sales and the difference is payable to or recoverable from the tax authorities.

Greece has implemented the amendments introduced by Directive 2008/8, which is effective from 1 January 2010. The amendments concern the place of supply of services. According to the new rules, the place of supply of services to a taxable person is the place where the recipient has his business establishment, while the place of supply of services to a non-taxable person is the place where the supplier's business is established.

### Taxable Persons

Taxable persons for the purposes of VAT are:

- every individual or legal entity or enterprise, either Greek or foreign, engaged in an independent economic activity in Greece;
- the state, or state or municipal authorities, with respect to transactions which can also be performed in the private sector;
- with respect to the importation of goods (from a non-EU country), the owner of the imported goods under customs legislation; and
- every person that carries out on an occasional basis the supply of buildings.

In general, all businesses must register for VAT before they start operations. No registration threshold exists.

## Taxable Transactions

VAT is levied on the following:

- the supply of goods (including the supply of new buildings for which the building licence was issued after 1 January 2006) and services by entrepreneurs in Greece;
- the importation of goods into Greece; and
- the intra-Community acquisition of goods (in this case the VAT liability is nil if the acquirer carries out transactions that are subject to VAT or zero-rated activities).

## Taxable Amount

The taxable amount is the consideration received for goods and services, excluding the VAT itself. The amount may be increased by the value of any services directly connected with the transaction, e.g. insurance and transportation costs, commissions, and by subsidies. In the case of imports, the taxable amount is the c.i.f. value of the goods plus customs duties.

## Exemptions

The exemptions provided by the VAT law can be classified into two broad categories, namely exemptions without deduction of input tax and exemptions with deduction of input tax (zero rating).

Examples of the former are the supply of services of a social or cultural nature (medical services, educational services, etc.), as well as insurance, financing and most banking activities provided to EU residents. Examples of zero-rated transactions are exportation, the international transit of goods and transactions in relation to shipping.

## Rates

Following recent amendments, the standard VAT rate is 23%. A reduced rate of 13% applies to goods deemed to be

necessities, such as fresh food products, some pharmaceuticals, transportation, electricity, as well as to certain professional services. A reduced rate of 6.5% applies to newspapers, periodicals, books and theatre tickets, some pharmaceuticals, hotel accommodation, etc.

For the region of the Dodecanese, the Cyclades and Eastern Aegean islands, the above rates are reduced to 16%, 9% and 5%, respectively.

## Non-residents

Non-residents established in Greece are taxable in the same manner as residents. Other non-residents who make taxable supplies in Greece must appoint a tax representative in Greece to account for VAT, unless they provide only reverse-charge type of services. However, where the supplier is a taxable person resident in another EU Member State without having a permanent establishment in Greece, the VAT liability remains with that person directly; that person has no obligation to appoint a tax representative.

EU residents, and non-EU residents on the condition of reciprocity, who are not established in Greece and who receive services or purchase goods from Greek businesses subject to VAT, are entitled to claim a refund of VAT under certain conditions.

## MISCELLANEOUS INDIRECT TAXES

### Capital Duty

Any kind of contribution to the share capital on the formation of a company is subject to a 1% capital duty.

The increase in a company's capital is subject to the same capital duty, unless the increase is the result of the compulsory revaluation of immovable property, or of the capitalization of profits, reserves or provisions other than the share premium reserve.

The contribution of assets or working capital by a non-resident company to its branch in Greece, both on formation and during operation, is subject to the 1% capital duty. However, if the non-resident company has its seat or permanent establishment in an EU Member State, the contribution is exempt from this tax.

Profit-sharing loans and loans used for a capital increase are immediately subject to the capital duty (not at the time of capitalization). No capital duty is due when shares are issued.

### Stamp Duty

Stamp duties are imposed at varying rates on certain transactions which are exempt from VAT, such as:

- 3.6% on rents of properties used for business purposes but not for residential purposes (renting of areas in shopping centres may be subject to VAT if so opted by the landlord);
- 2.4% on various insurance transactions;
- 2.4% on the issuance of loans between businesses or between individuals and companies and payment of interest on such loans. Loans granted by banks operating in Greece or abroad and interest payments on such loans are exempt; and
- 1.2% on payment of directors' fees.

A stamp duty is also due in case of a purchase of an existing business as a going concern. The issuance of bonds by corporations (AEs) is exempt from stamp duty.

### **GENERAL INFORMATION ON TAX INSPECTION**

#### Status Effective up to the Year Ended 31 December 2010

In Greece tax returns and taxable income or loss, reported to the tax authorities are provisional and subject to revision until the time that the books and records of the entity are examined by the tax authorities

and the related tax returns are accepted as final. When performing a tax inspection, it is common for the tax authorities to disallow expenses and to assess additional taxes. The practice often followed by the tax inspectors in Greece is to disallow expenses for the purposes of settlement. As the onus of proof that all expenses claimed have been wholly and exclusively incurred for the purposes of the business, falls on the tax payer, it is not unusual to find, in practice, that it is objectively unfeasible to provide such proof. Under these circumstances, taxpayers invariably opt to "settle the dispute" rather than resort to the tax courts, in itself a costly and time-consuming process.

This regime continues for small and medium size enterprises that are not subject to a statutory audit.

#### Status Effective from the Year Ended 31 December 2011 onwards

Following recent amendments in the Greek Tax Legislation, from 2011 onwards, the tax affairs of SMEs and large entities (practically those that are subject to a statutory audit) are reviewed by the statutory auditors of the entity; the relevant work is concluded with the issuance of a 'Tax Compliance Report' that is electronically transmitted to the Ministry of Finance and in particular to the database maintained by the General Secretariat of Information Systems (GSIS) no later than ten (10) days after the date of approval of the Company's financial statements by the General Meeting of the Shareholders / Partners. Provided that an unqualified report is issued, i.e. the entity has properly accounted for its taxable results and properly settled other tax liabilities, the tax affairs of the entity will be considered finalized for the particular year inspected, 18 months following the issuance of the relevant report. However, a 9% sample will be re-examined by the tax authorities, within the aforementioned interval of 18 months, as a means of

verifying that the tax inspection has been properly carried out by the statutory auditor.

The tax review performed by the statutory auditor extends to all subjects that would regularly be covered by a tax inspection i.e. Corporate Income Tax, Value Added Tax (VAT), Code for Tax Recording of Transactions, Real Estate Taxes, Stamp duty, Withholding taxes, Business Transformations, Transfer pricing and E-Commerce.

### Important Notice

Greek tax legislation is required to be reformed, in order to adhere to the specifications of a simple tax system. Practically, based on instructions received from the Eurogroup, the process should have been completed by the end of April 2013. Hence, as soon as the Greek tax system is reformed, the contents of this chapter may need to change substantially.

# personal taxation

Natural persons living in Greece are liable to income tax on their worldwide income, irrespective of where such income has been gained. Income tax deductions apply for tax already paid on non-Greek income, provided that there is a Double Tax Treaty in place.

Non-residents are liable to income tax only for income obtained in Greece. Permanent residence is deemed to exist when an individual resides in Greece for at least 183 days per year. Residence (permanent) is assumed to exist unless the taxpayer can prove the opposite. Transfer of residence requires submission of a set of documents; such transfer cannot be effected if the target country is included in the list of non-cooperating countries issued by the Ministry of Finance. Apart from that transfer of residence to a country with a preferential tax regime does not eliminate the tax liability of the individual for a period of five years, when there are substantial financial interests in Greece; the relevant five-year period commences from the filing of the declaration for the change of the residence.

As a means of preventing tax evasion, Greek tax legislation has introduced the concept of "imputed income", i.e. deemed income corresponding to each person's assets and expenses incurred during a tax year. The minimum imputed income is set at EUR 3,000 for a single person and at EUR 5,000 for a couple filing a joint tax return. The taxpayer is taxed at the higher of actual income declared and the imputed income calculated.

## INCOME TAX LIABILITY

There generally six categories of income identified: real estate, investment, employment, agricultural, business, and

professional. Married persons are required to file a joint tax return, but are subject to tax separately on their own income.

## Income Tax Rates

Income tax liability is calculated using the tax brackets presented below, depending on the income type obtained.

Agricultural income gained is taxed uniformly at 13%.

### Salaried employees and pensioners

Income Bracket (EUR)	Tax Rate %	Bracket Tax (EUR)	Total Income (EUR)	Total Tax (EUR)
25,000	22	5,500	22,000	5,500
17,000	32	5,440	42,000	10,940
42,000+	42			

Employees and pensioners, i.e. individuals being taxed according to the above brackets, should obtain receipts for the purchase of goods and services, amounting to 25% of their income capped at EUR 10,500. Failure to present the required receipts, results in additional tax of 22% being imposed on the difference between the receipts gathered and the amount required.

Receipts that can be used in this context and are acceptable by the tax authorities include private lessons, auto spare parts, auto repair and service expenditure, taxi receipts and auto fuel expenditure.

### Free lancers and other individual taxpayers

Income Bracket (EUR)	Tax Rate %	Bracket Tax (EUR)	Total Income (EUR)	Total Tax (EUR)
50,000	26	13,000	50,000	13,000
50,000+	33			

### Real property and securities income

Income Bracket (EUR)	Tax Rate %	Bracket Tax (EUR)	Total Income (EUR)	Total Tax (EUR)
12,000	10	1,200	12,000	1,200
12,000+	33			

A supplementary tax is computed at the rate of 1.5% or 3% on gross rental or imputed income from real estate that is taxable. The 3% rate applies where the real estate is used for residential purposes and exceeds 300m<sup>2</sup>. The additional tax thus calculated cannot exceed the taxpayer's main income tax.

### Deductible Expenses

Under recent amendments in tax legislation there are no deductions from personal income. The relevant deductions have been partially replaced through tax credits as described below.

However, obligatory contributions to social insurance funds, are fully deductible.

### Tax credits

Income tax calculated using the above scale is reduced by 10% for each of the cases mentioned below:

- A tax credit of EUR 2,100 is granted for income up to EUR 21,000 (however, if the tax due is lower, the credit will be correspondingly decreased).
- For income exceeding EUR 21,000, the EUR 2,100 credit is decreased by EUR 100 for every EUR 1,000 of income.
- Total annual amount of hospital care expenses, provided that it does not exceed 5% of taxable income; tax credit ceiling at EUR 3, 000.
- Alimony paid to ex spouses; tax credit ceiling at EUR 1,500.
- Cash donations to the State, municipalities and certain other local institutions. Such donations include medical equipment and ambulances to public hospitals as well as

sponsorships to particular private cultural not-for-profit institutions. The total tax credit cannot exceed 5% of total taxable income. Donations should exceed EUR 100 in order to be considered.

### Return filing and payment procedures

The tax year for individuals coincides with the calendar year. Taxable persons are required to file an income tax return by 1 March of the following year of assessment. However, there are numerous exceptions depending on the nature of the individual's taxable income. Income tax becomes due when the assessment is issued by the authorities. The income tax may be paid in seven equal instalments, commencing on the month the assessment is issued. A 1.5% discount is granted if the tax assessed is paid in a lump sum within the deadline for the payment of the first instalment.

Apart from the income tax, an additional 55% thereon is assessed, comprising an advance payment against the following year's tax. Calculation of advance payment is not applicable in those cases that income declared has tax withheld at source.

### TAX WITHHELD ON SALARIES

With respect to salary income, it is the employer's obligation to withhold the corresponding income tax on a monthly basis. Withholding is applicable to salaries, wages and other remuneration paid to employees. At the end of the year the employer is obliged to prepare an annual return of amounts paid and taxes withheld. Tax withheld is attributed to the State on a monthly or bi-monthly basis, depending on whether the business employs more than 50 persons or not.

The employer is further required to issue a statement to each employee of the amounts paid and the tax withheld

thereon. The relevant statement is to be issued by 15 February, while a complete listing of amounts paid and the tax withheld, accompanied by the individual statements, is to be filed with the tax authorities by March.

As indicated above, remuneration to Administrators of an EPE and fees to Board members of an AE paid out of corporate profits are subject to a withholding tax of 10%; the relevant tax extinguishes the tax liability for the recipient for this particular income type. For other fee types (not from taxed profits) paid to directors of an AE, which comprise investment or commercial income taxes are withheld at 40%; the relevant tax extinguishes the tax liability for the recipient for this particular income type.

### **PROFESSIONAL INCOME**

Fees paid to freelance professionals by businesses are subject to a withholding tax at the rate of 20%, which is treated as an advance tax against the final income tax liability. Withholding does not apply to fees up to EUR 300.

### **FRINGE BENEFITS**

Fringe benefits are normally considered income taxed in the hands of the employee / recipient. The use of company cars generates additional annual income for company executives who have the use of such cars and is thus taxed as employment income in their name, irrespective of the cars being owned or leased. The relevant taxable annual income is calculated as a percentage of the manufacturer's sale price in the year it first circulated, ranging between 15% and 30%. There is no taxable income where the manufacturer's sale price is under EUR 15,000.

Reimbursement of expenses incurred by an employee in carrying out assigned employment duties are not be deemed to

be fringe benefits employment income, provided that they are supported by the proper tax documents.

### **INHERITANCE AND DONATIONS (TRANSFER) TAX**

The value of property comprises the basis of calculation of inheritance/ donations transfer tax. Practically, the tax is based on a graduated scale of rates. The rates vary from 0 to 40%, depending on the degree of relationship between the deceased or donor and the recipient of the property, with lower rates applying to close family members. The tax applies on all property located in Greece as well as on movable property located abroad owned by Greek citizens or foreign nationals permanently resident in Greece. The recipient should file a tax return, within six months following the death of the legator or the publication of the will (if such a will exists), or the receipt of the donation.

### **IMPORTANT NOTICE**

Greek tax legislation is required to be reformed, in order to adhere to the specifications of a simple tax system. Practically, based on instructions received from the Eurogroup, the process should have been completed by the end of April 2013. Hence, as soon as the Greek tax system is reformed, the contents of this chapter may need to change substantially.

# real estate tax

## ACQUISITION

Transfer of new buildings is subject to VAT at the rate of 23%. Subsequent transfers are subject to real estate transfer tax. Real estate transfer tax is calculated at the higher of the contract price or the "objective value". The objective value system covers real estate situated in almost every part of Greece; the relevant values are defined in Ministerial Decisions issued in that respect. Where no objective values exist, the value is determined by the tax authorities, using specially designed forms. Real estate transfer tax rates are 8% on the first EUR 20,000 and 10% on the remaining balance. A local authority surcharge, at 3% of the transfer tax, is also levied. Certain cases such as the purchase of agricultural land and primary residences attract full or partial exemption from this tax.

## OWNERSHIP

Tax on ownership is imposed in the form of real estate tax. Real estate tax is imposed annually and applies to the total objective tax value of real estate situated in Greece and owned by individuals or legal entities on January 1st of the year, following the year under consideration. The rates applicable to individuals owning real estate property vary from 0.1% to 1% of the objective value, while real estate property owned with objective value up to EUR 200,000 does not attract tax. Especially for financial years 2010, 2011 and 2012 the tax rate is 2% on any taxable value exceeding EUR 5,000,000.

In case of legal entities, real estate tax is calculated on the objective value and taxed at 6% for businesses or at 3% for not-for-profit organizations. A reduced rate of 1% applies on certain categories

of buildings including owner occupied buildings used by entities to carry out their activities. Any tax due on the total value of buildings cannot be less than EUR 1 per m<sup>2</sup>. Especially for financial years 2010, 2011 and 2012, the taxable value of owner-occupied real estate used by hotel enterprises is taxed at 0.33%, while the minimum charge per m<sup>2</sup> does not apply. Finally, certain categories of real estate and certain taxpayers (for example the state, public legal entities, churches, monasteries, museums etc.) are exempt from real estate tax.

Furthermore, commencing from 2011, owners of buildings linked to the electricity network are required to pay a special duty calculated based on the objective value of the property and the surface coverage in m<sup>2</sup>. The rates per m<sup>2</sup> vary from EUR 0.5 to EUR 16.00 depending on the objective value of the property. The amount thus reached is adjusted for age of the building; the adjustment rates commence at 1 for buildings older than 26 years and are gradually increased to 1.25 for new buildings (up to 4 years).

## SPECIAL TAX ON REAL ESTATE

Off shore entities, companies or legal forms of any type (including trusts) that own the freehold or usufruct of real estate located in Greece are subject to an annual special tax at 15% of their real estate property. The tax return is filed and the tax is paid by May 20th following the year under consideration.

The following cases are exempt for this special tax:

- Listed companies.
- Legal entities declaring larger other type taxable income compared to income from immovable.
- Shipping companies under Law

89/1967 and companies owning commercial vessels regarding real estate that they either use in Greece exclusively as their offices or warehouses or rent to similar companies exclusively for the same purposes.

- State owned companies.
- Particular (specified in a Ministerial Decision) legal entities pursuing educational, religious or charitable purposes.
- Entities constructing their own premises (a seven year limit applies).
- The State, foreign States on condition of reciprocity, known religions social security funds, as well as Real Estate Portfolio Investment Companies, except for those registered in non-cooperating countries.

Companies that have their registered place of business in Greece or in another EU country are exempt from this tax provided they are:

- Corporations (AE), having registered shares in the name of individuals or which declare the individuals who are the ultimate owners and such individuals have obtained a Greek tax registration number.
- Limited liability companies (EPE) or partnerships that have units owned by individuals or declare the individuals who own the participating companies and which individuals have obtained a Greek tax registration number.
- Companies with registered shares or partner’s units directly or indirectly owned by foundations that pursue objectives for the public benefit.

For the above three cases, it is not necessary to declare the ultimate shareholder, provided that “simplified due diligence” applies per the regulations for the Prevention and Suppression of Money Laundering and Terrorism Financing.

## CAPITAL GAIN TAX ON SALE OF REAL PROPERTY

A capital gain derived from the sale of real property acquired after 1 January 2013 is subject to a final 20% tax payable by the seller. The acquisition value is the higher of the tax value of the property at the time of the purchase or the actual purchase value as stated in the relevant notarial deed.

The gain is multiplied by the following factors in order to reach the taxable value, depending on the period of ownership by the seller:

Years of Ownership	Factor
1-5	0.90
5-10	0.80
10-15	0.75
15-20	0.70
20-25	0.65
25+	0.60

Exemptions apply for gains realized in the following cases:

- Business profits from the acquisition and sale of real property;
- Gains from the alienation of fixed assets owned by a legal entity that are taxed under the general provisions;
- Gains up to EUR 25,000 where the real property has been held for at least five years and where the individual seller has not engaged in any other transactions within the five-year period; and
- Capital gains subject to donations or inheritance tax.

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# *Notes*

# *Notes*





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