Doing Business in Greece

This document describes some of the key commercial and taxation factors that are relevant on setting up a business in Greece.

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Background

Greece

Greek civilization and legacy rest on the country's territorial morphology that comprises some 6,000 islands and skerries, spread in the Aegean and Ionian Seas, of which only 227 are inhabited. The Greek Archipelago claims more than 7,500 km of the country's total coastline of 16,000 km.

Throughout history, transiting people and cultures were met with "Filoxenia", Greek for hospitality and geniality, important attributes for doing business with other nations.

Economic overview

The Greek economy (GDP) from 2004–2008 expanded at one of the highest rates in the Eurozone. However, since 2009 and up-to 2017, due to the continuing current economic crisis, the GDP decreased by approximately 20%. Greece achieved a real GDP growth rate of 0.4% in 2014 after 6 years of economic decline but contracted by 0.3% in 2015 and by 0.05% in 2016. In 2017 GDP is expected to remain at the same level as 2016 (179%).

Currently, there is a crisis in international confidence in Greece's ability to repay its sovereign debt. To avoid a default, the other Eurozone countries and the IMF agreed on rescue packages which involved giving Greece loans totalling €240 billion. To secure the funding, Greece was required to adopt harsh austerity measures to bring its deficit under control, privatisation of government assets, implementation of structural reforms to improve competitiveness and growth prospects, and a restructure of all public debt held by private creditors by accepting a 53.5% face value loss which is estimated at €110 billion. The Eurozone countries and the IMF are regularly monitoring the implementation of the measures. Greece exited its six-year recession in the second quarter of 2014 but the challenges of securing debt sustainability remain.

Education and human resources

A population of 10.75 million boasts an adult literacy rate more than 96% with over 84% having completed upper secondary education and over 35% having attained a University (or similar) degree. Computer literacy, extensive use of mobile phones and Internet access, a healthy mix of university-trained multilingual managers in business, engineering and applied sciences, are some of the quality characteristics underlying Greek human resources.

Greece's Research & Development map posts a complex multi-disciplinary web of R&D Institutions and Science and Technology Parks.

Main industries

Greece, an ageless destination ranking among the world's top 15, generates about 18% of annual GDP from tourism. International investors from Europe, North America, South Africa and Australia have invested in a variety of resorts including marinas, spas, golf courses, hotels and conference centres.

The shipping industry is a key element of Greek economic activity dating back to ancient times. Today, shipping is one of the country's most important industries. It accounts for 7% of GDP and employs about 4% of the workforce.

Greece has evolved into an energy centre, thanks to a dynamic, reformed and liberalised energy market and alliances with major multinational groups, e.g. oil and gas are transported from Russia and the Caspian Sea for transmission and distribution into Europe. Currently the government is in a process of appointing technical advisors to explore for gas and oil in offshore Greece, and providing generous investment incentives to encourage renewable energy sourcing.

Food and Beverage is the most dynamic and profitable sector in Greek manufacturing with production costs remaining among the most competitive in the EU. An abundance of quality raw material sources, branded domestic products and an extensive import-export network operated by Greek companies and major multinationals supply emerging markets in Southeast Europe and the Middle East. R&D infrastructure and generous investment incentives for Mediterranean and Organic products substantiate the prospects of further growth.

Choice of Legal Form

Société anonyme (Anonymos etaireia or AE)

The formation of a Société Anonyme requires a minimum capital of Euro 24,000 (special laws prescribe higher minimum capital requirements for SAs with particular business activities, for example banking institutions and insurance companies). The shareholding may be concentrated in the hands of 1 person (legal or natural), provided that a notary public be present at the General Assemblies of the Company.

All actions required for the establishment of a Société Anonyme (except for the temporary registration of its corporate name) are carried out by a Notary Public, who is considered the One-Stop Authority. The Notary Public interfaces with the other authorities as applicable, making most payments and submitting all documents and applications to the authorities involved in the establishment of a Société Anonyme. The formation of a Société Anonyme will normally require approximately three weeks but there is also a fast-track procedure which requires a few days.

The Société Anonyme form permits easy changes in the Articles of Association and is represented through its Board of Directors. The minimum number of directors is three.

The Resolution process by a Société Anonyme is not complicated. At least one member of the Board of Directors must be a resident of Athens and have the authorization to sign on behalf of the Société Anonyme documents pertaining to the day-to-day business.

The initial share capital of a Société Anonyme must be deposited to a special bank account that is designated as an account for share capital deposits. The initial capital is generally required to be paid up at the latest two months after the formation of the company.

A capital increase of a Société Anonyme may be paid up within a period of four months following the date of the relevant shareholders' resolution.

Limited liability company (Etaireia periorismenis efthynis or EPE)

The formation of an EPE [Limited Liability Company] does not require a minimum capital. The capital is set by the partners and can be established within a period of approximately 2- 3 weeks from the date that a pertinent power of attorney is received. The initial capital of an EPE must be deposited by its Partners immediately at the time of the formation. The capital increase of an EPE requires a Notarial Deed and an amendment of the Articles of Association. Relevant formalities may be completed within a period of approximately two months.

An EPE is administered and represented by one or more persons (administrators), who need not necessarily be partners of the EPE, and are appointed by the Articles of Association or by the partners in their meeting.

If, for internal control purposes, the entity wants to restrict the authority of any administrator in certain type of actions (e.g. bank loans, signature of cheques over a certain amount etc.) through the imposition of a second signature (not necessarily that of an administrator), then this process is much more complicated in a Limited Liability Company (EPE) than in the case of a Société Anonyme (AE). In addition, the change of an administrator in an EPE is a much heavier task and burdensome procedure compared to the change in the Board of Directors in an AE.

Private capital company – Idiotiki kefalaiouxiki eteria (IKE)

Private Capital Company has become very popular in recent years. The formation of a Private Capital Company does not require a minimum capital and the partners can participate in the company by contributions in cash or in kind, in the form of personal services to the firm, or in the form of guarantees/liability undertaken by the partners towards third parties.

The Private Capital Company is exclusively liable for its corporate debts, whereas the liability of its partners for corporate debts towards third parties is limited to the amounts specifically outlined in its Articles of Association.

In addition, IKE's do not have to have their actual principal place of business within Greek territory.

The Articles of Incorporation of a Private Capital Company must take the form of a notary deed only in certain cases; otherwise a private agreement is sufficient. Private Capital Companies are established through the General Commercial Registry and their Articles of Incorporation are filed with this Registry.

The duration of the company is mandatorily fixed. If not defined in the statues of incorporation, its duration is considered by law to be twelve years and can be extended by the decision of the partners.

The affairs of the company are administered by one or more administrators.

Branch

The formation of a branch in Greece by a foreign entity results in a fiscal permanent establishment (PE) of the foreign entity in Greece. In addition, the Greek branch operations do not provide limited liability to the foreign entity from the Greek branch operations.

Foreign and domestic entities may establish a presence in Greece with the exclusive purpose of providing certain services to their head office or any other foreign affiliate company (such as consulting, centralized accounting support, quality control of production, processes and services, project planning services, advertising and marketing and data processing services). Such establishments will be taxed on the higher of the actual revenues reported in their accounts or the deemed revenues that will be defined on a cost-plus basis by application of a certain mark-up which is pre-agreed with the Ministry of Finance according to their specific sector and service, and in any case not lower than 5%.

Audit Requirements

Requirements and thresholds

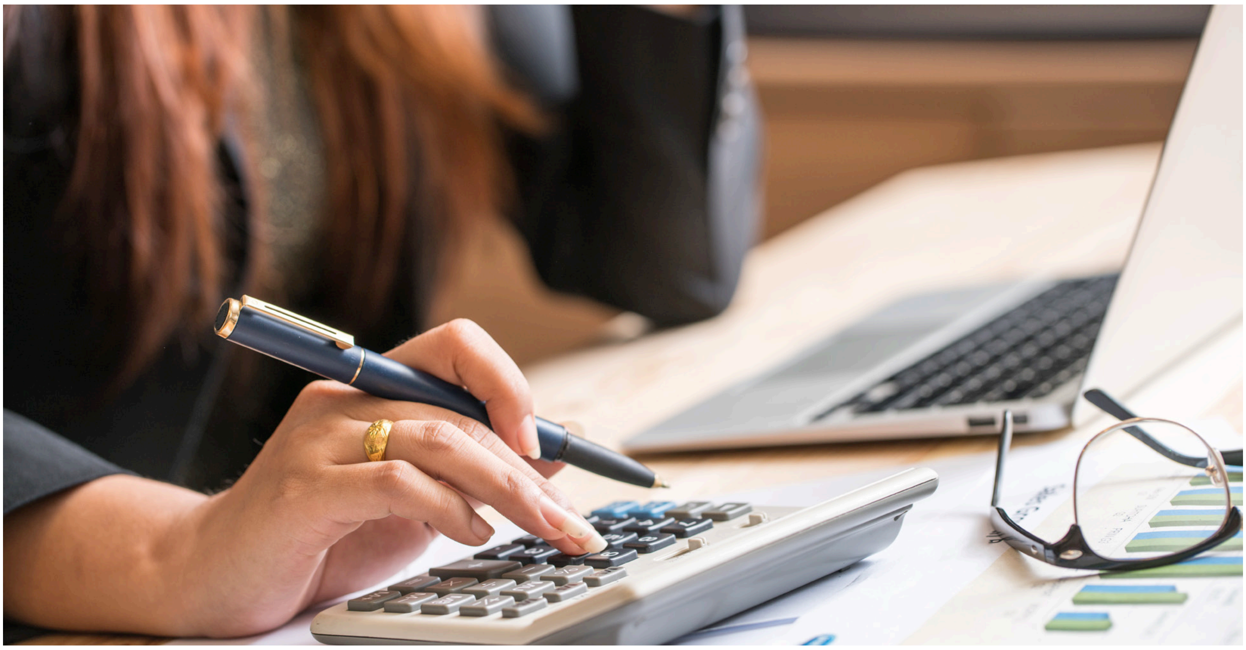
For Sociétés Anonymes that are listed or large or medium-sized and for certain other types of business such as banks, insurance companies, fund management companies etc, the annual financial statements must be audited by an independent certified auditor.

The thresholds for the appointment of an independent certified auditor are that a company meets two of the following three criteria:

- Total assets – over € 4.000.000
- Revenue – over € 8.000.000 and
- Average number of employees – over 50

All other companies (Sociétés Anonymes, partnerships (EPE) etc.) that do not meet the above may voluntarily appoint an independent certified auditor or two auditors that have a grade A accounting and tax professional license

Taxation



Corporation tax

Corporate income taxes applying to Greek resident corporations and foreign enterprise permanent establishments in Greece (branches) are currently set at 29%.

Dividend payments

The withholding tax on dividends paid to shareholders/partners is 15%, unless a reduced rate applies by virtue of the applicable bilateral treaty (see Withholding Taxes, below).

Bilateral treaties

Greece has comprehensive bilateral treaties for the avoidance of double taxation with 57 countries generally covering corporate and personal income taxes, capital gains, and transfer taxes on the sale of Greek participations. Greek Tax Legislation permits the allowance of a tax credit in respect of taxes sustained overseas even for countries with which there is no bilateral treaty.

Taxation of transfer of shares or partnership parts

Profits arising from the transfer of shares (listed and non-listed) and partnership parts are treated as business income for legal entities disposing of the shares and taxed at the corporate tax rate (currently 29%). This tax does not apply to non-resident entities with no permanent establishment in Greece.

The transfer of shares (listed and non-listed) by individuals is subject to capital gains tax at the rate of 15%.

The transfer of shares remains, in most cases, a simple procedure, unlike the transfer of partnership parts, which requires a Notarial Deed and often an amendment of the Articles of Association of the EPE as well as registration in the Registry and finally publication in the Government Gazette.

Value added tax

VAT is currently set at 6% to 24% depending on the location and the category of the goods.

Investment incentives

Investment incentive legislation provides for government grants, tax-exempt corporate bond loans and tax-free mergers.

Incentives are provided to Energy Production Enterprises, Leasing Companies, Constructors and Operators of airports, highways, bridges and metros, Engineering and Civil Construction Companies, Scientific Research Enterprises, Venture Capital and Investment Companies, and Exporters.

Shipping tax

Profits derived by Greek shipping companies from the operation of fleets registered under the Greek flag and vessels that are not registered under the Greek flag but are managed by a management company operating from Greece are taxed based on gross tonnage and vessel age less certain tax credits allowed. This tax is deemed to satisfy the income tax obligation of the ship-owning company and its shareholders in respect of all operating net income, vessel disposal gains and settlement of insurance claims.

Personal income tax (pay as you earn)

All individuals domiciled in Greece are subject to income tax in Greece on their world-wide income, regardless of their citizenship, nationality or place of residence. In addition, income generated in Greece is subject to income tax irrespective of whether it is earned by residents or non-residents. Domicile may be defined as the intent of a person to settle in Greece. Such intent is apparent from the person's residence, location of family, centre of activities, etc.

All allowances and benefits in kind received by an individual should be declared as part of one's annual income which will be taxed accordingly. Therefore, for the individual there is no tax difference between allowances and benefits in kind.

Husband and wife file a joint tax return on which income is declared separately. The tax is calculated separately for each spouse. When one of the spouses is domiciled in Greece he/she is taxed for his/her income earned in Greece.

Income from salaries and wages is subject to PAYE taxation. The income taxes on the above income are estimated and withheld monthly. The current income tax scale for employment income is set out overleaf:

Income Tax Bracket (€)	Income Tax Rate (%)
0,00 - 20.000,00	22%
20.000,01 - 30.000,00	29%
30.000,01 - 40.000,00	37%
Over 40.000,01	45%

The above income is net of employee social security withholdings. There are also certain tax credits allowed which, however, have been limited significantly. In addition to the above tax there is an extraordinary tax contribution ranging from 0% to 10% depending on the level of total annual income.

Transfer pricing rules

The supervising authorities consider the transfer pricing legislation to be in line with OECD guidelines. Intra-group transactions should follow the arm's length principle. For each tax year, a Transfer Pricing Documentation File supporting the appropriate transfer pricing method must be prepared and a Summary Information Sheet must be submitted (both within 6 months from year-end).

Fines are imposed if a company does not comply with the relevant transfer pricing documentation and filing obligations.

Companies may obtain an Advance Pricing Agreement (APA) covering the transfer pricing methodology of specific cross-border intra-group transactions for a certain duration. Special rules and conditions apply.

Administrative authorities

Administratively, an EPE is monitored by the District Tax Authorities whilst a Société Anonyme [AE] and branches of foreign entities are monitored by the Central Tax Authorities for Sociétés Anonymes, which therefore deal with the Greek fiscal affairs of many multinational groups.

Allowances

Depreciation

The straight-line method of deprecation is used.

Depreciation rates vary from 4% to 40%. Land is not depreciated.

Newly established entities may postpone the depreciation of their assets during the first three tax years.

Investment allowance

There are fiscal incentives for regional development investments. Specially licensed entities with non-domestic activities are taxed on notional profit.

Employment

Labour contracts

In Greece, employment contracts are distinguished between indefinite and definite term.

Indefinite term employment contract

This is in place when a time of expiration does not derive, whether expressly or tacitly, from the contract. It should be noted that even an employment contract that has been entered into for a definite period, provided it can be established that this was done to circumvent the law, is treated as an indefinite term contract (i.e. the criterion is substance as opposed to legal form).

In principle, the first twelve-month period of an indefinite term employment contract could be described as an employment on probation contract, for the employer to become acquainted with the abilities and suitability of the individual (within the provisions of the law). During this period, the employer is entitled to dismiss the salaried employee without paying compensation.

Definite term employment contract

A definite term employment contract is in place when its term either derives expressly through the will of the parties or can be concluded tacitly and indirectly through other facts (a provision of the law, type and purpose of contract, etc.). A definite task employment contract is fully equated with a definite term employment contract.

The main distinction between a definite term employment contract and an indefinite term employment contract is that the former automatically ceases upon expiration of the time for which it was mutually agreed, while the latter expires only upon rescission by either party.

A definite term dependent employment contract may not be rescinded prior to its expiration, except on significant grounds. Otherwise, all salaries to its expiration become due.

An employment contract that has been mutually agreed upon for a definite term is regarded to have been renewed for an indefinite term if, following the expiration of its term, the employee continues work without the employer raising objections.

The execution of successive definite term employment contracts with which the employment relationship with the same salaried employee is renewed is unwarranted. In such instances, it is considered that an indefinite term employment contract is in place and the applicable law concerning the rescission of an employment contract shall apply.

The employer is obliged to formally announce within eight days electronically to ERGANI the termination of an employment contract not only if it is rescinded, but also when it occurs for other reasons, such as the lapse of the time agreed upon in the definite employment contract or the completion of a task in the case of a definite task contract.

All salaried employees (employees, attendants, technicians) are entitled to a regular leave, regardless of the type of the contract (definite or indefinite term).

There is also an obligation for the company to appoint a Security Technician.

Statute-imputed pension rights of employees and dismissal compensation

Termination of employment is permitted provided that the employer pays a statutory severance indemnity that is calculated on a graduated scale that is linked to qualifying years of service. Dismissal without notice results in the amount of indemnity being doubled. For salaried employment dismissal, statutory severance compensation is capped at 24 months of pay as defined under the Law. Group dismissals are regulated.

Under the terms of Greek Labour Legislation, employees reaching retirement age are entitled to lump sum compensation from their employer at the time of reaching such age. The statute-imputed lump sum pension compensation is calculated at a rate of 40% of the amount to which they would have otherwise been entitled, had they been subject of dismissal without notice on the day of reaching retirement age.

The statutory entitlement calculation addresses current emoluments as defined under the law (regular pay including overtime and recurring bonus amounts and allowances) with a capping at Euro 2.000 of entitled dismissal indemnity for the years beyond the 12th year. The qualifying emoluments are subjected to a multiple that directly depends on the number of years of the employee’s total service with the company including years of service with previous employers that have been expressly recognized as qualifying for termination purposes upon joining the company.

Employees voluntarily leaving service with the employer are not entitled to any compensation under the Law. Consequently, instances of voluntary departures result in a release of the related liability reserve that has been cumulatively and diachronically (trans-temporally) created to the date of such departure.

The imputed pension entitlement in respect of the afore-described 40% accrual of the compensation eventually payable to employees upon retirement (based on the Company's maximum exposure to termination settlement under the Law at each year-end) is required to be provided in the Company's books and be reflected under "Liability Reserve for Pensions" in accordance with the provisions of Greek Company Law Valuation Guidelines.

These elements, to the extent provided in the Financial Statements, do not constitute a deductible expense for Fiscal purposes until the accounting period during which the related expense is actually disbursed or within a period of 12 months from the end of that period.

Social security

Social security contributions are payable to the Social Security Institution Main fund (EFKA). Employees' social security contributions are withheld monthly and are payable, together with the employers' contributions, to EFKA.

Contribution Percentages	Employer	Employee	Total
Pension	6,67%	13,33%	20%
Health care (contribution in kind)	2,15%	4,30%	6,45%
Health care (contribution in money	0,40%	0,25%	0,65%
Total	17,88%	9,22%	27,10%

The above percentages are applied to the gross monthly salaries and wages.

Withholding Taxes

Interest

The withholding tax on interest is 15%, subject to bilateral treaty reduced rates. There is a withholding tax exemption and domestic companies will not withhold any tax on interest they pay to related entities (holding for 2 years at least 25% of the capital of the domestic company) of other EU member countries.

Royalties

The withholding tax rate on royalties is 20%, subject to certain exemptions (e.g. no withholding tax applies if royalties are paid to Greek entities or to non-Greek tax residents with no Greek PE) and bilateral treaty reduced rates. There is also a withholding tax exemption and domestic companies will not withhold any tax on royalties they pay to related entities (holding for 2 years at least 25% of the capital of the domestic company) of other EU member countries.

Dividends

The withholding tax on dividends is 15%, subject to the reduced rates provided by the relevant bilateral treaties. There is a withholding tax exemption and domestic companies do not withhold taxes on the dividends they distribute to entities of other EU member countries, provided that there is a holding by the EU company for 2 years of at least 10% of the capital of the domestic company.

Miscellaneous

The registration of the entities (AE, EPE and branch) with the Chamber of Commerce and the Tax Authorities including declarations for the commencement of business, VAT registration is an exercise that we would normally carry out on a time basis.

The procurement of Registration with the Competent Greek Fiscal and Social Insurance Authorities for Board Members (in the case of a Société Anonyme), administrators (in the case of a Limited Liability Company and a Private Capital Company) and the Legal Representative (in the case of a branch) will depend on the number of Expatriates involved.

Less frequent entity forms encompass the Limited Liability Partnership (EE) and the Unlimited Liability Partnership (OE), because the partners have personal liability directly against the company's debtors unrestrictedly with their personal property.

Regulating Authorities competent for the supervision of the above structures are the General Commercial Registry (GEMI) and the Prefecture Authorities.

All entities are required to be registered with the relevant Chamber of Commerce. Legal, fiscal, structuring and registration issues should be subject to a substantive due process of professional advice prior to establishing a domestic presence.

This document is provided by DFK PD Audit S.A. & DFK Global Advisory Tax Solutions S.A as a general overview of matters to be considered when setting up an overseas business in Greece. It is essential to take advice on specific issues. No liability can be accepted for any action taken or not taken arising from the information provided in this publication.

If you are setting up a business in Greece, the members of DFK International can help you to achieve this efficiently. You will receive practical advice on business issues, tailored to meet your objectives, from experienced business advisers.

For further information on the services available from the DFK member firm in Greece please see overleaf.

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