

DOING BUSINESS IN GREECE



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Introduction

“Doing Business in Greece” has been prepared by Kypris and Associates S.A. as a general introduction to those wishing to set up an enterprise in Greece.

The information in this guide is current as of January 2012 unless so stated. However, those wishing to do business in Greece should seek detailed professional advice.

Facts & Background

Comprises: The mainland of Greece, which is bounded by Albania, FYROM, Bulgaria and Turkey, together with about fifty inhabited islands.

Area: Approximately 133,000 square kilometres

Population: Approximately 11 million

Main cities: Athens (together with Piraeus) 4 m, Thessaloniki 1 m., Patras 250,000.

Economy: Based mainly on private enterprise, although some companies are under state control and there is state ownership of certain essential services. The services sector of the economy is the strongest, with a substantial contribution from tourism and merchant shipping. Manufacturing capacity is at a relatively low level.

Currency: The unit of currency is the Euro (€).

European Union
Greece is a full member of the European Union (EU) which comprises, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom with a total population of about 500 million.

Business Entities

The main choices of business entity are as follows:

Company

A company may either be limited by shares (Anonymos Eteria, or A.E. for short, equivalent to the Société Anonymé, S.A.) or it may be limited by share parts (Eteria Periorismenis Efthisis, or E.P.E. for short). The main difference between shares and share parts is that shares can be more readily transferred, assigned, given as guarantee and traded on a Stock Exchange

Both types of company are required to maintain certain specified accounting books and records which must be legalised by the Fiscal Authorities prior to their use as sign of their authenticity. These books and records must be written up within 15 days from the date of a transaction (issue of an invoice, payment).

Corporation (AE or SA)

The minimum share capital is € 60,000. Formation of a corporation requires an authorisation from the Ministry of Development. The company's statutes must state the duration of its life (which can be extended subsequently by shareholders) and have to be signed before a notary.

Different classes of shares may be issued and they can be either bearer or registered shares. Issues of new shares require the approval of the Ministry of Development and must be offered first to existing shareholders. Liability of shareholders is limited. The Board of Directors is elected by shareholders for a term not exceeding 6 years and is responsible for the conduct of the company's business. The Board must meet monthly at the company's registered office.

A minimum annual dividend of 35% of its profits, after deducting tax and the statutory reserve (see below) is payable unless 70% of shareholders waive their entitlement.

A minimum statutory reserve equivalent to 1/3 of share capital must be set up by allocating 5% of its annual after tax profits.

Annual accounts must be filed within a specified time with the Registrar of Companies and must include a balance sheet and an income statement.

A corporation's annual accounts must be audited if its 12-month net turnover exceeds € 1m. However, such audits are a formality. For companies which meet any two of the three criteria mentioned below, an audit is required to be carried out by a Certified Public Accountant.

Limited Liability Company (EPE)

The minimum share capital is € 4.500. Formation of a limited liability company requires the registration of its statutes, which must be signed before a notary.

Most decisions in shareholders' meetings require a 51% majority both in terms of share capital and the number of shareholders. The liability of shareholders is limited. The law also allows the formation of one person limited liability companies.

The company is managed by one or more administrators, who are elected by the shareholders.

A minimum statutory reserve equivalent to 1/3 of share capital must be set up by allocating 5% of its annual after tax profits.

Statutory Audits

An audit is required for any company (S.A., EPE) where 2 of the following 3 limits are reached for two consecutive (12 month) financial years:

Annual net turnover € 5,000,000

Total assets € 2,500,000

Number of employees 50

Branch

The consent of the Ministry of Commerce is required to form a branch of a foreign company in Greece. The foreign company's share capital must conform to the requirements imposed on Greek companies. An application to form a branch must include, amongst others:

- (i) Articles of association of the parent company.
- (ii) Names of directors or officials with power to bind the parent company.
- (iii) Details of powers of attorney given to local representatives.
- (iv) Certificate of paid in capital and year of formation from the (parent) company's local chamber of commerce or any other competent authority.

Such companies are required to file annual accounts with the Registrar of Companies, together with a statement reporting local operations. A branch must maintain the same accounting records as a company, which must be written up within the specified number of days, but there is no audit requirement. It may also have the same financial year end as that of the parent company.

Partnership

The formation of a partnership entails the signing of a contract which must then be filed with a lower court. The partners' liability is unlimited, but the law allows the formation of limited partnerships provided at least one partner has unlimited liability. Partnerships are not subject to audits and are not obliged to file any accounts.

Main Taxes: Companies

Companies are subject to a national corporate income tax, withholding taxes, social security contributions and the value added tax. There is no net worth tax, but a tax on the value of immovable property is levied. There are no significant local taxes.

Corporate Income Tax

The general corporation tax rate is 20%.

Corporate income tax is also payable by general partnerships, of which there are two forms (Astiki Eteria or Omorithmos Eteria-OE) and by limited partnerships (Eterorithmos Eteria-EE). This corporate income tax of 20% is levied on the profits of the partnership after its partners have deducted their notional salaries calculated by multiplying their profit shares by 50% and accounting for the amounts in their personal tax returns. Such a deduction is allowed for the first three general partners only. The allowable deduction cannot be more than 50% of total profits. The remaining balance is taxed in the name of the partnership. However, if a partner is a legal entity, as opposed to a physical person, its profit share is taxed at a flat rate of 25%.

The taxable base of resident companies is their annual worldwide income after allowable deductions. To alleviate double taxation due to worldwide tax liability, relief may be granted unilaterally or pursuant to treaty provisions (see Treaty chart).

In determining the net income of a company a number of deductions from gross income are allowed. Generally, all expenses incurred in the normal course of business are deductible in the financial year they are incurred. Accruals are generally not deductible until they become definite obligations. Deductible expenses must relate to the income earned (productive expenses) and be substantiated by proper documentation.

The deductibility of royalties is allowed, subject to certain limitations.

Losses may be carried forward for five years. Loss carry-backs are not permitted.

Withholding Taxes

- Dividends

Profits distributed by resident companies as dividends, are subject to a 25% final withholding tax.

- Interest

A final 10% withholding tax is levied on:

- interest on government bonds and treasury bills;
- interest on bonds issued by resident companies (including banks and insurance companies);
- interest on bank deposits; and
- income (treated as interest) from repo transactions.

Interest from any source other than the above is subject to a withholding tax of 20%.

- Royalties

For resident individuals and companies the withholding tax is nil.

For non-resident individuals and companies the withholding tax is 25% for cinematographic films, for industrial or manufacturing processes, patents and trademarks.

Tax Payment Dates and Filing Requirements

Company tax returns must be made on a special form provided by the Ministry of Finance and filed within 4½ months of the end of the company's financial year, which can either be 30 June or 31 December.

Tax is paid in eight equal monthly installments, commencing with the filing of the tax return.

Capital Gains

There is no capital gains tax but capital gains of companies are taxed as income when distributed to shareholders. Gains on the sale of patents, trade marks, leasing rights and realised goodwill are taxed at a rate of 20%. The gain is included in the company's profits subject to the ordinary tax rate and a credit is granted for the tax paid.

Capital gains from the sale of shares listed on the Athens Stock Exchange or on a foreign stock exchange are exempt if the shares have been acquired before 31 December 2010.

Capital gains from the sale of shares listed on the Athens Stock Exchange that are acquired from 1 January 2011 onwards, are subject to a provisional withholding tax at the following rates:

- 20% if sold within 3 months from the date of acquisition; and
- 10% if sold between 3 and 12 months from the date of acquisition.

The gross gain is subject to income tax at the general progressive rates and a tax credit is granted for the tax withheld.

A final withholding tax at a rate of 5% is levied upon the sale of shares in an unquoted corporation (SA). The tax is imposed on the higher of the agreed sales price or the "actual sales price".

Treaty Chart

Greece has signed tax treaties with the following countries:

Albania	Luxembourg
Armenia	Malta
Austria	Mexico
Azerbaijan	Moldova
Belgium	Morocco
Bulgaria	Netherlands
Canada	Norway
China	Poland
Croatia	Portugal
Cyprus	Qatar
Czech Republic	Romania
Demark	Russia
Egypt	Saudi Arabia
Estonia	Serbia and Montenegro
Finland	Slovak Republic
France	Slovenia
Georgia	South Africa
Germany	Spain
Hungary	Sweden
Iceland	Switzerland
India	Tunisia
Ireland	Turkey
Israel	Ukraine
Italy	United Kingdom
Korea	United States
Kuwait	Uzbekistan
Latvia	
Lithuania	

Main Taxes: Individuals

Individuals are subject to national income tax. All individuals with income derived from sources in Greece are subject to tax, irrespective of their nationality or residence.

Resident individuals are subject to the national income tax on their worldwide income. An individual is resident in Greece, if his domicile or habitual abode is in Greece. An individual is considered to have a habitual abode in Greece if he stays in Greece for a time period exceeding 183 days within the same calendar year.

Non-resident individuals deriving income from any Greek source are subject to the national income tax at the same rates that apply to residents. In addition, non-residents are liable to a 10% tax on their Greek-source income up to EUR 5,000. This additional tax does not apply to residents of EU Member States if at least 90% of their worldwide income is derived from sources in Greece.

The following income tax rates apply to the aggregate taxable income in 2012:

Taxable income (EUR)	Rate (%)
up to 5,000	0
next 7,000	10
next 4,000	18
next 10,000	25
next 14,000	35
next 20,000	38
next 40,000	40
over 100,000	45

Special solidarity contribution

For the tax years 2010-2014, a special social solidarity contribution is imposed on the annual net individual income exceeding EUR 12,000, earned or deemed. An exemption applies to certain categories of taxpayers, e.g. unemployed, blind, etc. The contribution is charged as follows:

Taxable income (EUR)	Rate (%)
0 - 12,000	0
12,001 - 20,000	1% on the entire net individual income
20,001 - 50,000	2% on the entire net individual income
50,001 - 100,000	3% on the entire net individual income
over 100,000	4% on the entire net individual income

Capital Gains

Gains on the sale of patents, trademarks, leasing rights and realised goodwill are taxed at a flat rate of 20%.

Capital gains from the sale of shares listed on the Athens Stock Exchange or on a foreign stock exchange are exempt if the shares have been acquired before 31 December 2010.

Capital gains from the sale of shares listed on the Athens Stock Exchange that are acquired from 1 January 2011 onwards, are subject to a provisional withholding tax at the following rates:

- 20% if sold within 3 months from the date of acquisition; and
- 10% if sold between 3 and 12 months from the date of acquisition.

The gross gain is subject to income tax at the general progressive rates and a tax credit is granted for the tax withheld.

A final withholding tax at a rate of 5% is levied upon the sale of shares in an unquoted corporation (SA). The tax is imposed on the higher of the agreed sales price or the "actual sales price".

Inheritance and Gift Taxes

Inheritance, gift and parental gift tax is imposed by the state on property acquired by inheritance or gift. The tax is not imposed on the estate of the deceased or on the donor but separately on each beneficiary in respect of his or her share in the estate and on each donee in respect of the gift received. Liability for inheritance tax arises at the time of death, and liability for gift tax when the donee receives the gift.

Taxable inheritances and gifts include transfers of all immovable and movable property located in Greece regardless of the nationality or residence of the deceased/donor. Movable property outside Greece is also subject to tax if the donor or the deceased (at the time of death) was a national or resident of Greece.

The tax is charged at varying rates depending on the amounts involved and the relationship between the parties.

Main Taxes: Other

Value Added Tax (VAT)

VAT is charged on sales and importations of goods and services. Tax suffered on purchases and importation is generally allowed as a deduction from tax payable on sales. The standard rate is 23%. Agricultural products and other essential consumption goods are subject to a low rate of 13%. The rate for books and publications is 6,5%. Doctors charge no V.A.T. There are lower rates for the regions of the Dodecanese and Eastern Aegean islands to 16%, 9% and 4,5%, in the order above.

Stamp Tax

This is charged at rates varying from 1,2% to 3.6% on most business documents (excluding sales invoices), loans and credit transactions and related interest payments, salaries and wages, share transfers, property rentals and profits of partnerships and limited liability companies.

Property Transfer Tax

Sales of land and buildings are taxed at rates varying from 8% to 10%. There are exemptions for the main residences of individuals.

Tax on Capital Accumulation

Tax is charged at 1% on capital accumulations of companies, cooperatives, joint ventures, any other profit making organisations and branches of foreign companies. The term capital accumulation covers the capital contributed upon the formation of the above entities, or increases in capital.

Social Security Contributions

There are many social insurance institutions in Greece, the most important of which are the Social Insurance Institution (IKA), the Free Professionals' Social Insurance Institution (OAEE) and the Farmers' Social Insurance Institution (OGA). They all provide insured persons with the usual benefits in case of unemployment, sickness, retirement, death, etc. IKA contributions are obligatory for most employees.

Employed

Both employers and employees must pay contributions to the {IKA}. For employees, the contribution is withheld by the employer.

With effect from 1 August 2011, the general rate of the {IKA} contribution payable by office (white collar) employees is 16.5% and that payable by industrial (blue collar) workers engaged in heavy work 19.95%. The respective contributions by the employers are 28.56% and 30.71%.

The contribution is calculated on the basis of the employee's monthly gross remuneration, including salaries and wages, bonuses and fringe benefits, as well as any profit distributions to employees.

The monthly ceiling is EUR 2,432.25 per employee if the employment began before 1 January 1993 and EUR 5,543.55 if it began thereafter. No contribution is due on any remuneration exceeding these ceilings.

These contributions are fully deductible for income tax purposes.

Self-employed

Most self-employed persons must make monthly lump-sum contributions to the {OAEE}. For those who were insured prior to 1 January 1993, the compulsory monthly payments range from EUR 242.41 to EUR 602.85 and, for those insured at a later date, from EUR 195.47 to EUR 709.01, in both cases depending on the number of years the person has been insured.

A tax credit equal to 10% of the social security contributions is granted to free professionals (e.g. accountants, lawyers etc.) making contributions to the {OAEE}.

Government investment incentives

General & Regional Incentives

Investment, whether by Greek nationals or foreigners in the following types of business, is eligible for cash grants, leasing subsidies and income tax exemptions:

- Primary sector (greenhouses, animal farms, fisheries etc.).
- Secondary sector (manufacturing, renewable energy sources etc).
- Tertiary sector: - provision of services including applied industrial research laboratories' services, software development, supply chain services, logistic centres etc.).
- Tourism sector (hotels, marinas, health tourism centres, etc).

Under the current Investment Law 3908/2011, the country has been split into three zones, A, B and C.

Cash grants range from 15% to 50% of the eligible investment cost, with maximum ceilings of 25%, 40% and 50%, for zones A, B and C, respectively. Own contribution should be at least 25% of the eligible investment cost.

Offshore companies

Law 89/1967 offers substantial tax and other incentives to offices set up by foreign companies using Greece as an administrative centre to coordinate their business operations. The main relief granted is that no income or other taxes are imposed on the profits made on offshore operations.