

## **GREECE**

**Eleftheria G. Georgopoulou**

**BAHAS, GRAMATIDIS & PARTNERS**

**Athens, Greece**

### **General Information**

#### **Location and Area**

**Greece (Hellas), embraced by the Mediterranean Sea, lies in the extreme southeast of Europe and has an area of 132.000 square kilometers (51.000 square miles), of which approximately 20% is made up of islands. The country borders with Albania, Bulgaria and Skopje (FYROM) to the north, Turkey to the east and is embraced by the Aegean Sea, the Mediterranean Sea (Libyan Sea) and the Ionian Sea.**

**Greece is divided into 52 districts (nomoi), that are comprised in nine geographical compartments, Sterea Ellada and Evia Island, Macedonia, Thraki, Epirus, Peloponnese, Ionian Islands, Thessalia, Aegean Islands and Creta Island.** [GRE.001]

#### **Population and Language**

**Greece has a population amounting to approximately 11.000.000 inhabitants. Athens is the capital of Greece, where almost 4.000.000 people live, and together with Piraeus (Greece's biggest port) hold almost 50% of the Greek population. Thessaloniki is Greece's second largest city, it is the co-capital and its population is estimated to be 1.000.000 people. Other big cities with population in the region of 100.000 are Patras in the northern part of Peloponnese, Volos in the east and Iraklio, in Creta Island. Greek is the country's sole language.** [GRE.002]

#### **Currency**

**Euro replaced the drachma as the national currency by virtue of Law Number 2842/2000 and is used exclusively since 28 February 2002.** [GRE.003]

#### **Sources of Business Information**

**Helpful business information offer Athens Chamber of Commerce (7-9, Academias Street, Athens, Greece, tel.: 210, Hellenic Industrial Development Bank – ETVA (18, El. Venizelou Street, Athens, Greece, tel.: 210-3237981,**

**Hellenic Capital Market Commission (1, Kolokotroni Street and Stadiou, Athens, Greece, 210-3377100), as well as commercial bankers, Greek embassies (abroad), lawyers and accountants. [GRE.004]**

## **Work and Residence Permits**

### **In General**

**In the past years Greece changed from a country of immigrants to a reception country. The Greek legislation had to adapt to the new reality, hence Law Number 1975/1991, as amended by Law Number 2452/1996 and Law Number 2713/1999, that regulated residence and work permits' issues for a long period, was abrogated by Law Number 2910/2001. The latter, as further amended by Law Number 3202/2003, is currently the primary legislative text governing these issues.**

**Work and residence permits for EU-nationals, who enjoy the free circulation of employees, vary from the ones referring to non-EU nationals. For the second category, obtaining a work permit and a residence permit in Greece is not an easy task. Furthermore, in a lot of cases the plethora of relevant applications leads to a significant delay in the permits' issue. Also, work permits constitute a prerequisite for granting residence permits.**

**For people interested in residing and working in Greece, Greek Embassies, Consulates and Employment Bureaus abroad offer detailed information on the legal requirements for obtaining the relevant permits, as well as lists of all the documentation that has to be submitted before the competent Greek authorities in that connection.**

**Finally, all foreign employees must register with the Local Aliens Bureau or police station. [GRE.005]**

### **Work permits**

**Non-EU nationals may obtain a work permit in Greece should they possess skills not readily available among Greek nationals, although the restrictions may be relaxed for foreigners in executive, technical or administrative positions with companies seeking to establish in Greece.**

**In case an individual wishes to render dependent services, then a joint Ministerial Decision of the Ministers of Labor and Social Security (currently Minister of Employment and Social Protection), of Internal Affairs, Public Administration and Decentralization and of Foreign Affairs, sets the number**

**of work permits to be issued to foreigners, on the basis of an annual report on nation-wide employment issued by the Greek Employment Organization.**

**On the basis of the said Ministerial Decision which is forwarded to Greek Embassies and Consulates around the world, Employment Bureaus abroad invite those interested in working in Greece to apply.**

**On the other hand, employers who wish to cover s specific post apply for foreign employees before the Greek Employment Organization (at its bureaus in the local Prefectures) describing the position and the qualifications required. Unless Greek nationals or foreigners residing permanently in Greece cannot cover the specific post, the employers may not employ foreigners.**

**In such a case, the employer may choose from the list of relevantly qualified foreign personnel the employees at his own discretion.**

**The latter shall also submit a declaration stating that he/she intends to employ the particular foreigner and a bank letter of guarantee to cover the living expenses of the foreigner for a period up to three months.**

**The above procedure does not apply on freelancers, namely individuals wishing to develop independent activities in Greece. In the above case, work permits are issued provided the foreigner has a sufficient income that enables him/her to support the exercise of this activity. It is also examined whether the above activity may contribute to the national economy.**

**Work permits are issued for one year, and they are renewable annually.**

**[GRE.006]**

### **Residence Permits**

**Applications for residence permits have to be submitted before the local authorities of the place where the applicant has his/her residence in Greece at least two months prior to the expiration of the foreigner's visa. The same authorities issue the residence permits, if the requirements of the law are met. The relevant application is accompanied by a number of documents that are different for dependent employment and independent business activity.**

**[GRE.007]**

### **Social Security**

**Foreigners working in Greece on a permanent basis are subject to social security contributions, but exemption may be obtained from the Social Security**

**Organization (IKA) on application, for employees temporarily working in Greece (i.e. for one to three years) who come from countries outside the European Union with which Greece does not have bilateral social security treaties.**

**Registration with the Social Security Organization is necessary only for European Union citizens or those from a country with which Greece has a bilateral agreement. In other cases, and if the foreigner's stay in Greece will not exceed one year, no registration with the social security authorities is mandatory.** [GRE.008]

### **Investment Factors**

#### **Government Attitude towards Foreign Investment**

**Greece is by far the most developed country in the Balkans, a member of the European Union, the crossroad between Europe and Asia, has a favorable tax environment intended to encourage foreign investment, resources for raw materials, attractions for tourism and an enviable commercial fleet, one of the largest in the world. All the above factors, together with qualified and polyglot human resources, make Greece a promising investment destination.**

**After almost twenty years of socialist policy, which nevertheless paid regard to attracting foreign investment and attracted same indeed, the new government seems more determined to offer more incentives and relevant initiatives should be awaited.**

**Currently, numerous incentives exist in the sectors of manufacturing, mining, shipping industry, tourism and handicraft. Those incentives mainly aim at promoting the economic development of Greece outside the district of Attica (Athens, Piraeus and their environs) and to increasing exports.**

**Investment Law Number 2601/1998, as recently amended by virtue of Law Number 3219/2004, is the most important legislative text regulating investment in Greece and managed to bring Greece's investment laws in line with those of the other member States of the European Union. The following are a brief representation of the current rules.** [GRE.009]

#### **Investment Incentives under Law Number 2601/1998**

##### **In General**

**Investment Law Number 2601/1998, which makes benefits available to a large**

the exception of Legislative Decree Number 2687/1953, which provides guarantees as to repatriation rights for foreign productive investments, Law Number 4171/1962, which grants tax-related incentives for extensions of large investment already made under the Law, and Law Number 89/1967, which encourages the establishment of foreign companies in Greece to do business offshore. Furthermore, various incentives granted to exporting companies continue to apply. [GRE.010]

#### **Productive Investments**

In order to qualify for the benefits that the above Law has to offer, the project concerned must be a productive investment, namely promote national production or contribute to the economic growth of Greece. Productive investments include the construction or purchase of new industrial buildings and expansion or modernization of existing industrial buildings, costs associated with the importation, development, and application of new technology, including laboratory instruments or equipment and applied research costs, construction of building facilities by enterprises established within technological parks, purchase of new machinery or equipment, including new computers and systems, cold storage facilities, refrigerated trucks and ships of domestic construction, costs of relocation of industrial enterprises from Area A (Athens Area) to the so-called industrial estates of the Greek Bank of Industrial Development – ETVA (Areas B, C or D), construction or modernization of hotels and tourist apartments (including permanent camping and winter sport facilities) etc. [GRE.011]

#### **Eligible Enterprises**

Enterprises eligible for investment incentives include liquid fuel and liquid gas enterprises (under specified conditions), drying and freezing activities, energy-saving projects and waste-utilization enterprises, business information centers, provision of quality services, manufacturing and craft enterprises, including workshops engaged in the production of traditional building materials or traditional construction, production of new products, production of products and provision of services of exceptionally advanced technology, and purchase and installation of equipment of exceptionally advanced technology for the production of products or the provision of services, ship-building and ship-repairing enterprises, hotels and hostels (up to 300 beds), camping facilities and spas, as well as farming and fishing concerns (under specified conditions) etc.

**Law Number 2601/1998 makes a distinction between new and old enterprises. New enterprises are newly-established enterprises or individual enterprises, as well as those that apply for the aid granted by the above within five years from the date of establishment. Old ones are those that apply for a grant after the five-year period. Attention should be drawn to the fact that enterprises resulting from the conversion of another business or company or from the merger of companies or businesses or from the absorption or by another company are considered “old enterprises”, in so far as one of the companies involved in such a conversion etc. is “old” in the above sense of Law Number 2601/1998.**

**[GRE.012]**

### **Development areas**

**For purposes of investment incentives, Greece is divided into four areas, as follows:**

**Area A includes Athens and its environs, and Thessaloniki, apart from the regions included in other areas, as well as all Greek islands with population up to 3.100 inhabitants, most of the islands adjacent to Turkey (again with the exception of an area in the island of Rhodes, designated by Ministerial Decree).**

**Area B includes part of western Thessaloniki district, the regions of Lagadas (in Thessaloniki) and Trizinia (in Athens), as well as any other region that is not included in Areas A, C or D. However, from January 1<sup>st</sup> 2004 until December 31<sup>st</sup> 2005 Trizinia and certain other districts are also included in Area C.**

**Area C includes regions of Greece that face problems such as unemployment and population decline, apart from the districts of Attica and Thessaloniki and the districts and regions included in Area D.**

**Finally, Area D includes the extreme north-eastern districts of Xanthi, Rodopi and Evros, the district of Epirus and the districts covering 20 kilometers (12 miles) from the Greek borders.**

**[GRE.013]**

### **Incentives Available**

**Law 2601/1998 offers the following incentives: state capital grants, interest rate subsidies for investment loans, leasing subsidies, tax relief, special incentives for extremely important industrial, mining and tourist investments amounting to over 73.367.571 Euros (=25 billion drachmas). The details of the above are specified in the same above Law.**

**The above mentioned incentives depend on the amount of share capital of the enterprises involve, and a minimum amount of share capital is required according to the category to which each enterprise pertains.**

**Ministerial Decree determines the criteria that qualify a company for the above incentives, among which the economic solvency of the company, capital gains derived from the company, evaluation of long-term viability of the company, worldwide competitiveness of the company's products, contribution of the company to environmental protection and reduction of pollution, transportation of liquid fuel and gas to the islands, development of exceptionally advanced technology, international trade companies, medical centers for persons with disabilities etc.** [GRE.014]

#### **Administrative Procedures**

**Applications for the grants available under Law Number 2601/1998 must be submitted – as the case may be - before the General Secretariat of Private Investments of the Ministry of Finance, the Central Service of the Ministry of Finance, Regional Development Services, EOMMEX, the Hellenic Center of Investments or the General Secretariat of Industry at the Ministry of Development. The documentation, a specific sum to be deposited, as well as any technical and financial elements that will accompany the relevant application are determined by Ministerial Decisions.**

**Applications are examined by competent authorities and relevant vehicles to which they were addressed and subsidies are granted by ministerial decision, subject to the opinion of a consultative committee.**

**Pursuant to Law Number 2601/1998 the procedure of examination of the application lasts approximately 3 months from the time of the application and the relevant decision within thirty working days after the consultation of the competent committee. In fact, those procedures are usually longer and consultation with professional firms with experience on this field is highly advisable.**

**In general, the amount of the subsidy is paid by the State once (lump sum), provided the investment's completion, the beginning of its productive function and the investor's compliance with the terms of the subordination are attested.**

**Subsidies are paid directly to the investor and they cannot be conceded to any third parties, with the exception of conceding the subsidy to a bank for a short-**

**term loan, which is equal to the amount of the subsidy, and which is used for the materialization of the investment. In this last case, subsidies are paid directly to the bank that has signed a concession agreement, on condition that the investor has taken an equivalent loan. [GRE.015]**

#### **Other Investment Incentives**

**The following incentives pertain to those provided by Legislative Decree Number 2687/1953, Law Number 4171/1962, Law Number 89/1967 and any other incentive granted to exporting companies, that remain into force in addition to those provided by Law Number 2601/1998. An application must be submitted before the Ministry of Finance, so that an investment may be entitled to any of the relevant benefits.**

**Legislative Decree Number 2687/1953 as amended, endeavors to attract foreign capital into Greece, granting to foreign productive investment projects guarantees of the terms for approval of the importation of capital, including guarantees against the expropriation of assets owned by the foreign investor (with the exception of war, in which case compensation is due); permission to repatriate capital, dividends, loan interest and lease rentals; concessions on customs duties and taxes for enterprises such as exporting, mining, and new companies contributing to foreign exchange savings in Greece; and priority in the issue of work permits for foreign managerial and technical staff and partial relaxation of exchange controls concerning their salaries.**

**In fact the above Legislative Decree, progressive at the time of its issuance and certainly effective for many decades, is of minor importance after the adoption of Presidential Decree 96/1993 (which has implemented the EEC Directives 88/361 and 92/122 into Greek legislation), as amended by Presidential Decree 104/1994 which, with a few exceptions, have abolished restrictions on short-term capital movements.**

**Moreover, Law Number 2601/1998 abrogated Law Number 4171/1961, insofar as the former lays down special incentives regarding investments in the fields of industry, mining and tourism that exceed the amount of 25 billion drachmas (73.367.571 Euros). Finally, Presidential Decrees may provide for special regimes relating to the granting of subsidies to enterprises or investments of exceptional significance for the economic growth of the country.**

**[GRE.016]**



## **Offshore companies**

**Under Law Number 89/1967, which was extended to shipping companies by virtue of Law Number 378/1968 and amended by Law Number 2234/1994, benefits are granted to foreign companies establishing local branches in Greece, provided that all their business activities are carried out and all their income is earned outside Greece. Offshore companies cover many business activities, such as purchase and construction of landed property, stock market transactions, shipping, commercial transactions etc.**

**Commercial-industrial companies as well as shipping companies have to import and convert into Euros specific amounts that mostly aim at covering operating expenses for foreigners employed. They also have to obtain a bank guarantee, which is subject to forfeiture for failure to comply with the requirements of the law. The administrator or manager of the Greek office must be a foreigner.**

**The benefits from establishing enterprises falling into the regime of Law Number 89/1967 include exemption from Greek taxes and other levies and tariffs on income earned outside Greece, as well as from the turnover tax and stamp duty. Also, these companies enjoy automatic issue of work and residence permits for their foreign employees.**

**Pursuant to article 12 of Law Number 2992/2002, any tax and tariff exemptions and facilities provided for by Law Number 89/1967 do not apply on foreign commercial – industrial companies that are established in Greece after January 1<sup>st</sup> 2002. Those same companies that were brought under the regime of Law Number 89/1967 until December 31<sup>st</sup> 2001 will continue to enjoy the relevant favorable tax system until December 31<sup>st</sup> 2005.**

**Moreover, many offshore companies in Greece do business having as their only asset real estate property of great value. Taxation issues of real estate property that belong to Greek offshore companies (even if the companies only have bare ownership or simply the usufruct) were regulated for the first time in Greece by Law Number 3091/2002 and Law Number 3052/2002. Companies have to pay an annual tax amounting to 3% of the value of the real estate property.**

**Among the benefits of this system are exemptions from taxation, including surplus value tax (in case of transfer of the real estate property), as well as that the fact that there is no “means test” on how the real estate property was obtained. On the other hand these offshore companies may not enjoy**

depreciation of fixed-charges, nor are entitled to the benefits and support Law Number 2601/1998 provides for. [GRE.017]

## **Requirements and Regulations**

### **In General**

Foreigners may engage in practically all trades and businesses, provided they have residence and work permits, although foreign investment is not well received in some sectors, such as textile and agriculture. With only few exceptions, a Greek company may be entirely foreign-owned and managed. In the frame of modernization of the Greek economy and the creation of a more liberal and competitive financial environment more and more sectors that have been traditionally state-owned have been released, or are to be released to private entities through privatization.

Although in general establishing an enterprise to Attica or Thessaloniki does not necessarily entail incentives for the investor, projects in the above areas are not generally prohibited or actively discouraged (except for requirements to reduce pollution). Restrictions on manufacturing installations to the said districts are applied from time to time and special permission for building factories may be required, particularly in polluted areas or in areas near archaeological sites. [GRE.018]

### **Real Estate**

Foreigners and foreign-owned companies may own real estate in Greece with the exception, in certain cases, of property near international frontiers except. Any construction or substantial modification of any industrial buildings requires a permit from the national and local authorities and the relevant procedures are both complex and time-consuming. Moreover, a factor that plays a significant role is pollution, especially in Athens and Thessaloniki. The Hellenic Industrial Development Bank (ETVA) operates a number of industrial estates throughout Greece (except in the Athens area) under favorable terms.

[GRE.019]

### **Trade Factors**

#### **Imports and Exports**

Virtually all tariffs on imports from EU member states have been removed, however some goods, such as luxury items and capital goods that would

state of the European Union, require specific import license and more rarely are restricted by quota. Few imports into Greece require only. For

For imports from non-EU countries import approvals for exchange control purposes are required and in general the EU's common customs tariff generally applies. Goods may be stored duty-free in free zones at Piraeus and Greece has adopted the Harmonised Commodity Description and Coding System introduced by many countries in 1988 in place of the CCCN system previously used.

[GRE.020]

### **Price Controls and Competition Law**

Government controls of prices and profit margins, mainly in the retail sector, have been in force in Greece for many years, and socialist governments tried to relax controls, although various temporary price control measures should be considered as part of the business environment in Greece. However, the introduction of Euro certainly changed the environment in Greece, as it did to almost all other state-members of the European Union, and led to the effort of controlling prices in the frame of protecting both the consumers and the free competition in the Greek market.

Greece's Law on Restrictive Practices (Law Number 703/1977, as amended by Law Number 1934/1991, Law Number 2000/1991, and Law Number 2296/1995) closely follows the European Union's rules pursuant to which agreements and practices that prevent, restrict, or distort competition are banned so that one or more enterprises may not abuse a dominant position in the market. There are exceptions for agreements that improve production or promote economic or technical development. Agreements between enterprises must be registered with the Department of Competition of the Ministry of Commerce.

[GRE.021]

### **Agencies**

In Greece it is the Civil Code and the terms of the individual agency contract that govern agencies. The Law provides that an agency agreement may be terminated by means of prior notice, the period of which depends on the duration of the agreement. In addition, three months' average commission is normally paid to the agent, in case the agreement is cancelled by the foreign principal.

[GRE.022]

## **Patents and Trademarks.**

**Greece is a member of the Paris Convention for the protection of intellectual property, the European Patent Convention, and the Bern Copyright Convention, but not of any other international agreements on these subjects.**

**Patents can be registered for periods of 20 years (not renewable) and trademarks for ten years (renewable for another ten years and so on). There is no examination for novelty, and infringement can be challenged only before the competent Courts. Both trademarks and patents must be used within five years from their registration, otherwise they may lapse. Furthermore, licensing of foreign patents and trademarks in Greece is widespread, but it is subject to court controls. License agreements are viewed as a form of foreign investment, and they require government approval. Compulsory licensing of patents may be required if this is deemed to serve the public interest.** [GRE.023]

## **Labor**

**Greek Labor Law is probably the most protective Labor Law in the European Union. Its legal framework consists of the Greek Constitution, laws, collective agreements (national or on an enterprise or trade level), internal regulations, enterprise policy and custom. Although there is an hierarchy of legal sources, Labor Law is governed by the fundamental principle of “favor for the employee”, pursuant to which lower sources of law (i.e. a collective agreement) preponderate higher ones (i.e. a presidential decree), provided the former are more favorable to the employee (i.e. they provide higher monthly wages, or grant more days of leave than the law etc.)** [GRE.024]

## **Employment**

**The conclusion of a labor contract may take place informally, by the sole coincidence of the contracting parties' will, unless specifically provided otherwise by law (i.e. in case of part-time occupation etc.). In reality, the vast majority of labor contracts are concluded in written. Moreover, the employer who hires a white-collar employee or a manual worker under a contract of dependent work must notify the employee, within a period of two months from the date of the hiring, of the material terms of the labor contract, among which the place of work, working days and hours, position and object of the work, wages, mode and time of payment, days of leave etc.** [GRE.025]

## **Pay Rates**

**Minimum pay rates are usually set by national general collective agreements. Moreover, the large majority of industries and trades have their own collective agreements on minimum wage and salary rates, provided those are not lower than the ones set in the annual national general collective agreement. Minimum pay levels increase by the payment of family benefits, danger money, long service benefit etc. Basic pay increases are regulated by collective agreements and, since 1991, they are granted on a semi-annual basis (usually they are equal to the inflation rate).**

**Apart from the above wage, employees are further entitled to the following bonuses: Christmas bonus (which corresponds to one month's salary or, for those employees paid on a daily basis – to 25 days' wages; Easter bonus (which corresponds to half of a month's salary or, for those employees paid on a daily basis – to 15 days' wages; Holiday bonus (which corresponds to half of a month's salary or, for those employees paid on a daily basis – to 15 days' wages.**

**[GRE.026]**

## **Working Hours**

**The maximum permissible working hours are eight (8) on a daily basis and forty (40) on a weekly basis. "Overtime" is time worked beyond the above maximum daily or weekly working hours established by law. The exact amount of legal overtime is specified by ministerial decrees. On the other hand, the institution of "overwork" that applied from 1975 was abolished by virtue of Law Number 2874/2000. The same law introduced the institution of the "singular overtime", pursuant to which it is to the employer's discretion to engage his or her employees from 41<sup>st</sup> to 43<sup>rd</sup> hours, whilst the latter cannot deny providing their services, if they can work. Moreover, in order for overtime to be legal, the law provides for a number of strict conditions that the employer has to observe, among which the submission of a relevant application before the Ministry of Employment.**

**Regarding legal overtime payment, employees are entitled to their hourly wages with an increment of 50% for working 120 hours overtime per year and to 75% in case they work for more than 120 hours per year. In case of illegal overtime, then the employer must pay the employees their hourly wages increased by 150%.**

**Finally, further increments are provided for employment during night hours (from 22:00 to 06:00), for working on Sundays or on holidays etc. [GRE.027]**

#### **Vacation and Holidays**

**March 25<sup>th</sup>, Monday after Easter, August the 15<sup>th</sup> (Assumption Day) and Christmas are obligatory holidays, while 28<sup>th</sup> October and May 1<sup>st</sup> are optional holidays and it is to the employer's discretion whether the employees will work or not. One of the optional holidays is declared mandatory each year by the Ministry of Employment. Moreover, other holidays and half-holidays are provided via collective agreements and legislative texts (i.e. Shrove Monday, Good Friday, Holy Saturday etc.) ΠΑΣΧΑ**

**Furthermore, all employees under a dependent labor agreement are entitled to annual vacation, the actual duration of which varies taking into consideration factors such as the length of service of the employee and whether the employee works five or six days per week. In all cases, the vacation days amount to 24 to 30 working days (for those working 6 days a week) and to 20 to 25 working days (for employees working on a 5-day weekly basis). The employer is obliged to pay the employees "vacation wages", amounting to one salary (or 25, 26 or 30 days' wages) or in case the leave is longer than one month, then the employee is further entitled to respective 1/25s. The employer must also pay his or her personnel a vacation benefit, which is half salary or 13 days' wages.**

**[GRE.028]**

#### **Termination of Employment**

**Both fixed-term and indefinite-term labor contracts may be terminated in many ways, the more frequent of which are the employee's optional retirement (or resignation) and dismissal.**

**In case of premature termination by the employer of a fixed-term labor contract, serious cause is necessary in order to consider the dismissal legal. Serious reasons for the lawful termination of a fixed-term agreement are considered factors related to the employee (his or her inability, inefficiency, breach of contract etc.) and to those related to the employer (economic, technical or financial interests of the company etc.). In case the fixed-term labor contract was not terminated due to a serious cause, the employer is obliged to pay the employee's full wages until the agreed term of the contract has elapsed.**

**Moreover, despite the fact that indefinite-term labor contracts may be terminated at any time and without the employer being obliged to give to the employee the reasons for dismissal, the former has to act in good faith. In all cases (for fixed-term and indefinite-term labor contracts) the dismissal may be challenged before the Court for lack of legal grounds and as “abusive”, therefore declared void. The dismissal has to be written and signed by the company’s legal representative or any other person specially authorized by the employer in that connection.**

**In case of termination of indefinite-term labor contracts, the employer must first notify the employee in writing and hand the notice to the latter in person, regardless of whether the contract is terminated with or without notice. A specific severance payment must also be paid to the dismissed employee, otherwise the dismissal is void. For the estimation of the above payment the monthly or daily wages of the last month of employment are taken into consideration.**

**Although for both white-collar employees and manual workers the notice period and the severance payment are calculated on the basis of the employee’s length of service, the law makes a distinction between the two categories. More specifically, for white-collar employees the notice period is 1 month for a length of service of 2 months to 1 year, 2 months for a service of 1 to 4 years, 3 months for a service of 4 to 6 years and so on. Finally, for employees that have been working for over 10 years, the notice period is 6 months, plus one month for each additional year of service up to a maximum of 24 hours for those employees that have been working for 28 years or more.**

**Severance payment for white-collar employees is similar as above, namely in case of 2 months to 1 year of employment the employee shall collect one month’s wages, in case of 1 to 4 years he or she shall collect two months’ wages and so on. Should the above notice be given to the employee, then he or she is entitled to a severance payment equal to 50% of the salary during the period referred to in the above indicative examples shall be due.**

**In addition, manual workers are entitled to the following severance payment regardless of whether there has been a notice of dismissal or not: 5 days’ wages for a length of service from 2 months to 1 year, 7 days’ wages for 1 to 2 years employment service, 15 days’ wages for 2 to 5 years of employment, 30 days’**

wages for 5 to 10 years of employment etc. For 30 years of employment and more the severance payment amounts to 150 days' wages.

Last but not least certain categories of employees are protected from dismissal (i.e. pregnant women, persons on their military service, trade unionists etc.) In order that their dismissal be lawful, special regulations apply. [GRE.029]

### **Unions**

The trade union freedom is protected and guaranteed by the Greek Constitution. Trade unions may be formed provided specific legal requirements are met, the coincidence of which is examined by the Greek Courts. Among those requirements is that the union's constituent documents must be signed by at least 20 persons. Unions are organized on an occupational basis and on an enterprise level. Federations represent industry on a sector-by-sector basis and sign collective agreements. Labor centers group together labor unions of a particular local district, they are assigned with supervising the enforcement of the labor legislation on their "territory" and solve organizational issues encountered by the local unions. Both Federations Labor Centers are organized into national confederations. The trade unions' activity is rather modest, however it should be mentioned that the National Confederation of Greek Labor (GSEE), which negotiates the annual national collective wage agreement, is powerful and effective. [GRE.030]

### **Payroll costs**

The principal social insurance organization is the Social Insurance Foundation. Contributions are made by the employers and employees at a percentage of the employee's monthly salary. The ruling does not apply to employees insured with the Social Security System after 1 January 1993. In principle, the employer's contribution to his or her employees' Social Insurance Fund is in the region of 28,06 % of the specific employee's monthly salary, while employees pay 16% of their monthly salary. In some cases, higher contributions are involved (i.e. in case of insurance for heavy and unhealthy jobs), in others the employer also needs to contribute in auxiliary social insurance funds. Finally, in addition to the Social Security Foundation, a number of other insurance organizations cover self-employed persons, depending on the trade or profession they exercise.

[GRE.031]



### **Stock Option Plans (Employee Equity Plans)**

**The concept of employee share participation schemes is rather new in Greece and therefore still not widespread. The relevant legislation could be considered being on an initiatory stage and focuses on enabling employees of a company to participate in the distribution of its profits or offering them a benefit for their productivity rather than on serving as a performance incentive for individual employees. Nevertheless, it should be noticed that stock option plans are implemented successfully in many Greek subsidiaries of foreign companies.**

**Regarding the implementation and operation of a Stock Option Plan and the offer of securities or stock options to employees of a Greek subsidiary by a company which has its seat abroad, the requirements that have to be met are set by the correspondent governing law. Correspondingly, in case of multinational companies, usually shares of the parent company may be granted to all employees on a worldwide basis under the same terms and conditions with only the necessary amendments according to the Greek law. [GRE.032]**

### **Sources and Availability of Finance**

**The commercial banking system in Greece is modernized and possesses the main features of any western modern banking system. It consists of over ten Greek Banks and several foreign Banks. Greek banks dominate the relevant domain, since they account for approximately 85% of the total volume of loans and deposits. Foreign banks target on internationally oriented business and mainly serve offshore companies, shipping companies, large Greek enterprises and public sector corporations. The government controls much of the Greek banking sector.**

**The fact that Greece's capital markets, where companies can raise long-term capital, are still developing has led Greek enterprises to commercial banks for medium-term and long-term finance in addition to conventional short-term lending for working capital. The government also uses commercial banks when financing at low interest rates. Greek as well as foreign-owned business may raise finance from banks in Greece without discrimination (apart from Law Number 89 companies).**

**Apart from the above traditional reliance on commercial banks, some medium-term and long-term capital is provided by investment and mortgage banks, especially to industrial enterprises, the most important of which are the Hellenic Industrial Development Bank, the National Investment Bank for**

**Industrial Development, the Investment Bank, the National Mortgage Bank of Greece and the Agricultural Bank.**

**On the other hand, service enterprises are not generally entitled to bank finance and some enterprises – with the exception of export traders – often find it difficult to obtain capital. Hire-purchase finance for capital goods is restricted, as such goods are mostly imported, but leasing introduced into Greece as gained momentum. Finally, special arrangements can be made to finance imports and exports, mainly to productive enterprises by way of bill discounting, while factoring of debts and block discounting of invoices take on.**

**[GRE.033]**

#### **Exchange controls**

**Greece has ratified the European Directives 88/861/EEC and 92/122/EEC and abolished all exchange controls on the movement of capital between Greece and other states members of the European Union. Furthermore, there are no legal barriers on currency exchange transactions between Greece and non-members of the European Union which are regulated by the Governor of the Bank of Greece.**

**[GRE.034]**

#### **Repatriation of Capitals**

**Reference should be made to a new and ambitious amendment – addendum to the bill on the “termination of outstanding tax issues, settlement of due debts and other dispositions” prepared by the Greek Ministry of Finance and announced well on in July 2004. It is the thorny issue of capitals repatriation, which, if indeed voted, is expected to offer major cash inflow, which shall attract investments, vitalize banks, stock market and real estate market and shall offer the Greek economy a considerable boost.**

**Pursuant to the suggested regulation, natural and legal entities that are tax liable in Greece, may transfer capitals they dispose in any form of bank accounts abroad to bank accounts in Greece within a timeframe of six months after the relevant law comes into effect, by paying lump sum a tax that amounts only to 3% on the value that the capitals have at the time of transfer.**

**What makes the above incentive even more tempting is that the payment of the above percentage legitimates those capitals from a taxation point of view, it exhausts all other tax obligations of the aforementioned legal and natural entities, and actually provides the latter with tax “amnesty” (the said entities are**

acquitted from any tax offenses provided by Greek law, and which in many cases were actually the factors that had led to the capitals' "expatriation"). Furthermore, they are exempted from means test provided in the Code of Revenue Taxation), which is another tempting incentive for the capitals' transfer.

This favorable regime however will not apply in case of further transfer (i.e. inheritance etc.) and that might entail a review of relevant taxation and other legal aspects. Attention should be drawn to the fact that the said amendment explicitly provides that the above exemptions are without prejudice to any dispositions related to offenses of non-tax nature. Therefore, Law 3034/2002, which ratified the International Convention on the suppression of the financing of terrorism, and all dispositions on money laundering, yield from any financial crimes of any kind as provided for in Law 2331/1995 (fraud, robbery, trading of drugs or ammunition, embezzlement, usury etc.) and other legislative texts, do apply in any case. In that connection, further legislation is expected to be enacted, in order to set legal safety valves for the clarification and proper enforcement of the above measure, as well as the avoidance of any deplorable incidents.

Capitals repatriation will be carried out via banks or other financial institutions (chrimatopistotika idrymata) located in Greece following a relevant statement – authorization given by the natural or legal entity, the actual content of which will be specified by ministerial decision. The banks or establishments shall deduct the 3% tax at the time the capitals are imported and render the former to the competent Greek Tax Authority on the last working day of each month by a special statement. During the above procedure the tax and banking secrecy on the identity of the parties concerned shall be protected. According to the regulation's preamble the capitals repatriation shall induce increase of the banks' liquidity and turnover, as well as of the liquidity and improvement of the stock market, and strongly enforce investments, hence it shall lead to a significant increase of tax revenues and create new jobs. Of course, reservations on the actual performance of the measure are also expressed, due to the Italian example, which was not crowned with the success expected, as well as to the thought that the aforementioned tax exemptions may deprive the Greek State from important revenues.

However, attention should be drawn to the fact that there may be amendments

**further regulation is expected (and is necessary) for the definition, specification, implementation and enforcement for each and every detail regarding the above investment incentive. [GRE.035]**

## **Establishing a Business**

### **Formalities for Establishment**

**Greek corporations and Greek branches of foreign entities must register with the Ministry of Commerce, and Greek limited-liability companies and partnerships must register with the local county court; in addition, special publication procedures in the Government Gazette must be complied with.**

**Every commercial and industrial entity also must register with its local chamber of commerce. All new businesses must notify their local tax offices to obtain a tax registration number and, if staff is employed, register with the Ministry of Labour in Athens and with the local Social Insurance Authority. Approval for the establishment of a banking corporation must be obtained from the Bank of Greece. [GRE.036]**

### **Principal Forms of Business Entity**

#### **In General**

**The principal forms of business entities provided by Greek law are the following:**

- 1. The corporation or company limited by shares (“Anonymos Etairia” - in abbreviation “A.E.”, sometimes referred to also as *societe anonyme* or S.A.)**
- 2. The limited-liability company (“Etairia Periorismenis Efthynis” – in abbreviation “E.P.E”**
- 3. The general partnership (“Omorrythmos Etairia” – in abbreviation “O.E.”)**
- 4. The limited partnership (“Eterorrythmos Etairia” – in abbreviation “E.E.”)**

**The form most foreigners choose for their business activities in Greece is the corporation. Foreign entities also can establish branches or offices in Greece. Even if all the corporate body’s members are foreigners, the legal entity is deemed a Greek company, provided its head office is situated in Greece.**

**[GRE.037]**

## **Corporations**

**In a company limited by shares, the liability of a shareholder is limited by the amount of his contribution to the capital of the company, which is represented by shares. The name of the corporation usually results from the type of its business, and it must include the words "anonymos etairia" or the abbreviation "A.E.". Companies limited by shares are governed by the Corporation Law (Law Number 2190/1920, as amended by Presidential Decree Number 409/1986, Presidential Decree Number 498/87, Presidential Decree Number 350/1993, Law Number 2339/1995, Law Number 2386/1996, Law Number 2842/2000, Law Number 2892/2001, and Presidential Decree Number 60/2001, with a view to harmonizing Greek law with the respective European Community Directives), Law Number 2941/2001, and Law Number 3156/2003. [GRE.038]**

## **Capital**

**The minimum capital of a company limited by shares is 60,000. The minimum capital must be paid up in full at the time of incorporation, but 75 per cent of any capital in excess of the minimum may be paid in over a ten-year period. Payment may be either in cash or other assets but, in the latter case, a report on the value of the assets concerned must be prepared by a committee (the "Article 9 Committee") consisting of one or two government officials, one chamber of commerce member, and one or two members of the Soma Orkoton Logiston (see text, below, relating to "Audit Requirements").**

**The issue of shares below par is prohibited. The nominal value of a share must be at least 0.30 Euro, but not more than 100 Euro. Generally, a corporation may not acquire its own shares unless they are immediately cancelled or sold. Subsidiary companies may not hold shares in their parents. [GRE.039]**

## **Legal Reserve and Profit Distributions**

**At least 5 per cent of a corporation's net profits must be credited to a legal reserve until that reserve equals at least one-third of the share capital (different provisions apply to insurance companies). Thereafter, a dividend must be distributed (provided that profits are available), normally of the greater of 6 per cent of paid-in share capital or 35 per cent of the profit remaining after the legal reserve transfer. This dividend can be waived, however, by a resolution approved by all the shareholders, or the 6 per cent rate may be adopted even if lower than the 35 per cent rate if at least 95 per cent of the shareholders so approve. Any balance is dealt with in accordance with the provisions of the articles of incorporation. By special quorum**

and an 80 per cent majority, shareholders may vote to make distributions in the form of stock dividends (bonus shares) instead of cash. Dividend distributions are restricted until preliminary (establishment) expenses are written off.

[GRE.040]

### **Formation**

The founders of a corporation are required to enter into a formation agreement and draw up articles of incorporation, which must be signed before a notary public in Greece. Nominees authorized by powers of attorney (formal deeds) may act on behalf of the true founders. The local District Prefecture must approve the articles. If approved, both the articles and the decree of approval must be filed with the Prefecture and a summary published in the Government Gazette. A corporation comes into legal existence when the decision approving the articles has been registered in the Companies Register in the Prefecture. Several weeks are often needed to form a corporation. Formation costs include capital duty, which represents 1 per cent of the capital.

Two founding shareholders are needed to form a company but, after formation, all the shares may be owned by one holder. The articles of incorporation must state the name, objectives, place of registered office or legal seat (which must be within Greece), and duration of the corporation; the amount of and form of subscription for the share capital; the number of shares issued; the authority and operating rules of the board of directors' and the general shareholders' meetings; the names of the statutory auditors; the rights of the shareholders; and other administrative matters.

[GRE.041]

### **Management**

A corporation is managed by a unitary board of directors (with a minimum of three members and a maximum of nine members), although one or more individuals may be empowered to deal with day-to-day management and representation on behalf of the board. A director's term of office cannot exceed six years, but he may be re-elected by the shareholders. With a few exceptions, all directors can be foreigners; the law is silent as to whether all directors may live abroad. A director may be held personally liable for his own wrongful acts, if these have caused damage or loss to his company, and he or she may be liable to imprisonment should taxes or social security contributions remain unpaid. A corporation may not make loans to its directors or their dependants.

There are no requirements for supervisory boards, works councils, or employee

participation in management, although proposals for the introduction of works councils with wide powers have been made from time to time. [GRE.042]

### **Meetings and Votes**

Meetings of directors and shareholders must normally be held at the registered office of the company. With the permission of the Ministry of Commerce, however, directors' meetings may be held abroad. Subject to the articles of incorporation, shareholders and directors may vote in person or by proxy, but not in writing; in practice, proxy voting is quite common.

Meetings of directors should be held at least monthly. The Board of Directors is lawfully in session when at least three directors are personally present. The annual meeting of shareholders must be held within six months after the end of each financial year. Every share carries one vote. A quorum at a meeting consists of shareholders present in person or by proxy representing at least 20 per cent of the paid-up capital, and resolutions are usually passed by simple majorities of votes. For other (extraordinary) meetings, higher quorums and majorities may be required. A shareholder must deposit his shares, either with the company or with a bank, at least five days before a meeting is held to be entitled to attend and vote.

Only a shareholders' meeting has the power to amend the corporation's articles of incorporation (for example, to increase share capital) but, at a meeting held for this purpose, a shareholder can be represented by a third party authorized by a power of attorney. [GRE.043]

### **Accounting and Auditing**

Accounting and auditing matters in regard to corporations will encompass financial statements, accounting principles, and audit requirements. The relevant dispositions are "jus cogens" and the Articles of Association or the General Assembly may not stipulate otherwise. [GRE.044]

### **Financial Statements.**

A Hellenic General Accounting Plan has been formulated, largely to meet the requirements of the European Community (EC) Fourth Company Law Directive. This is based on the French idea of a broadly uniform Plan Computable, and its objective is to raise the standards of record-keeping and financial statement preparation in Greece. At present, the use of the plan (appropriately modified) is mandatory only for insurance companies. The Corporation

**Law Number 2190/1920 has been duly modified to harmonize Greek requirements with the provisions of the EC First, Second, Third, Fourth, Fifth, Seventh, Eighth, and Eleventh Company Law Directives. The reforms now require that a considerable amount of information be disclosed.**

**Neither public accountants nor the Stock Exchange have had much influence on the form or content of Greek financial statements in the past. International accounting standards (IAS) have had no effect on the preparation of statutory financial statements, although they are adopted by international public accounting firms in producing reports that are to be used by parent companies and others outside Greece.**

**A limited disclosure of accounting policies adopted in preparing financial statements is required in an appendix to the balance sheet. Changes in accounting policies must be disclosed; however, they do not appear as separate items in the profit-and-loss account, the concept of prior year adjustments being unrecognized in Greece. Comparative figures are not restated on such a change. The historical cost convention is followed, subject to the compulsory statutory revaluations of fixed assets.**

**Accounting records prescribed by the tax authorities are described in the text, below, relating to "Required Business Records". Consolidated financial statements are not legally required, although they are prepared by some of the more forward-looking Greek groups. Inflation-adjusted information is not provided.**

**[GRE.045]**

### **Accounting Principles**

**In the past, tax rules have had more effect than accountants' concepts of a "true and fair view". Moreover, not many Greek businessmen (except in large enterprises) appreciate the meaning or usefulness of accounting information, and they tend to regard efforts to improve accounting standards as simply devices for reducing tax avoidance.**

**International accounting standards are not necessarily followed in financial statements prepared for use within Greece, although they are usually adopted in supplementary financial statements prepared by Greek subsidiaries for reporting to foreign parent companies or by Greek companies that have raised loans from foreign banks. In these cases, the adjustments made to the "official" figures are not usually incorporated in the Greek companies' books.**



**The tax authorities are not obliged to rely on the financial statements required under the Corporations Law 1920, although they may take these into consideration. The certification of such statements will not stop the tax authorities from carrying out their own audits. If, in the course of an audit, they find that the books are not reliable, they may make an arbitrary tax assessment. As a broad generalization, secret reserves probably exist quite widely, either as a result of extreme conservatism in valuing assets or by overestimating liabilities.** [GRE.046]

### **Audit Requirements**

**Two statutory or other independent auditors must examine every corporation's financial statements. Statutory auditors must have general business experience, and they must be graduates of the Athens Business School, but their audits will not necessarily be carried out in accordance with internationally accepted auditing standards.**

**Banks, insurance companies, oil companies, corporations whose shares are listed on the Stock Exchange, and other companies that meet two out of the three criteria shown below (referred to as "large companies") must have their financial statements audited by members of the semi-governmental organization called the Institute of Sworn-In Accountants (Soma Orkoton Logiston, or S.O.L.) or other independent auditors. The criteria for the period from January 1<sup>st</sup> 2002 and on are total assets exceeding 1,467,351.43 Euros, turnover exceeding 2,943,702.86 Euros, and average number of employees exceeding 50.**

**Corporations that do not meet two of these three criteria are considered to be small companies. Foreign companies, multinationals, and important local companies usually also have their financial statements audited by international firms of independent professional accountants.**

**There is no professional accountants' or auditors' body in Greece and, hence, no requirement for Greek statutory auditors to follow the auditing guidelines published by the International Federation of Accountants. Independent professional firms with international connections, however, observe their groups' international practices.** [GRE.047]

### **Publication of Information**

**Every corporation must file its articles of incorporation (and any changes thereto) in the Companies Register at the Prefecture. Financial statements also must be filed with the Companies Register, and they must be published in the**

**Government Gazette and in prescribed national daily newspapers. The amount of detail required in the financial statements of small corporations is less than that for large corporations.**

**As a general rule, financial statements must be published within six months after the end of a corporation's financial year (normally 31 December, but sometimes 30 June or other permitted date). A corporation's first financial statements must be prepared not more than 24 months after incorporation. The company's registered address and number must be disclosed on its business stationery. Additionally, the tax number allocated on formation must appear on all business documents. [GRE.048]**

### **Limited-Liability Companies**

#### **In General**

**A limited-liability company (E.P.E.) concentrates features of both a partnership and a corporation, in the model of French or German limited-liability companies. It is a convenient form of organization for both small and medium-sized enterprises, having only a few members and not requiring public capital subscription.**

**A limited-liability company must have at least two members. However, the one-member limited-liability company is a type introduced by Presidential Decree Number 279/1993, in which case the company's name must include the words "Sole Partner EPE", a scheme that is not widespread. The liability of each member is limited to the amount of his or her own contribution.**

**Since many of the regulations applicable to corporations — in particular concerning financial statements — also apply to limited-liability companies, only the main distinguishing features of limited-liability companies are described below. The limited-liability companies are governed by Law Number 3190/1955, as amended by Presidential Decree Number 419/1986, Presidential Decree Number 326/1994, Presidential Decree Number 279/1993, Law Number 2065/1992, Law Number 2339/1995, Law Number 2579/1998, and Law Number 2842/2000. [GRE.049]**

#### **Capital**

**The minimum capital of a limited-liability company is 18,000. The minimum capital should be fully paid in when the articles of association are filled. At least 50 per cent must be subscribed in cash. The share capital is divided into parts of at**

least 30 each. The part or parts allotted to each member are transferable, unless otherwise provided by the articles. Transfers are generally carried out by notarial act, and they become effective when entered in the company's formal record of its partners. Five per cent of the net profits must be appropriated to a legal reserve of up to one-third of capital, but there are no requirements for compulsory dividends. [GRE.050]

### **Formation**

The articles of association must be signed by all the members before a notary public. A formation agreement is not required, all parts being allotted to the partners named in the articles. The filing of the articles with the Register of Limited Liability Companies of the local court and the local chamber of commerce and the publication in the Government Gazette bring the company into legal existence. Formation procedures are generally simpler and quicker than those for a corporation, although the costs are broadly similar. [GRE.051]

### **Management**

The management of a limited-liability company can be entrusted to one or more administrators, who may or may not themselves be members. Otherwise, the administration of the company and its representation to third parties are the responsibility of all the partners acting collectively.

The administrators are responsible for preparing annual financial statements. Financial statements must be published in the Government Gazette and filed with the Register of Limited Liability Companies of the local Court of First Instance. A new registry is expected to be established for limited-liability companies, which will be organized along the same lines as the Companies Registry for corporations. Financial statements of small companies need not be audited.

The partners alone can decide on matters of vital importance to the company, such as amendments to the articles, the appointment or removal of administrators, the approval of the financial statements, or the dissolution of the company. Each partner has at least one vote for every part he owns. Resolutions must be passed by a major ity of capital as well as of partners. A meeting of partners must be convened at least once every year within three months after the end of the company's accounting period. Partners do not need to deposit evidence of their entitlement to attend, as do shareholders of a corporation. [GRE.052]

## **Losses**

**Should the company's capital be reduced by half, the partners must decide whether to dissolve the company or make a statutory reduction of the capital in so far as it remains above the limit of 18,000 provided by law. [GRE.053]**

## **Partnerships**

### **General Partnerships**

**A general partnership is a separate legal entity, provided that the partnership agreement is registered with the tax authorities and the local court. Each partner is jointly and severally liable for all the partnership's debts. Although the interests of partners are not transferable, a partner may be replaced by a third party, provided all the other partners agree. Unless otherwise agreed, the death, bankruptcy, or mental incapacity of any partner results in dissolution of the partnership.**

**Foreigners may be partners in a Greek partnership, and they even may form a majority. The firm name must consist of the name of at least one of the partners and, if only one partner's name is used, it must be followed by the words kai sia (and Company). This type of business entity is common in Greece. The partnership agreement must be registered with the local court on execution and shall state the full names and addresses of all partners; the firm name and any other title; the objectives of the partnership; the amount of capital contributed by each partner in cash or other assets; the duration of the partnership; the names of the administrators and their respective duties; and any other terms and conditions that the partners may choose to include.**

**Partnerships are required to keep accounting records, but they do not need to file or publish their financial statements or have these audited. Partnership financial statements are not governed by the Corporation Law 1920 or the amending Presidential Decree, and they are normally prepared solely to comply with the Tax Data Code (Presidential Decree Number 99/1977). [GRE.054]**

### **Limited Partnerships**

**Limited partnerships have one or more general partners and one or more limited partners. The former have unlimited liability for the debts of the partnership, while the latter have limited liability, usually up to the amounts they have contributed. The names of the limited partners may not appear in the partnership name, and they may not participate in management; if they do so, they become liable without limit for all the partnership's debts. The formation and**

other requirements described for general partnerships also apply to limited partnerships. [GRE.055]

### **Branches**

Any foreign legal entity may conduct business in Greece through a branch (Ypokatastima). The activity of a branch may range from the operation of a sales office to a complete business operation. There are no minimum capital requirements for the maintenance of a branch (except for a bank), although the foreign entity must have a minimum capital equivalent to that of its Greek counterpart. Before the branch is established, a representative (Greek or foreign) resident in Greece must be granted a power of attorney to act for it. This document must be certified by a Greek consular officer and approved by, and filed with, the Ministry of Commerce.

Furthermore, the power of attorney must contain an authorization for the representative to accept legal service in Greece, and must be accompanied by the following information, translated into Greek and certified by a Greek consular official: the names and other details of the directors of the foreign legal entity; the entity's constitution documents, showing the year of its incorporation; and the latest annual financial statements. The approval of the Ministry of Commerce is published in the Government Gazette, and this signifies the branch's legal existence in Greece. Formation costs are minimal.

The Ministry of Commerce requires that the branch file a copy of the annual financial statements of the foreign entity whereby a statement of activities of the branch during the same accounting period is attached. Because of the minimal formalities for the establishment of a branch, the absence of capital requirements, and the benefits available under the Offshore Business Law Number 89/1967, a large number of foreign companies adopt this form for doing business in Greece. However, even though formation and management procedures are few, they can still be time-consuming.

It is not possible simply to convert a branch into a subsidiary company. The branch would have to be closed down and a new Greek legal entity formed. The subsidiary would have to purchase the assets of the branch, but it could not inherit its tax losses; nor could the Greek entity qualify for offshore company status under Law Number 89/1967. Thus, tax considerations are central to any decision to reorganize a foreign company's status in Greece. [GRE.056]

## **Joint Ventures**

**A joint venture (Koinopraxia) is usually established to serve a purpose, which is special in nature and duration, such as the undertaking of a particular construction contract. Strictly speaking, it is not a legal entity, although it can be registered as such under the Civil Code, and it resembles in many respects a general partnership. Joint ventures are set up by means of a private written agreement, registered with the local tax authorities. Unlike Presidential Decree 99/77, the subsequent Presidential Decree 186/92 provides that freelancers may establish a joint venture.**

**The administration of a joint venture may be assigned to one or more administrators possessing duties similar to those of the administrators of a general partnership. Although not expressly provided for by the law, a joint venture does not need to have a capital.** [GRE.057]

## **TAXATION**

**The main taxes applying in Greece are Income Tax (Foros Eisodimatos Etaireion) on all types of legal entities, Personal Income Tax (Foros Eisodimatos Fysikon Prossopon), Withholding taxes (Parakratoumenoi Foroi) and Value added tax (Foros Prostithemenis Aksias).** [GRE.058]

## **Corporate Taxes**

### **Residence and Non-Residence**

**In order to determine whether a corporation is Greek resident or not, one must look at the place where the head office of the corporation is located. A company having its head office in Greece will be considered to be Greek resident. For tax purposes, however, a corporation incorporated abroad that has taxable income in Greece also is considered to be Greek resident. Resident corporations are taxed on their worldwide income.**

**In the absence of a double-tax treaty, unilateral relief is generally provided by a credit for the foreign tax payable against Greek tax (up to the amount of Greek tax use) on the foreign income concerned. Non-resident corporations are subject to tax only on profits arising from Greek sources and on income derived from permanent establishments in Greece as defined in the text, **below, relating to "Taxation of branches of Foreign Corporations".**** [GRE.071]

## **Basic Principles**

**Special reference will be made to Law Number 2065/1992, which introduced the unilateral taxation of all legal entities. Such entities are generally subject to income tax at the rate of 35 per cent. Income tax is levied on the total profits of corporations and on the whole profits arising from Greek sources of branches of foreign corporations.**

**There are no requirements, other than the company law requirements already described, for minimum distributions to shareholders of a corporation. The basic law concerning income tax on corporations is Legislative Decree Number 3843/1958, as amended by Law Number 2065/1992. [GRE.072]**

## **Taxable Income**

**In General. According to Law Number 2238/1994, taxable income, except in the case of banking or insurance companies, consists of annual gross revenues less non-taxable income, allowable expenses, and transfers to tax-free reserves. Furthermore, it should be noted that tax is computed on the remaining income before the distribution of any profits. Income, classified by source, is determined in accordance with tax law, regardless of good commercial practice.**

**Various adjustments to the income disclosed in the corporation's financial statements are often required for tax purposes; for example, non-deductible expenses and provisions of a general nature not recognised by tax law must be added back to income. Moreover, some items of expenditure that are accounted for on the accruals basis in financial statements must be adjusted to a cash basis for tax purposes.**

**The taxable income of a contractor or subcontractor is deemed to be a specified percentage of gross revenues. This percentage varies according to the circumstances, generally from 10 per cent to 25 per cent. Despite this deemed income rule, contractors must keep proper accounting records, as described below; if they do not, the specified percentages may be increased by 100 per cent.**

**These rules apply to construction companies, wherever incorporated, to other contractors, and to sub-contractors incorporated in Greece (except that electrical and mechanical contractors may elect to be taxed in the ordinary way). Gross revenues of foreign contractors and subcontractors undertaking the**

construction of technical projects in Greece are subject to withholding tax, at a rate of 3 per cent. A few sources of income require specific comment. [GRE.073]

### **Inventories**

Inventories may be valued for tax purposes at the lower of cost or replacement value. Cost is usually determined by the moving-average method. Whatever valuation method is adopted cannot be changed without justification to the tax authorities. [GRE.074]

### **Capital Gains**

Capital gains are liable to tax when derived from the transfer of rights connected with an enterprise. For example, any profits deriving from a lease or sub-lease or from the disposal of the right to a patent or a trademark are taxed at 30%. Tax at a 20% rate applies to the transfer of an entire enterprise, including its goodwill, and to any gain from the transfer of a participation in a limited-liability company or partnership. Capital gains from the disposition of land and buildings are considered to be ordinary income, and they are taxable at a rate of 35% or 40%.

Additionally, gains resulting from the sale of fixed assets (other than land, buildings, and ships) are considered as income derived from commercial activity. These gains are not taxable, however, if they are utilised for the purchase of machinery and industrial equipment replacing that which has been sold, or of new machinery or equipment to be installed within two years following the sale. The gains reduce the depreciable base of the new assets acquired.

Capital gains resulting from the sale of securities (bonds and shares in corporations) are exempt from income tax, provided that they are credited to a special tax-deferred reserve account established to offset possible losses from the future sale of other securities. Should these gains ever be distributed, or the corporation be dissolved, they then become subject to tax. Losses on such sales are deductible from trading income if no tax-deferred reserve account exists.

Corporations that have invested 60% or more of their capital and reserves in urban real estate must issue nominal shares. Transfer by shareholders of these shares are subject to tax at a rate of 5% of their fair market value. [GRE.075]



## **Dividend Income**

**Dividends are considered to be taxable income of a corporation.**

## **Royalties**

**A foreign concern granting to a licensee in Greece the right to use patents, industrial processes, trademarks, and the like in Greece would be subject to withholding taxes at a rate of 10 or 20%, unless provided otherwise by a double-tax treaty. If, however, the foreign concern is deemed to have a permanent establishment in Greece, Greek income tax on the royalties is payable at the standard effective rate. [GRE.077]**

## **Exempt Income**

**Certain corporate income is tax exempt. This includes:**

- 1 On the basis of reciprocity, the profits of foreign companies earned in Greece from the operation of ships under foreign flag and aircrafts;**
- 2 The profits of Greek corporations or joint ventures or associations thereof earned from the operation of ships under Greek flag taxable according to the provisions of Law Number 27/1975;**
- 3 The surplus value resulting from the sale of real estate of a non-profit construction association to its members according to the relevant provisions of law;**
- 4 The income of agricultural associations earned in the course of activity falling within their object of activity according to their articles of association; and**
- 5 Income that is tax exempt on the basis of a treaty ratified by domestic law.**

**The income of qualifying offshore and other companies is also exempt from this tax (see text, below, relating to "Taxation of Branches of Foreign Corporations"), as is income from minor sources in specific cases. [GRE.078]**

## **Allowable Deductions**

### **In General**

**All expenses incurred in the normal course of business that are considered productive in the sense that they facilitate the profitable operation of a company are deductible from the gross annual income, provided that they are accompanied by the pre-stamped or perforated receipts required by law.**

**Travel and entertainment expenses are frequently challenged by tax authorities; therefore, they must be accompanied by adequate documentation. [GRE.079]**

### **Depreciation**

**Greek tax laws (Legislative Decree Number 1077/1971 and Presidential Decree Number 88/1973) provide for annual tax depreciation deductions. For fiscal years ending after 31 December 1997, depreciation is compulsory. Depreciation rates determined by Presidential Decree Number 88/1973 are calculated on initial acquisition values or revised values resulting from the official revaluations in accordance with the 1977, 1982, 1987, 1988, and 1992 revaluation measures.**

**Depreciation must usually be calculated by the straight-line method. The cash element of any investment grants provided by the government must be deducted from acquisition costs. To be deductible for tax purposes, depreciation at the compulsory rates must be recorded in the taxpayer's accounting records, but any depreciation charged in excess of that prescribed by the tax authorities or investment laws is disallowed.**

**Spare parts and tools and staff welfare facilities can be wholly written off in the year of purchase. Other small items also are usually expensed on purchase, although there is no statutory sanction for this. Research and development costs can normally be written off in full in the year that they are incurred, unless they relate to the purchase of technical equipment, which is depreciated over three years. The write-off of intangibles is generally disallowed for tax purposes unless they are accepted by the tax authorities as pre-operating expenses.**

**[GRE.080]**

### **Taxes**

**Income taxes, interest on delayed payments of taxes or other levies, and fines payable on overdue or incorrect tax returns are not tax-deductible. Social security contributions and most minor taxes, however, are deductible. [GRE.081]**

### **Formation and Start-Up Costs**

**Organisational and pre-operating expenses may be written off in one year or by equal annual instalments (a maximum of five). Whatever method is initially adopted cannot be changed later. [GRE.082]**

#### **Bad and Doubtful Debts**

**Forecasts for bad debts are deductible up to a maximum deduction of 0.5 per cent of sales or services invoiced to entrepreneurs only. The accumulated forecasts may not exceed 35 per cent of the amount payable to the customer.**

#### **Tax-free Reserves**

**The main tax-free reserves are described in the text, above, relating to "Investment Incentives". Similar reserves could have been created under earlier laws.**

**Other tax-free reserves arise on the disposal of assets as described in the text, above, relating to "Capital Gains". Banks and insurance companies may establish tax-free reserves for specific purposes. General provisions are not deductible.**

**[GRE.084]**

#### **Travel and Entertainment Expenses**

**Travel and entertainment expenses are frequently challenged by the tax authorities and a proportion disallowed. Moreover, automobile expenses, including depreciation within limits based on engine capacity, are disallowed.**

**[GRE.085]**

#### **Remuneration of Directors and Others**

**Fees paid to members of the Board of Directors of a corporation are deductible, unlike fees paid to the managers of a limited-liability company that are non-deductible. [GRE.086]**

#### **Employees' Shares**

**From 1988, industrial, handicraft, and mining companies have been allowed each accounting period to distribute an amount of their annual net profits to their employees in the form of shares in the company's capital. The amount so distributed is a tax-deductible expense for the company, and also is exempt from income tax, stamp duty, or any other levy upon such company. [GRE.087]**

#### **Inter-Company Transactions**

**As a general rule, a foreign-controlled company must be able to substantiate inter-company charges for goods and services. A company or permanent establishment in Greece that agrees to deal with its foreign parent or affiliates at prices obviously higher or lower than market rates will be considered as deriving a taxable profit from the difference.**

**Although there are no specific rules concerning inter-company transfer pricing, the authorities frequently examine the possibility of over-billing or under-billing to determine whether there has been a shifting of profits from one company to another (notably between companies belonging to the same group), or to identify tax evasion and foreign exchange violations that may have resulted from such arrangements.**

**The method employed by the authorities to determine whether over-billing or under-billing has taken place is to compare the prices charged between the related companies, or between a foreign supplier and a Greek company, with open market prices, either in Greece or abroad. However, in practice, the instances in which such under-billing or over-billing has been proven by the authorities beyond any doubt are very few.**

**Legislation concerning companies controlled from within Greece, but situated abroad for tax avoidance purposes, is not relevant at present because of Greek exchange control restrictions. Head office expenses that truly relate to a Greek operation can usually be charged to that Greek operation, provided they are justifiable and do not exceed an agreed limit (usually 2 per cent of the turnover of the Greek operation). A certificate from the parent company's auditors may be helpful. Apart from the tax consequences of inter-company trading at artificial prices, criminal sanctions can be imposed under Law Number 1041/1980.**

**[GRE.088]**

#### **Tax Treatment of Losses**

**Losses may be carried forward for up to five years in the case of commercial enterprises and industrial enterprises. For this purpose, rented hotels and the like are classified as commercial enterprises, while hotels owned by the taxpayer are considered to be industrial.**

#### **Groups of Companies**

**There are no special rules regarding groups of companies from the viewpoint of consolidated tax returns, loss transfers, or the like. No relief is given from value added tax on inter-company sales or asset transfers within a group. Each company forming part of a group must file a separate return. [GRE.090]**

#### **Taxation of Branches of Foreign Corporations**

**From the tax point of view, a branch is treated as a corporation, as it will usually be regarded as being a permanent establishment in Greece. Domestic law is very detailed as to what activities constitute a permanent establishment. The term includes:**

- 1 The maintenance of warehouses, offices, factories, laboratories, or other premises;**
- 2 The provision of services or the carrying on of business in Greece through a representative who has the right to conclude agreements on behalf of the foreign entity;**
- 3 The maintenance of inventories in Greece;**
- 4 The participation as a partner in a Greek partnership or limited-liability company; and**
- 5 The processing of raw materials or agricultural products in owned or non-owned premises.**

**This definition of permanent establishment is applicable to the extent that it is not modified by the provisions of any relevant international tax treaty. Greece has concluded several treaties for the avoidance of double-taxation, as will be described below. [GRE.091]**

#### **Taxation of Offshore Activities**

**Foreign industrial or commercial enterprises established in Greece, and Greek or foreign shipping enterprises that deal with business outside Greece (ie, "Law Number 89 offices") are exempt under the Offshore Companies Law (Law Number 89/1967, as amended) (see text, above, under "Offshore Companies") from income tax and any other levy on income earned from their activities outside Greece.**

**moreover, foreign technical firms established in Greece and Greek enterprises engaged in activities outside Greece are exempt from income tax and other levies on income earned from their business outside Greece.**

## **Corporate Income Tax Rates**

### **General Rates**

**For 1999, unlisted Greek corporations that have bearer shares at the end of their fiscal year are subject to tax at a rate of 40 per cent. The rate of 40 per cent also applies in the case of insurance and banking companies, as well as to unlisted corporations with nominal shares. All other Greek legal entities, including joint ventures, are subject to tax at a rate of 35 per cent. A 40 per cent rate applies to foreign corporations operating in Greece. For companies which own property, a 3 per cent supplementary tax is levied on the real estate income.**

**Special Tax on Greek Ships. A ship sailing under the Greek flag (not a "Law Number 89 operation") is taxed on the basis of its age and tonnage, not on the income arising from the related operations. The tax is subject to numerous exemptions and reductions.**

**For example, ships built in Greece are exempt from tax for the first six years; cruise ships calling at foreign ports are taxed at half the calculated rates; and ships renovated in Greek shipyards, the cost being paid in foreign currency, are exempt broadly for one year for each US \$100,000 of such cost, subject to various limits.**

[GRE.094

]

### **Liquidations and Reorganisations**

**Mergers are exempt from capital gains tax, real estate transfer tax, and other duties, provided that they are carried out in accordance with Law Number 2166/93. On liquidation, the corporation is taxed on income and gains according to the general provisions of the relevant legislation.** [GRE.095]

### **Payment of Tax**

#### **Accounting Periods**

**The accounting period for a Greek corporation, which may not normally exceed 12 months, must end on 31 December. Exceptionally, if the tax authorities allow, it may end on 30 June. On commencement or termination of operations, accounting periods may be extended up to 24 months. In this case, however, two separate tax returns shall be submitted, one for the first 12-month period and one for the remaining period.**

**Foreign companies' branches or subsidiaries may end their accounting periods on the same dates as their parent or home offices, provided that this is approved by the tax authorities. The tax rate applicable is the one applying for the calendar year in which the accounting period ends. [GRE.096]**

#### **Tax Returns and Penalties**

**A corporation must normally submit a tax return to the tax office in the middle of the fifth month following each accounting year-end. The exact date of submission may depend either on the first letter of the company's name or on the last digit of its tax registration number. Usually, the accruals basis of accounting is adopted in preparing tax returns, although some items may be accounted for on a cash basis.**

**A supplementary return can be filed to correct any mistakes found in the original return. Late filing or failure to file income tax returns incurs a penalty which is equal to 2.5 per cent of the tax due for each month of delay. If no tax return is filed, the penalty may rise to 200 per cent of the tax due, plus additional fines and other non-monetary sanctions, such as disqualification from the right to tender for public contracts. For failure to submit withholding taxes, administrative sanctions are imposed. [GRE.097]**

#### **Liabilities and Payments**

**When submitting its tax return, a corporation must pay an amount (pre-payment) of 55 per cent of the total tax due as an advance against the tax liability of the following accounting year. Withholding tax and the like suffered on income received is deductible from total tax due. The tax ultimately payable for the year is calculated by deducting advance payment of tax in the previous year (including taxes withheld at source) and foreign taxes paid on income sources abroad from the amount of tax computed on the return.**

**The tax due is payable in five equal instalments. The first instalment is paid at the time of filing the tax return. A 5 per cent cash discount is allowed if the tax is paid in a lump sum instead of instalments. [GRE.098]**

#### **Tax Audits and Appeals**

**Tax audits are carried out by government officials periodically, each covering the years since the previous audit. An audit report is issued, showing the investigators' findings; a corporation can challenge these findings within 20 days from notification of the assessment sheet.**

**Despite any appeal, 30 per cent of any additional tax (including fines) imposed as a result of the audit is payable forthwith, the balance being payable in eight monthly instalments. If a compromise with the tax authorities cannot be reached, the corporation can bring the case before the administrative courts. If the corporation manages to have a decision rendered in its favour, the extra tax paid will be refunded.** [GRE.099]

#### **Required Business Records**

**The Tax Data Code requires all businesses and professional enterprises (both domestic and foreign) operating in Greece to keep business records and issue invoices and other documents, hi particular, corporations are required to maintain minute books of the meetings of shareholders and of the board of directors, as well as registries of shares and shareholders. Failure to comply with the requirements of the Tax Data Code may result in fines, enforced termination of the enterprise, or criminal sanctions.**

**If the records are not maintained in accordance with the Tax Data Code and the tax inspectors are unable to assess the net income from the records, such records will be rejected and the taxable income will be determined as a percentage of gross income. If the records are rejected, the assessed taxable income will usually be higher than the net book income, tax incentives will not be applicable, losses may not be carried forward, and penalties may be assessed.**

**Generally, the books required by the law cannot be used unless their pages are pre-numbered and authenticated (stamped or perforated) by the tax authorities. All entries must be accompanied by proper documentation, such as invoices or receipts. Books and records must generally be retained for at least six years from the end of the accounting period to which they relate, unless a tax case is pending in the courts, in which case they may be kept for a longer period.**

**All corporations, limited-liability' companies, branches of equivalent foreign companies, and other enterprises (eg, partnerships or sole traders with gross revenues for the previous year of more than GRD 300 million) must keep double-entry books based on accepted accounting principles. These are called "Third Category" books. Exceptionally, foreign companies establishing a branch in accordance with Law Number 89/1967 may keep "Second Category" books. Enterprises with gross revenues of up to GRD 300 million need keep income and expenditure records and a summary record of assets and liabilities ("Second**



Category" books); those with smaller gross revenues (up to GRD 25 million) have even fewer obligations and must keep "First Category" books.

Enterprises with gross annual revenues of more than GRD 650 million must maintain inventory books. Manufacturing enterprises that are required to maintain these records also must keep books showing the costs of production. Enterprises engaged in types of business (such as hotels, insurance companies, and agencies of specific foreign enterprises) must maintain additional books.

In general, partnerships are subject to the standard 35 per cent rate. Limited liability companies must file their tax returns by the fifteenth day of the fifth month following their accounting year-end. Furthermore, they must maintain minute books of partners' meetings, as well as of the administration.

[GRE.100

]

#### **Withholding Taxes**

##### **Dividends**

Dividends are tax exempt.

[GRE.101

]

##### **Royalties and Fees**

Tax from royalties or fees paid to a foreign enterprise not having a permanent establishment in Greece is at a rate of 20 per cent. Film royalties are subject to a withholding tax of 10 per cent on gross royalties. Twenty per cent of the tax payable also is withheld in the case of income deriving from the sale of shares or other securities to a legal entity. Should the said legal entity be a foreign company, the withheld tax corresponds to 35 per cent of the total tax payable.

Whenever a different basis for the taxing of royalties is provided for in a double-tax treaty, the provisions of that treaty apply. Tax is not withheld from payments to Greek resident recipients; in such cases, royalties, fees, and similar income are subject to the usual income taxes.

[GRE.102

]

##### **Other Payments**

Furthermore, according to Law Number 2873/2000, as amended by Law

Number 2827/2000, 25 per cent of the tax payable is withheld from 1

January" 2002 from the interest payable to foreign recipients who do not have a permanent establishment in Greece, subject to the provisions of any relevant double-taxation treaties. Tax at 3 per cent must be withheld from progress payments made to Greek construction companies, and at 4 per cent to 10 per cent from payments made to foreign construction companies.

#### Withholding Tax Rates on Payments to Non-Residents

Withholding tax rates on payments to non-residents and provided for by double- taxation treaties are shown in the table below.[GRE.104]

#### Double-Taxation Relief and Tax Treaties

Bilateral agreements for the avoidance of double-taxation (tax treaties) have been concluded between Greece and Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Hungary, India, Italy, The Netherlands, Norway, Poland, Sweden, Switzerland, the United Kingdom, and the United States. All bilateral agreements, with the exception of those concluded with the United Kingdom and the United States, adopt the definition of a permanent establishment used in the model tax treaty of the Organisation for Economic Co-operation and Development (OECD). Such agreements also regulate the withholding of tax applicable to dividends, interest, and royalties.

Dividends are not subject to withholding tax under Greek domestic law. Consequently, the following table provides treaty withholding tax rates for interest and royalties only.

	Interest	Royalties
	Per Cent	Per Cent
Austria	0 <sup>3</sup>	0
Belgium	15	5
Cyprus	10	0 <sup>4</sup>
Denmark	8	5
Finland	10	10
France	10	5
Germany	10	0
Hungary	10	10
India	10	20
Italy	10	5 <sup>6</sup>
The Netherlands	10 <sup>5</sup>	7 <sup>7</sup>
Norway	10	10
Poland	10	10
Sweden	10	5
Switzerland	10	5
United Kingdom	0 <sup>1</sup>	0
United States	0 <sup>2</sup>	0

**Notes:**

- 1 A 40 per cent f tax rate applies to Yments above a usually 9 per cent.**
- 2 The exemption applies only to interest of up to 9 per cent per year, and it does not apply to interest paid by a Greek corporation to a United States corporation that has controlling interest (more than 50 per cent) in the Greek company.**
- 3 The rate is 10 per cent if the recipient is a company that owns more than 50 per cent of the taxpayer company.**

[GRE.105]

Greece

- 4 The rate is 5 per cent for film royalties.
- 5 The rate is 8 per cent if the recipient is a bank or similar entity.
- 6 The rate is 0 per cent for copyright royalties for literary, artistic, or scientific works, including films.
- 7 The rate is 5 per cent for copyright royalties for literary, artistic, or scientific works, including films.

[GRE.105]

#### **Unilateral Relief**

Where no tax treaty exists, unilateral relief is usually given in Greece by way of a credit equivalent to the lower of the Greek or the foreign tax payable on the income concerned.

[GRE.106]

#### **Taxes on Individuals**

Law Number 2238/1994, which ratified the Code of Income Tax, as then amended, regulates individual taxes.

#### **Liability to Personal Income Tax**

All natural persons (individuals) deriving income from Greece regardless of their nationality or residence are liable to Greek personal income tax, save the case where a double-taxation treaty exists between Greece and the country of which a particular foreigner is a national. In addition, all individuals domiciled in Greece, regardless of residence or nationality, are liable to tax on income derived from other countries. In such cases, tax proved to have been paid outside Greece is deductible from Greek tax up to the amount of tax payable in Greece on the same income. Salaried public servants serving abroad are deemed to be domiciled in Greece.

A person is considered as "domiciled" in Greece if such person has the intention of permanently settling in Greece, regardless of the place of residence during any particular tax year, and depends on facts such as the location of the taxpayer's family or principal home. These general rules are subject to the terms of any appropriate double-tax treaties.

#### **Taxation**

## **Taxable Income**

**Personal income tax is imposed upon the total of the income (less losses, if any) and is classified in the following categories depending on the source of such income: A and B: Land and Buildings; C: Transferable Securities; D: Commercial Businesses; E: Farming enterprises; F: Employment; and G: Independent Professional Services and other sources.**

**Many detailed rules determine and define the basis on which an individual's income from particular sources is taxed, as well as how and under which circumstances losses from one source can be set off against profits from another.**

## **Exempt Income**

**Real estate (Categories A and B, above) is tax exempt in relation to the corresponding imputed income derived by the taxpayer from the grant of use at no cost to the State or to legal entities of the public sector; derived by the taxpayer by ownership occupancy; derived by the taxpayer from the grant of use as a domicile at no cost to parents by their children and vice versa.**

**Interests are tax exempt in various cases, among which are included interests on any kind of deposits in banks operating in Greece or to the Post Office Savings Bank, provided the deposit is not in Euro currency and the beneficiary resides permanently abroad; on foreign mortgage loans, which are given by foreigners through registration of mortgage on Greek ships; on earnings from mutual funds of Law Number 1969/1991 and 2778/1999 (same exemption also applies to mutual funds established in another member state of the European Union).**

**Commercial enterprises income is tax exempt, among other cases, in relation to earnings from exploiting ships, which are subject to the special tax for ships, as well as earnings from retail of tobacco.**

## **Treatment of Losses**

**In general, an individual's losses from business activities (not already set off against profits from other sources) are treated for tax purposes in the same way as those of corporations.**

## **Allowable Deductions**

**1 The principal deductions and allowances pertain to a percentage of the rent the taxpayer has to pay for his domicile, as well as a certain percentage for family expenditures, social security contributions imposed by law, medical and hospital expenses, tuition fees, interests on loans, installments or other debts, life and accident insurance premiums, sponsorships and donations, as the relevant dispositions specify.**

#### **Personal Tax Rates for Employees**

**Income remaining after the exemptions and deductions listed in the preceding section is taxed as follows:**

**AΠΟΡΟ 9**

#### **Tax Credits**

**Domestic Tax Credit. The tax payable according to the above is deducted by the following tax credits based on the taxpayer's family status.**

#### **Taxation**

**Foreign Tax Credit. Individuals subject to income tax in Greece are entitled to a credit regarding the foreign tax already paid against the Greek tax payable, up to the amount of the Greek tax relating to the foreign source of income. [GRE.115]**

#### **Tax Assessments and Payments**

**An annual tax return for the income earned from all sources described above must be submitted every fiscal year at a different filing date for each category of taxpayers (individuals with income from salaries, wages or pensions, freelancers, farmers etc.). The tax due is usually cleared by June and payable in installments.**

#### **Imputed Income**

**When assessing the taxable income, tax authorities are permitted by the law to make assumptions mostly on the basis of sources considered as corresponding to a particular income. In particular, the imputed assessment system applies in relation to assets such as real estate, independent professional services, automobiles, vessels, motorcycles, aircrafts.**

**Should the declared income be lower than that resulting from the imputed assessment system, the tax will be imposed on the imputed income, although imputed income rules do not apply to certain categories.**

**Foreigners not permanently residing in Greece and who are employed by offshore and shipping companies can be subject to the imputed income rules, with the exception of those applying to owned real estate and automobiles. Special rules apply to income deriving from the renting of houses or flats. [GRE.117]**

## **Other Taxes**

### **Value Added Tax**

**Value Added Tax System. Value added tax was introduced in Greece by Law Number 1642/1986, as consolidated and in force today by Consolidated Law Number 2859/2000. The law is divided in the following parts: Fiscal (articles 1-47); Procedural (articles 48-61); Transitory provisions; Activities of legal entities of the public sector subject to value added tax (Appendix 1); Territorial effect of the value added tax (Appendix 2); Goods and services subject to the low rate of 8 per cent (Appendix 3); Agricultural goods and services (Appendix 4); Objects of artistic or archaeological value (Appendix 5); and Goods upon which payment of the value added tax is suspended and are considered as being under a tax warehouse regime (Appendix 6). Moreover, numerous ministerial decisions, both procedural and of substance, apply as regards the value added tax system in Greece.**

**A business can offset deductible value added tax paid by it on its purchases from other businesses (including imports) against the value added tax charged on its sales to its customers, before paying the net amount to the tax authorities. Excess value added tax paid on purchases can be recovered through value added tax collected from future sales, but refunds may be obtained only in special cases, as the case may be.**

### **Taxable Transactions.**

**The conduct of independent economic activity, which is one of the conditions for the imposition of value added tax, includes purchase and sale of goods, performance of services, manufacture, mining, agriculture, and liberal professions (under special conditions), and exploitation of tangible or intangible property for the purpose of acquiring profit (for instance the lease of equipment or a license agreement resulting in payment of royalties). Also, imports and inter-Community acquisition of goods, provided specific requirements are met, are considered taxable transactions for the imposition of Value Added Tax.**

**Inter-Community acquisition of goods is a new concept in Greek Tax Law, and as such is considered any action by which a person obtains the right to possess as owner of embodied goods that are sent or transported to Greece from the buyer or the seller or other third party acting on their behalf, inside the country, by another state-member of the European Union, from where the goods were sent or transported.**

**Delivery of goods and performance of services must be executed as specified by Law Number 2859/2000, relevant transactions must be carried out within the Greek state and the delivery of goods or rendering of services must be made by a person liable to value added tax in the context of such person's business or professional activities. It is irrelevant whether a particular transaction was profitable or not. As regards imports, value added tax is charged on the imported goods, irrespective of whether the importer is subject to tax or not. Finally, a registered business in Greece that has incurred value added tax in another EU country can recover that value added tax, subject to various limitations.**

#### **Value Added Tax Liability**

**Every natural person or legal entity, whether foreign or Greek, and all unions of persons (eg, joint ventures) are liable to value added tax if they engage in independent economic activity in Greece. Employees are not regarded as carrying out an independent economic activity; consequently, wages and salaries are not subject to value added tax. The Greek state, municipalities, and other public service organizations are not liable to value added tax on the delivery of goods or performance of services, even if they collect fees or levies themselves. Exceptions concern telephones, electricity, railways, and urban transport services.**

#### **Obligations of Persons Subject to Value Added Tax.**

**All persons subject to value added tax must notify the tax authorities of the commencement or interruption of their operations, issue invoices complying with value added tax rules, maintain proper accounting books, the category of which is determined on the basis of their turnover, maintain value added tax accounts in their accounting records, and file appropriate periodic tax returns.**

**Finally, persons who are subject to the above tax and reside abroad have the additional obligation to appoint representatives in Greece.**

#### **Taxable Value**



Generally, value added tax is calculated on the purchase price plus incidental expenses, taxes, and duties, but excluding value added tax itself. In the case of automobile imports, just as in the case of any other import, value added tax is applied on landed cost, ie, the cost that includes the GIF price, import duties, other taxes, contributions and government fees levied on importation, transportation costs, handling fees, and the like.

### **Tax Rates**

There are three different value added tax rates. The standard is at 18%, the reduced rate at 8% and covers mainly necessities, such as food and the **special rate at 4%, covering books and magazines. These rates are reduced by 30% for sales made in certain Greek islands.**

### **Exemptions from Value Added Tax**

Exemptions from value added tax include various social, welfare, and educational facilities, certain imported goods and services (among which goods that were exported and are re-imported for various reasons in the same form and condition, imports by embassies, and other particular imports), as well as exported goods and services.

### **Other Taxes**

Other taxes include the following:

#### **Local Taxes**

Numerous taxes are levied by municipalities and other local bodies. These taxes, although not financially significant, are often administratively burdensome.

#### **Real Estate Transfer Tax**

According to article 2 of Law Number 2892/2001, the transfer of real estate is taxed at a rate of 7 per cent for the part of the market value up to GRD 5 million and 9 per cent for the remaining part of the market value. Sales to individuals acquiring their first homes are exempt from this tax on transactions up to a certain percentage. to GRD 7 million, increased by GRD 800,000 for each of the buyer's first three children and by GRD 1.5 million for each further child.

**Exemptions also are granted on sales of real estate in Hellenic Industrial Development Bank industrial estates, on sales where the price is to be received in foreign currency, and on mergers and reorganisations in approved cases. This tax is borne by the buyer.**

**[GRE.129]**

**Stamp Duty.** Before the introduction of the value added tax, the special tax on banking transactions, and the capital concentration tax, most business transactions, agreements, and other documents were subject to a stamp duty. Today, only specific transactions are subject to stamp duty, this being calculated on the value of the transaction. Stamp duty rates are as follows:

- 1 Lease of property, 3.6 per cent;**
- 2 Salaries, 1.2 per cent;**
- 3 Private loan agreements, 2.4 or 3.6 per cent;**
- 4 Commercial loan agreements, 2.4 per cent; and**
- 5 Bills of exchange, up to 0.6 per cent.**

**[GRE.130]**

**Capital Concentration Tax.** A duty of 1 per cent is payable on the accumulation of capital by corporations, limited liability companies, joint ventures, and other profit-making organisations.

**[GRE.131]**

**Inheritance and Gift Taxes.** Inheritance and gift taxes are levied on the value of property passing on by death or by gift. The gift tax depends on the legal relationship between the donor and the donee. **[GRE.132]**