

GREECE

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General Information

Location and Area

Greece lies in the extreme southeast of Europe. It has an area of 132,000 square kilometres (51,000 square miles), of which approximately 20 per cent is made up of islands. The country borders with Albania, Yugoslavia, and Bulgaria to the north, Turkey and the Aegean Sea to the east, and the Mediterranean and Ionic seas to the south and west. Greece is divided into a number of districts (nomos), governed by local governors elected by the people. [GRE.001]

Population and Language

The population is currently estimated to be 10 million, of which some 4 million live in the area surrounding Athens and its port, Piraeus. Thessaloniki, in the north, is the second largest city, and it has an estimated population of 1 million. Patra (in the west), Volos (in the east), and Heraklion (in Crete) are the next largest cities, each with populations of more than 100,000.

The native language is Greek. Most Greeks, however, especially younger people, speak a second language; English is the most frequently used, followed by French. [GRE.002]

Currency

The unit of currency is the drachma (Drs, or the international standard abbreviation as GRD). The drachma was admitted to the Exchange Rate Mechanism on 14 March 1998 and, as from 1 January 2001, Greece is a full member of the European Monetary Union (EMU) pursuant to a decision of the Heads of States and Governments adopted in Portugal on 19 June 2000. The drachma entered the Euro zone at a conversion rate of 1 Euro = 340.75 GRD. In this context, Law Number 2842/2000 regulates the introduction of the Euro by specifically addressing issues in the fields of national currency, taxation, corporations, limited-liability companies, capital markets, and the Athens Stock Exchange and double quotation of prices.

[GRE.003]

Sources of Business Information

Helpful sources of business information include:

*Athens Chamber of Commerce
7-9 Academias Street
Athens, Greece
Telephone: (01) 3 60-241*

*Hellenic Industrial Development
Bank (ETVA)
18 Eleftheriou Venizelou Street
Athens, Greece
Telephone: (01) 323-7981*

Other sources of business information include commercial bankers, lawyers, accountants, and (in other countries) Greek embassies. [GRE.004]

Work and Residence Permits

In General

Foreigners from outside the European Union (EU) wishing to work in Greece must obtain both residence and work permits, issued by the Aliens Bureau of the Ministry of Internal Affairs and the Ministry of Labour, respectively. It is difficult for such a foreigner to obtain a residence or work permit unless he possesses 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.

Companies trading within Greece are usually limited to two or three such foreigners but, for offshore companies (see text, below, relating to "Offshore Companies"), the authorities are more liberal as long as 60 per cent to 80 per cent of the total work force, depending on the circumstances, consists of Greek nationals. [GRE.005]

Work Permits

Work permits, which are issued for a specified type of work with a specified employer, are usually granted for one year (in some cases, two years), although they are renewable. They must be obtained by the foreigner's employer, who is responsible for advising the proper authorities, usually before the employment commences. Residence permits also are usually granted for one year at a time. A foreigner from another EU member state generally needs to obtain only a residence permit. [GRE.006]

Residence Permit

The residence permit must be applied for at the local labour office within three months of the foreigner's arrival in Greece, but the foreigner is allowed to work while the formalities for its issue are being completed. The residence permit is issued by the Aliens Bureau for the period of employment in Greece if this is to be for three to 12 months, or by the Ministry of Public Order for five years (renewable) if employment is to be for a longer period.

A certificate confirming the employment contract, issued by the foreigner's employer (including a company in course of formation), together with a health certificate, must be produced to the labour office before the residence permit can be issued. If the employment is to be for less than three months, only the employment certificate is required, and slightly different rules apply in special cases.

[GRE.007]

Registration

All foreign employees must register with the local Aliens Bureau or police station.

[GRE.008]

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 Organisation (IKA), on application, for employees temporarily working in Greece (ie, for one to three years) who come from countries outside the EU with which Greece does not have bilateral social security treaties.

Registration with the Social Security Organisation is necessary only for EU 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 necessary.

[GRE.009]

Investment Factors

Government Attitude Towards Foreign Investment

The attractions of Greece to foreign investors include its position relative to Middle Eastern markets combined with its membership in the EU, its resources of raw materials, its attractions for tourism, and its favourable laws designed to encourage foreign investment.

Despite its socialist policies, the government wishes to attract foreign investment. Accordingly, it provides numerous incentives designed to encourage the growth of manufacturing, handicraft, mining, tourism, and shipping industries; to promote the economic development of Greece outside the district of Attica (Athens and its environs); and to increase exports.

Investment Law Number 2601/1998 details the conditions for investment and the incentives available, and it endeavours to bring Greece's investment laws into line with those of the other member states of the EU. The current rules are summarised in the following pages; they apply to Greek and foreign investors alike.

With few exceptions, there is no mandatory requirement for participation in individual enterprises by Greek nationals or government institutions, but government bodies may become participants in equity capital in some cases as a result of providing finance under the investment law above.

[GRE.010]

Investment Incentives under Law Number 2601/1998**In General**

The Investment Law 1990 replaces all other investment incentive legislation, except for the following:

- 1 Law Number 2687/1953, which provides guarantees as to repatriation rights for foreign productive investments;*
- 2 Law Number 4171/1961, which grants tax-related incentives for extensions of large investments already made under this law;*
- 3 Law Number 89/1967, which encourages the establishment of foreign companies in Greece to do business offshore; and*
- 4 Various incentives granted to exporting companies.*

These four groups of incentives are described under the text, below, relating to "Other Investment Incentives". Recent liberalisation of exchange controls on inward investment is noted in the text, below, relating to "Exchange Controls".

The benefits under the Investment Law 1990 are available to a wide range of enterprises but, to qualify for aid, the project concerned must meet criteria for productive investments.

[GRE.011]

Productive Investments

Productive investments are those that promote national production or contribute to the economic advancement of Greece. They include the following main categories:

- 1 Construction or purchase of new industrial buildings and expansion or modernisation of existing industrial buildings;*
- 2 Purchase of new machinery or equipment, including new computers and systems, cold storage facilities, refrigerated trucks, and ships of domestic construction;*
- 3 Costs associated with the importation, development, and application of new technology, including laboratory instruments or equipment and applied research costs;*
- 4 Costs of relocation of industrial enterprises from "Area A" (the Athens area) to the so-called industrial estates of the Greek Bank for Industrial Development, situated in "Area B", "Area C", or "Area D";*
- 5 Erection of building facilities by enterprises established within technological parks;*
- 6 Erection of new low-cost housing and recreational facilities for employees and associated purchases of transport; and*
- 7 Erection or modernisation of hotels and tourist apartments (including permanent camping and winter sports facilities).*

[GRE.012]

Eligible Enterprises

Enterprises eligible for investment incentives include:

- 1 Manufacturing and craft enterprises, including workshops engaged in the production of traditional building materials or traditional construction;*
- 2 Farming and fishing concerns (under specified conditions);*

- 3 Ship-building and ship-repairing enterprises;
- 4 Hotels and hostels (up to 300 beds), camping facilities, and spas;
- 5 Liquid fuel and liquid gas enterprises (under specified conditions);
- 6 Drying and freezing activities, energy-saving projects, and waste-utilisation enterprises;
- 7 Business information centres;
- 8 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; and
- 9 Provision of quality services.

In relation to the eligibility for grants, Law 2601/1998 distinguishes between new and old enterprises. As new are considered those that are newly established, or those that apply for a grant under this Law within a five-year period from the date of establishment. Old enterprises are those that apply for a grant after the five-year period. It is worth mentioning that enterprises resulting from the conversion of another business or company or from the merger of companies or businesses or from the absorption of or by another company are not considered as "new", insofar as one of the companies involved in such a conversion, merger, or absorption is "old" in the sense of the Law.

[GRE.013]

Development Areas

For investment incentive purposes, Greece is divided into four areas, as follows:

- 1 Area A includes Athens and surroundings and Thessaloniki, apart from the regions included in other areas;
- 2 Area B includes part of the west section of the Thessaloniki district, the region of Lagadas (in Thessaloniki), the region of Trizinia (in the district of Attica), and all the regions not included in the Areas A, C, and D;
- 3 Area C includes the regions and districts of Greece that face problems such as unemployment and population decline, except for the districts of Attica and Thessaloniki and the districts and regions included in Area D; and
- 4 Area D includes the extreme north-eastern districts, the district of Epirus, all Greek islands with populations up to 3,100 inhabitants, most of the islands adjacent to Turkey, and a zone approximately 20 kilometres (12 miles) wide along remaining international frontiers (except for an area in Rhodes designated by a Ministerial Decision).

[GRE.014]

Incentives Available

The Investment Law provides the following incentives:

- 1 State capital grants;
- 2 Interest rate subsidies for investment loans;
- 3 Leasing subsidies; and
- 4 Tax relief.

There are specific incentives for investments of more than GRD 25 billion (ie. expenses grants).

For investments regarding new companies, all of the above-mentioned incentives are available. The types of grants available depend on the type of the company, being "new" or "old". For investments regarding old companies, the only incentives available are tax relief and interest rate subsidies.

The extent of grants provided to new companies is as follows:

Expenses Grant, Interest Rate Subsidies, and Leasing Subsidies

Area	Percentage of grant in relation to expenses	Percentage of interest rate subsidies for investment loan	Percentage of grant in relation to financial leases
<i>D</i>	<i>40 per cent</i>	<i>40 per cent</i>	<i>40 per cent</i>
<i>C</i>	<i>30 per cent</i>	<i>30 per cent 1</i>	<i>30 per cent</i>
<i>B</i>	<i>15 percent</i>	<i>5 per cent</i>	<i>15 percent</i>

Interest Rate Subsidies for Investment Loans and Tax Relief for Expenses and Value of New Machinery and Other Equipment Obtained by Means of Financial Lease

Area	Percentage of interest rate subsidies for investment loan	Percentage of tax relief in relation to value of investment or total amount of financial lease for equipment
D	40 per cent	100 percent
C	30 per cent	70 per cent
B	1 5 per cent	40 per cent

The extent of grants provided to old companies is as follows:

Interest Rate Subsidies for Investment Loans of at Least Four Years' Duration and Tax Relief for Expenses and Value of New Machinery and Other Equipment Obtained by Means of Financial Lease

Area	Percentage of rate subsidies of investment loans	Percentage of tax relief in relation to value of investment or total amount of financial lease for equipment
<i>D</i>	<i>40 per cent</i>	<i>1 00 per cent</i>
<i>C</i>	<i>30 per cent 1</i>	<i>70 per cent 40</i>
<i>B</i>	<i>5 per cent</i>	<i>per cent</i>

In the Area A, tax relief and interest rate subsidies are not provided to old companies. There is a number of exceptions to the above concerning several categories of companies, such as hotels, camping facilities, congress halls, services for exceptionally advanced technology, companies that deal with environmental protection, and Local Affairs Authorities. Most of the exceptions favor the company.

The above-mentioned incentives depend on the amount of the share capital of the company. For each incentive, the Investment Law determines a minimum amount of share capital according to the category of the company.

The Minister of National Economy determines the criteria that qualify a company for the above incentives. Such criteria may be:

- 1 Evaluation of long-term viability of the company;*
- 2 Economic solvency of the company;*
- 3 Capital gains derived from the company;*
- 4 World-wide competitiveness of the company's products;*
- 5 Contribution of the company to environmental protection and the reduction of pollution;*
- 6 Services for exceptionally advanced technology;*
- 7 Development of software and technology;*
- 8 Services regarding the development of tourism (ie, installation of alternative categories of tourism and transformation of buildings to hotels);*
- 9 Transportation of liquid fuel and gas to the islands;*
- 10 International trade companies; and*
- 11 Medical centers for persons with disabilities.*

[GRE.015]

Administrative Procedures

Applications for the aid available under Investment Law Number 2601/1998 must be submitted to the Regional Development Services or the Private Investment Services departments of the Ministry of National Economy.

Benefits are granted by decision of the Ministry of National Economy, subject to the opinion of a consultative committee. In practice, obtaining official approval under the investment laws tends to be a lengthy process, and consultation with professional firms that have experience in this sector is advisable. An elaborate feasibility study must be given to the Ministry of National Economy, dealing with matters such as the commercial viability of the business, knowledge of the market, and development prospects. Finance is disbursed only when 50 per cent of the investor's own contribution and 25 per cent of the financing bank's contribution (if any) have been advanced.

Disbursements are made in instalments, in such a way that the investor's own contribution and the bank's loan (if any) are used at the same time as the grant. Such disbursements are effected in three phases, as follows:

- 1 Sixty per cent is granted during the implementation of the investment;*
- 2 Twenty per cent is granted on issuance of the administrative decision certifying completion of the investment; and*
- 3 Twenty per cent is granted after commencement of the productive operation of the investment, as confirmed by a relevant administrative decision.*

Any enterprise that has received benefits under Investment Law Number 2601 /1998 that ceases to operate, or is transferred to other shareholders before the lapse of five years from the issuance of the decision certifying the productive operation of the investment without the prior approval of the Ministry of National Economy, must refund all or part of the benefits it has received.

[GRE.016]

Other Investment Incentives

In General

The following investment incentives remain in force in addition to those provided under Investment Law Number 2601/1998. In order for an investment to be entitled to any of the benefits referred to below, an application should be submitted to the Ministry of National Economy in all cases. [GRE.017]

Protection of Foreign Investment

Law Number 2687/1953 (as amended) is designed to attract foreign capital into Greece. It grants to foreign productive investment projects the following benefits:

- 1 Guarantees of the terms on which approval for the importation of capital is given, including guarantees against the expropriation of assets owned by the foreign investor (except in the event of war, when compensation must be paid);*
- 2 Permission to repatriate capital, dividends, loan interest, and lease rentals (see text, below, relating to "Exchange Controls");*
- 3 Concessions on customs duties and taxes for enterprises such as exporting, mining, and new companies contributing to foreign exchange savings for Greece (such concessions may include a ban on increases in tax rates for up to ten years, freedom from retroactively imposed taxes, reductions in or exemptions from local taxes, and reductions in or exemptions from customs duties and related fees and taxes for up to ten years on imported machinery, spare parts, tools, and the like); and*
- 4 Some priority in the issuance of work permits for foreign managerial and technical staff and partial relaxation of exchange controls concerning their salaries.*

The investment project must be a productive investment, as defined above. Law Number 2687/1953 is now of lesser importance to investors following Presidential Decree Number 96/1993 and Presidential Decree Number 104/1994 which, with a few exceptions, have abolished existing restrictions in short-term capital movements. [GRE.018]

Large Investments

Investment Law Number 2601/1998 abrogated Law Number 4171/1961, in so far as the former lays down special incentives as regards investments in the fields of industry, mining, and tourism that exceed the amount of GRD 25 billion. According to article 10 of the Investment Law, 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.019]

Offshore Companies

Under Law Number 89/1967 (as extended to shipping companies by Law Number 378/1968 and amended by Law Number 2234/1994), benefits are available to

foreign companies establishing branch offices in Greece, provided that all their business activities are carried out and all their income is earned outside Greece. Each foreign shipping company wishing to take advantage of this law must import and convert into drachmas at least US \$50,000, or its equivalent, per year to cover its operating expenses in Greece.

In the case of a commercial-industrial company employing more than four persons, it is required to import and convert into drachmas US \$50,000 per year, plus \$12,000 per year to cover its operating expenses for each foreigner employed. Commercial-industrial companies must maintain a bank guarantee in the amount of US \$5,000 that is subject to forfeiture for failure to comply with legal requirements. However, for shipping companies, the bank guarantee is fixed at US \$ 10,000, and it includes a surcharge in the amount of US \$2,000. The administrator or manager of the Greek office must be a foreigner. The benefits from establishing "Law Number 89 offices" include the following:

- 1 Exemption from Greek taxes and other levies on income earned abroad;*
- 2 Exemption from the special banking transactions tax, turnover tax, and stamp duty (for value added tax purposes, the provisions of Law Number 1642/1986 apply);*
- 3 Automatic issuance of work and residence permits (for two-year periods, but renewable) to foreign personnel; and*
- 4 Limitation of required accounting records to those recording disbursements and tax-free equipment imports.*

Income earned abroad by shipping enterprises from the operation of ships under foreign flags, and by foreign engineering and technical companies from operations abroad, is exempt from taxes and other charges (see text, below, relating to "Special Tax on Greek Ships"). Imported machinery and equipment to be used in connection with engineering and technical company operations abroad are exempt from import duties and related charges.

[GRE.020]

Requirements and Regulations

In General

The various laws concerning foreign investment have been summarised in the preceding sections. Although the establishment of enterprises in Attica and Thessaloniki does not generally entitle an investor to any incentives, projects in those areas are not generally prohibited or actively discouraged (except for requirements to reduce pollution).

Indeed, as a result of the political upheavals of recent years in some neighbouring countries, the city of Athens has become a major financial and administrative centre for Middle Eastern and North African business. Restrictions on manufacturing installations in Attica and Thessaloniki are applied from time to time, and special permission for the building of factories, in particular in areas neighbouring archaeological sites, may be required.

Foreigners may engage in practically all trades or businesses, provided they have residence and work permits, although foreign investment is not welcomed in some sectors, such as agriculture and textiles. Moreover, with only a few exceptions, a Greek company may be entirely foreign-owned and managed. For the purpose of

modernisation of the Greek economy, but also with a view to meeting the requirements for Greece's accession to the Euro zone, several state-owned fields of activity have been released, or are to be released, to private entities through privatisation. [GRE.021]

Real Estate

Foreigners and foreign-owned companies may own real estate in Greece except, in certain cases, near international frontiers. The construction or substantial modification of any industrial buildings requires a permit from the national and local authorities. Permit procedures tend to be complex. Pollution control is an important factor, especially in Athens and Thessaloniki.

The Hellenic Industrial Development Bank operates a number of industrial estates throughout Greece (except in the Athens area), where exemptions from real estate taxes and reductions in financing fees are granted and sites or even custom-built factories are available for purchase or lease on favourable terms. [GRE.022]

Trade Factors

Imports and Exports. Most imports into Greece require only import approvals for exchange control purposes, but some are restricted by quota or require specific import licences (mainly luxury items and capital goods that would directly compete with domestic manufactures), even if originating in other EU member states. Export controls are imposed on works of art and armaments. Virtually all tariffs on imports from EU member states have been removed.

For imports from non-EU countries, the EU's common customs tariff generally applies. Goods may be stored duty-free in free zones at Piraeus and Thessaloniki. 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.023]

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. Although the government is tending to relax controls, various temporary price control measures should be considered as part of the business environment in Greece. 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 EU's rules so that 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.024]

Agencies. Agency agreements are governed by the Civil Code and the terms of the individual agency contract. The Law provides that such an 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 if the agreement is cancelled by the foreign principal. [GRE.025]

Patents and Trade Marks. Patents can be registered for periods of 20 years (not renewable) and trade marks for ten years (renewable), but there is no examination for novelty, and infringement can be challenged only in the courts. Greece is a member of the Paris Convention for the protection of intellectual property, the European Patent Convention, and the Berne Copyright Convention, but not of any other international agreements on these subjects. If patents or trade marks are not used within five years from registration, they may lapse.

Licensing of foreign patents and trade marks in Greece is widespread, but it is subject to court controls. Licence agreements are viewed as a form of foreign investment, and they require government approval. At present, approved royalty contracts may be entered into only for one-year (although renewable) periods. Compulsory licensing of patents may be required if this is deemed to serve the public interest. [GRE.026]

Labour

Pay Rates

Minimum rates of pay are usually set by the annual national collective labour agreement. Most industries and trades, however, have their own legally enforceable minimum wage and salary rates, established by collective labour agreements. These minimum rates cannot be lower than those described in the annual national collective labour agreement. Discrimination in pay based on the employee's sex is forbidden.

It is required that each permanent employee be given a written contract of employment, specifying the rate of pay, working hours, rules for absence, dispute settlement procedures, and termination notice periods (Presidential Decree Number 156/1994).

The automatic cost of living adjustment applied to all wages and salaries since May 1982 was abandoned in 1991. Since then, an increase of wages and salaries equal to the inflation rate is granted on a semi-annual basis. [GRE.027]

Working Hours, Holidays, and Vacations

The legal minimum age for employment is 15 (Civil Code, article 136, as amended by Law Number 1329/83). Various rules protect women and juveniles from dangerous employment and night work. Working time does not normally exceed eight hours per day, and the general work week is 40 hours (sometimes shorter). A five-day week has been fixed by decision of the Athens Labour Administrative Court for industry, although the five-day week also has been introduced by many collective agreements for non-industrial activities. However, it has been introduced in almost all Greek enterprises.

Twelve official public holidays are paid each year, but there are only six official public holidays, of which four are mandatory and two optional. One of the optional holidays is declared mandatory by decision of the Minister of Labour each year. There is a legal requirement for paid vacations, as follows:

- 1 For 20 to 22 days (depending on years of service) in five-day-week working schedules; and

- 2 For 24 to 26 days (depending on the years of service) in six-day-week working schedules.

An employee is entitled to an annual vacation after 12 months of uninterrupted service with an employer. [GRE.028]

Overtime and Bonuses

"Overtime" is time worked beyond the maximum daily or weekly working hours established by law. "Overwork" work is time worked beyond the working hours agreed through labour contracts or collective agreements and up to the maximum working hours established by law. The distinction between "overwork" and "overtime" is of great practical interest for several reasons. Overtime is allowed on the condition that the employer complies with specific formalities. Second, overtime is paid at higher rates than overwork. Third, maximum overtime limits are fixed by the Ministry of Labour each calendar quarter.

The rules relating to overwork and overtime are complex. They are mainly covered by the Civil Code, collective agreements, Law Decree Number 515/1970 (as amended), and Law Number 435/1976. In general, work in excess of 40 hours per week and up to the legally established working hours is paid at a premium of 25 per cent. In particular, overtime is paid at a premium of 25 per cent for up to 60 hours per year, at 50 per cent for 61 to 120 hours per year, and at 75 per cent for more than 120 hours per year.

For illegal overtime, the premium payable is 100 per cent. Night work (ie, work from 10 pm to 6 am) is entitled to a 25 per cent premium; for Sundays and holidays, the premium is 75 per cent. Collective labour agreements may provide for higher rates. Maximum overtime limits are fixed by the Ministry of Labour in June and December of each year.

Bonuses must be given equivalent to two months' pay each year, being a half-month's pay at Easter and at annual (summer) vacation time and a month's pay at Christmas. The Easter bonus accrues from 1 January to 30 April and the Christmas bonus from 1 May to 31 December; an employee is entitled to a vacation bonus upon completion of a 12-month employment period. On marriage, an employee paid on the basis of a collective agreement is entitled to a bonus of 10 per cent of the basic minimum pay in force as from 31 December 1984. Bonuses based on efficiency or seniority are rarely granted; nor generally are bonuses based on profits.

[GRE.029]

Other Payroll Costs

An employer's contributions to the Social Insurance Fund (Social Security Organisation) can reach approximately 24.7 per cent of his employees' remuneration (up to a maximum remuneration per employee of approximately GRD 446,750 per month). In certain industries and trades, contributions also must be made to auxiliary social insurance funds. Payroll stamp duties are described in the text, below, relating to "Other Taxes". [GRE.030]

Termination of Employment

Employment contracts can be terminated, provided that the employer gives notice of termination in writing and pays a legal indemnity. In the case of a salaried

employee, the indemnity payable ranges from one month's pay for service of less than one year to 24 months' salary for service of 28 or more years. If the employer gives prior notice of termination (which varies, depending on the employee's years of service, from 30 days to 24 months), such indemnity pay is reduced by one-half.

For manual workers, compensation ranges from five days' pay for up to one year's service to 91 days' pay after 20 years' service or more. In cases of penal offence or serious fault, an employee may be dismissed without notice or indemnity, under the conditions provided for by the law, but such employee may then have recourse to the courts.

Enterprises with 51 or more employees can normally dismiss a maximum of only a small percentage of their work force each calendar month. This percentage (currently 2 per cent) is fixed by the Ministry of Labour for every half-year. Above this limit, dismissal is regarded as collective, and requires prior consultation with the unions and, in certain cases, final approval by the District Prefectures (Nomarchies). For smaller enterprises, (ie, those with 20 to 50 employees), the limit is five employees per calendar month. [GRE.031]

Unions

Unions are organised on an occupational basis, so that more than one union may be represented in the same enterprise. Labour unions in Greece have not been particularly strong, although they are now tending to become more effective, and participation by employees in labour unions is now widespread.

"Closed shop" agreements, however, are restricted to a few special cases. Some foreign companies operate in Greece with no union involvement, and others make a one-union arrangement with all their employees. [GRE.032]

Sources and Availability of Finance

The commercial banking system in Greece consists of approximately a dozen Greek banks and several foreign banks. Greek banks account for approximately 85 per cent of the total volume of loans and deposits, and they dominate domestic banking business. Foreign banks concentrate on internationally oriented businesses for shipping companies, offshore companies, large Greek enterprises, and public sector corporations. Much of the Greek banking sector is controlled by the government.

Most commercial bank lending consists of conventional short-term loans for working capital. However, since Greece lacks well-developed capital markets where companies can raise long-term capital, Greek enterprises have historically relied on the commercial banks for medium-term and long-term finance in addition to working capital. The government also uses the commercial banks as a source of finance at low interest rates.

Service enterprises are not generally entitled to bank finance and, apart from export traders, such enterprises often find it difficult to obtain capital.' 'Law Number 89 companies" must provide funds to cover their operations in Greece from abroad (see text, above, relating to "Offshore Companies"). The Greek banking system has been modernised, and it possesses the main features of a modern banking system that are encountered in most western countries.

Despite the 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 these banks is the Hellenic Industrial Development Bank. Others include the National Investment Bank for Industrial Development, the Investment Bank, the National Mortgage Bank of Greece, the Mortgage Bank, and the Agricultural Bank.

Special arrangements can be made to finance imports and exports. Short-term finance can be provided, mainly to productive enterprises (see text, above, relating to "Productive Investments"), by way of bill discounting. Factoring of debts and block discounting of invoices have gradually gained ground in Greece.

Hire-purchase finance for capital goods is restricted, as such goods are mostly imported, but leasing has been introduced as a source of finance in Greece, and it has gained momentum. Apart from "Law Number 89 companies", Greek, as well as foreign-owned businesses, may raise finance from banks in Greece without discrimination. [GRE.033]

Exchange Controls In

General

Foreigners (whether resident or not) may operate accounts in foreign currencies with authorised banks in Greece largely free from currency restrictions, provided that imports are declared and arise from sources outside Greece.

Non-residents, including companies incorporated and operating outside Greece, also may maintain foreign currency accounts with authorised banks in Greece. These accounts can be freely transferred abroad without special permission. The amount of foreign exchange that Greek nationals may obtain for non-business purposes, however, is strictly limited. [GRE.034]

Inward Direct Investment

Importation of Capital

The importation of foreign capital for use in productive investments is encouraged, and it is fully protected under the Foreign Investment Law (Law Number 2687/1953, as amended).

Capital imported may be in the form of foreign exchange, machinery and materials, patents, trade marks, or technical know-how. Law Number 2687/1953 (see text, below, relating to "Protection of Foreign Investment") has been largely superseded as far as its exchange control provisions are concerned due to its cumbersome administrative procedures, particularly for investments originating from member states outside the EU. [GRE.035]

European Union Investment

The Bank of Greece or other banks operating in Greece are empowered to carry out the resulting foreign exchange transactions. Capital transactions must be effected at the same exchange rates as current transactions. [GRE.036]

Non-European Union Investment

Inward direct investments from countries outside the EU remain subject to specific prior approval by the Bank of Greece. Investments made without such approval are unlikely to receive permission for the repatriation of either income or capital.

The bank advice issued on conversion of foreign currency to drachmas must specify the purpose for which the foreign currency is imported, and it must make reference to the exchange control approval. [GRE.037]

Borrowing by Foreign-Owned Enterprises

There are no specific rules regarding borrowing by foreign-owned enterprises. Borrowing from within Greece is not restricted by the few remaining exchange control restrictions nor is borrowing from residents of other EU member states.

Borrowing from non-EU residents must in practice be approved by the Bank of Greece, since the repatriation of interest and loan repayments will be approved only if the borrowing was originally authorised by the Bank. [GRE.038]

Repatriation of Funds**European Union Investments**

For investments from other EU member states, the Bank of Greece or other banks must freely make available the required foreign exchange for the repatriation of capital proceeds on the sale or liquidation of the investment and of interest, dividends, fees, royalties, and other profit remittances. The repatriation of funds relating to investments made before the adoption of Presidential Decree Number 207/1987 remains under the control of the Bank of Greece, and each case is examined by the authorities on its merits.

Following Presidential Decree Number 96/1993 and Presidential Decree Number 104/1994, repatriation controls, at least as regards EU member states, are a mere formality. According to Presidential Decree Number 97/1992 and Presidential Decree Number 104/1994, repatriation rights, with a few exceptions, also are granted for inward investments made by non-EU investors. [GRE.039]

Non-European Union Investments

For investments from countries outside the EU, repatriations of all kinds may be made in accordance with Decision Number 825/1986 of the Bank of Greece, given that the original investment was approved by the Bank of Greece when it was made and that the Bank of Greece is satisfied that the proposed repatriation constitutes a proper use of foreign exchange. The following conditions also must be met:

- 1 Repatriation of disinvestment proceeds is not allowed within three years from the original importation of the investment funds;*
- 2 Loans must have a minimum repayment period of five years; and*
- 3 Repatriations must be made at exchange rates applicable on the day that they are effected.*

[GRE.040]

Disinvestment Proceeds

Disinvestment proceeds can include re-invested profits and surpluses arising on liquidation, as well as any imported capital, but not any proportion of capital that originated from domestic funds. [GRE.041]

Dividends and Interest

Dividends and interest not remitted in any one year may be accrued and remitted in subsequent years. Investments effected or liquidated without the prior approval of the Bank of Greece are not entitled to these privileges, and non-EU residents' drachma funds in Greece that have not been generated from properly approved imported capital must be held in blocked accounts. [GRE.042]

Special Provisions for Ships

Ships of more than 1,500 gross registered tons that are imported and registered under the Greek flag are considered imported capital. Their owners are granted freedom to sell or mortgage such vessels to foreigners of specified nationalities, without prior government approval, to repatriate sale proceeds or insurance claims, and to use receipts from the vessels' operations, without restriction.

In addition, taxes and charges on the transfer of a vessel, if sold to a foreign national, are assessed on a net tonnage basis, the maximum taxes being US \$2 per net registered ton, while seamen's social security fund contributions are payable at a reduced rate. [GRE.043]

Foreign Employees' Earnings

Enterprises with foreign capital may employ foreign nationals in senior positions in their technical or administrative staff, and they may pay them in foreign currency. Such currency is transferable abroad freely in the case of an EU member state resident and as provided for in the government approval granted in each case. [GRE.044]

Imports and Exports

Foreign currency for imports is generally available without restriction, provided that applications are supported by proper documentation (including any required licences). Such documentation may be subject to control following the importation of goods for the purpose of ensuring that foreign exchange has not been remitted in excess of the true value of the imported goods. In some cases, imports must be paid for before delivery, and credit is not available. The proceeds of export sales must be collected in Greece, but time limits for this vary according to the customer's country. In all cases, importers of foreign funds should obtain bank certificates evidencing the importation of such funds; a special form is prescribed by the Bank of Greece. Such a certificate should be obtained at the time the foreign currency is converted into drachmas, as it will not be issued at a later stage; nor will it be replaced if lost or destroyed. [GRE.045]

Outward Investment

Outward investment by Greek-resident individuals or companies, whether direct or portfolio, is encouraged, following the abolition of restrictions in short-term capital investments. In every case, permission must be obtained from the Bank of Greece.

Outward direct investments by Greek resident individuals or enterprises in other EU member states can be freely approved by the Bank of Greece, and authorised banks must then make available the foreign currency required to effect such investments.

Outward direct investment in non-EU countries remains restricted. In every case, permission from the Bank of Greece is required, and this is given only in special circumstances. Greater freedom to invest in Eastern bloc countries is expected, however, in so far as these countries are encouraging investment and the establishment of joint undertakings by western-based enterprises. [GRE.046]

Portfolio Investment

Inward and outward investments in stock exchange securities, collective (mutual) investment fund units, and the like from and to other EU member states are freely allowed, but such investment transactions with countries outside the EU remain strictly limited. [GRE.047]

Establishing a Business

Formalities for Establishment

Foreign investment is governed by Law Number 2687/1953, which is Greece's basic foreign investment law, although largely superseded with respect to exchange controls, as explained above. However, the liberalisation under Presidential Decree Number 96/1993 and Presidential Decree Number 104/1994 has gradually been extended to non-EU residents and the majority of their transborder transactions with Greece. The remaining few restrictions refer to areas of particular interest for public policy reasons, eg, border areas.

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.048]

Principal Forms of Business Entity

In General

The principal forms of business entities encountered in Greece are:

- 1 The corporation or limited company (Anonymos etairia or AE, and sometimes referred to as a societe anonyme or SA);*

- 2 The limited-liability company (*Etairia periorismenis efthynis* or *EPE*);
- 3 The general partnership (*Omorrythmos etairia* or *OE*); and
- 4 The limited partnership (*Eterorrythmos etairia* or *EE*).

Of these, the most common for foreigners' operations in Greece is the corporation. Foreign entities also can establish branches or offices in Greece.

A corporate body having its head office in Greece is regarded as a Greek company, even if all its members are foreigners. [GRE.049]

Corporations

*In General. In a corporation, the liability of a shareholder is limited by the amount of his contribution to capital, which is represented by shares. The name of the corporation must include the words *anonymos etairia* or the letters "AE". Corporations are governed by the Corporation Law (Law Number 2190/1920, as amended by Presidential Decree Number 409/1986, Presidential Decree Number 498/1987, Presidential Decree Number 350/1993, and Law Number 2386/1996 with a view to harmonising Greek law with the respective European Community Directives).*

[GRE.050]

Capital. The minimum capital of a corporation is GRD 20 million. 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").

A share must have a par or nominal value, normally of at least GRD 100, but not more than GRD 30,000, and the issuance of shares below par is prohibited. 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.051]

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.052]

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 authorised by powers of attorney (formal deeds) may act on behalf of the true founders. The articles must be approved by the local District Prefecture. 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.

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:

- 1 The name, objectives, place of registered office or legal seat (which must be within Greece), and duration of the corporation;*
- 2 The amount of and form of subscription for the share capital;*
- 3 The number of shares issued;*
- 4 The authority and operating rules of the board of directors' and the general shareholders' meetings;*
- 5 The names of the statutory auditors;*
- 6 The rights of the shareholders; and*
- 7 Other administrative matters.*

Several weeks — even up to three months — are often needed to form a corporation. Formation costs include capital duty, which represents 1 per cent of the capital.

[GRE.053]

Management. A corporation is managed by a unitary board of directors (with a minimum of three 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 can be held personally liable for his own wrongful acts if these have caused damage or loss to his company, and he may be liable to imprisonment if 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.054]

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 authorised by a power of attorney. [GRE.055]

Accounting and Auditing. Accounting and auditing matters in regard to corporations will encompass financial statements, accounting principles, and audit requirements. [GRE.056]

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 recently been modified to harmonise 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 (see text, below, relating to "Accounting Principles").

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 unrecognised 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 that took place in 1977, 1982, 1987, and 1988.

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.057]

Accounting Principles. In practice, the tax authorities stipulate the accounting principles to be followed; consequently, in the past, tax rules have had more effect than accountants' concepts of a "true and fair view". 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 generalisation, secret reserves probably exist quite widely, either as a result of extreme conservatism in valuing assets or by overestimating liabilities.

The following issues are relevant to accounting principles in Greece:

Revaluation practices — Compulsory revaluations of tangible fixed assets (in particular, land and buildings) have been made on several occasions in recent years, as stated above, using coefficients prescribed by the laws specifically enacted for that purpose. Neither intangible fixed assets nor securities may be revalued.

Depreciation — Depreciation rates are based on tax law, not on economic asset lives. Following tax law requirements, rates are applied straight-line on initial cost (or revaluation, if applicable), except in specialised industries (such as quarrying, where the depletion method would be adopted).

Goodwill — Purchased goodwill must be amortised through charges to the profit-and-loss account over a maximum of five years. There is no legal requirement for assets acquired on the purchase of a business to be restated at fair values, so that goodwill is simply the ultimate balance of the acquisition price, although international accounting firms reporting to foreign investors may make such adjustments; in the absence of legal requirements to prepare consolidated financial statements, the same comments apply to goodwill arising on consolidation.

Proposed dividends — Proposed dividend distributions are shown at the end of the profit-and-loss account and are included in current liabilities even though they have not yet been approved by the shareholders at the annual general meeting.

Merger accounting—Mergers are accounted for in statutory financial statements as purchases, the pooling-of-interests concept being yet unrecognised in Greece. In reports prepared by international accounting firms for foreign investors, however, the pooling-of-interests concept may be adopted.

Leased assets — No guidance is given in the law on accounting for leases. Financial leases are rarely met at present, and all leases are accounted for as operating leases, rentals being charged to profit-and-loss accounts as they are incurred, without further disclosure.

Research and development expenditure — Expenditure on research and development must be disclosed in the appendix to the balance sheet. It is normally capitalised and amortised over five years.

Capitalisation of interest — Interest on the construction cost of an asset may be capitalised only during the period of construction.

Inventory valuation — Inventories are valued at the lower of acquisition cost or market (ie, replacement cost) and not, as in most countries, net realisable value. Cost may be arrived at by any recognised methods, such as LIFO, actual, average, or moving (weighted) average. Whatever method is adopted, it must be applied consistently. In comparing cost with market value, each stock line is considered separately. Cost in the case of manufactured finished goods and work in progress includes production overheads. There are no statutory rules regarding valuing and profit-taking from long-term contracts. For financial statement purposes, profits are normally recognised from actual measurements by architects or other professionals, although for tax purposes a deemed profit based on turnover is calculated.

Deferred tax accounting — No provision is made for deferred tax liabilities, the concept being unknown in Greece.

Unusual items — Unusual items, whether extraordinary or ordinary but exceptional, are included in the results for the year but, if material, must be separately disclosed in the profit-and-loss account. Prior year adjustments (adjustments to opening retained earnings or reserves) are not permitted. [GRE.058]

Audit Requirements. Every corporation's financial statements must be examined by two statutory or other independent auditors. 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 organisation called the Institute of Sworn-In Accountants (Soma Orkoton Logiston, or SOL) or other independent auditors. The criteria are:

	Until 31 December 1989	From 1 January 1995
Total assets exceeding	GRD 200 million	GRD 500 million
Turnover exceeding	GRD 400 million	GRD 1 billion
Average number of employees exceeding	50	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.059]

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.060]

Limited-Liability Companies

In General. A limited-liability company (EPE) has features of both a partnership and a corporation, as in a French or a German limited-liability company. It is a convenient form of organisation 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". The liability of each member is limited to the amount of his own contribution.

Many of the regulations applicable to corporations — in particular concerning financial statements — also apply to limited-liability companies, and only the main distinguishing features of limited-liability companies are described here.

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, and Law Number 2339/1995. [GRE.061]

Capital. The minimum capital of a limited-liability company is GRD 6 million, which must be fully paid in when the constitution document (articles of association) is filed. At least 50 per cent of the capital must be subscribed in cash. The capital is divided not into shares, but into parts of at least GRD 10,000 each.

The part or parts allotted to each member are transferable, unless otherwise provided by the articles. Transfers are generally effected 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.062]

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.063]

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 organised 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 majority 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.064]

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 GRD 6 million provided by law. [GRE.065]

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. It must state:

- 1 The full names and addresses of all partners;*
- 2 The firm name and any other title;*
- 3 The objectives of the partnership;*
- 4 The amount of capital contributed by each partner in cash or other assets;*
- 5 The duration of the partnership;*
- 6 The names of the administrators and their respective duties; and*
- 7 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.066]

Limited Partnerships. A limited partnership has 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.067]

Branches

Any foreign legal entity may conduct business in Greece through a branch (ypokatastimd). 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 (GRD 20 million for a corporation or GRD 6 million for a limited-liability company). 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. The power of attorney must contain an authorisation 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:

- 1 The names and other details of the directors of the foreign legal entity;*
- 2 The entity's constitution documents, showing the year of its incorporation; and*
- 3 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, many 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 reorganise a foreign company's status in Greece. [GRE.068]

Joint Ventures

A joint venture (koinopraxia) is usually established to serve a purpose which is special, both in nature and in duration, such as the undertaking of a particular construction contract; in many respects, it resembles a general partnership.

Strictly speaking, it is not a legal entity, although it can be registered as such under the Civil Code. A joint venture is set up by means of a private written agreement, registered with the local tax authorities. The administration of a joint venture may be assigned to one or more administrators who possess 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. Finally, unlike Presidential Decree 99/77, the subsequent Presidential Decree 186/92 provides that freelancers may establish a joint venture. [GRE.069]

Taxation

Principal Taxes

The principal taxes in Greece are:

- 1 *Income tax (Foros isodimatos eterion) on all types of legal entities;*
- 2 *Personal income tax (Foros isodimatos fisikon prosopon);*
- 3 *Withholding taxes (Parakratoumenifori); and*
- 4 *Value added tax (Foros prostithemenis axias).*

Various supplements and additional duties are imposed together with the basic income taxes. Other taxes include transfer taxes on real estate and a variety of stamp duties. Taxation in Greece is the responsibility of the Ministry of Finance. Tax officials are not accustomed to giving advance rulings on the tax implications of specific proposed transactions.

[GRE.070]

Corporate Taxes

Residence and Non-Residence

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 due) 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". A resident corporation is one:

- 1 *Incorporated under Greek law, regardless of ownership or place of management; or*
- 2 *Incorporated abroad, but managed and operating in Greece.*

[GRE.071]

Basic Principles

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 Law Number 3843/1958.

[GRE.072]

Taxable Income

In General. Taxable income consists of annual gross income less non-taxable income, allowable expenses, and transfers to tax-free reserves. 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 the 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 trade mark are taxed at 30 per cent. Tax at a 20 per cent 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 per cent or 40 per cent.

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 per cent or more of their capital and reserves in urban real estate must issue registered shares. Transfer by shareholders of these shares are subject to tax at a rate of 5 per cent of their fair market value.

[GRE.075]

Dividend Income. Dividends received from Greek corporations are exempt from tax. [GRE.076]

Royalties. A foreign concern granting to a licensee in Greece the right to use patents, industrial processes, trade marks, and the like in Greece would be subject to withholding taxes at a rate of 10 or 20 per cent, 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. Apart from the dividend income exemption already mentioned, interest on the following is tax exempt:

- 1 Deposits in foreign currency with banks operating in Greece;
- 2 Securities issued by the Greek State and the European Investment Bank; and
- 3 For non-residents, deposits in drachmas with banks operating in Greece.

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 (ie, from which the corporation will derive benefit) are deductible, provided that they are supported by the pre-stamped or perforated receipts required by law. Travel and entertainment expenses are frequently challenged by the tax authorities, and these in particular must be supported 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 expended 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. Provisions for bad debts are deductible up to a maximum deduction of 0.5 per cent of sales invoiced. The accumulated provisions may not exceed 35 per cent of customer receivable. [GRE.083]

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, below, 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. The withholding tax on fees to the administrators-partners of limited-liability companies is 20 per cent. Corporate board members' fees which burden a company's results are subject to withholding tax at a rate of 35 per cent or 40 per cent, with no further tax liability. If the board members are subject to contributions to the Social Security Fund, their remuneration is subject to withholding according to an individual tax scale. These fees must be previously approved by the general shareholders' meeting. Fees paid to a shareholder of a limited-liability company are not tax deductible. [GRE.086]

Employees' Shares. From 1988, industrial, handicraft, and mining companies have been allowed to distribute in each accounting period an amount of their annual net profits to their employees in the form of shares in the company. The amount so distributed is a tax-deductible expense for the company, and it also is exempt from income tax, stamp duty, or any other levy in the hands of the employees who receive the shares. [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 arm's-length rates will be considered as realising a taxable profit of 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]

Dividends Payable. Dividends are exempt from tax.

[GRE.089]

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 industrial.

[GRE.090]

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.091]

Taxation of Branches of Foreign Corporations

Domestic Branches. 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; and
- 4 The participation as a partner in a Greek partnership or limited-liability company.

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.092]

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, relating to "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. [GRE.093]

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. 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. [GRE.094]

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 income arising from 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 yards, 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.095]

Liquidations and Reorganisations

Mergers are exempt from capital gains tax, real estate transfer tax, and other duties, provided they are carried out in accordance with Law Number 2166/93. On liquidation, the corporation is taxed on income and gains in the normal way. [GRE.096]

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.

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 that for the calendar year in which the accounting period ends. [GRE.097]

Tax Returns and Penalties. A corporation must normally submit a tax return to the tax office by the fifteenth day of the fifth month following its accounting year-end. It is usual for the accruals basis of accounting to be 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.098]

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 by instalments. [GRE.099]

Tax Audits and Appeals. Tax audits are carried out by government officials periodically, each covering the years since the last audit took place. 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) due as a result of the audit is payable forthwith, unless a deferral sanctioned by the court is obtained, 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.100]

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. In 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 revenue. 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, before the legally required books may be used, their pages must be pre-numbered and authenticated (stamped or perforated) by the tax authorities. All entries must be supported 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 must be kept for longer.

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 only 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 ("First Category" books).

Specified 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 costs of production. Enterprises engaged in specified types of business (such as hotels, insurance companies, and agencies of foreign enterprises) must maintain additional books.

In general, partnerships are subject to the standard 35 per cent rate. Limited-liability companies, like corporations, 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.101]

Withholding Taxes

Dividends

Dividends are tax exempt.

[GRE.102]

Royalties and Fees

Tax withheld 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.

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 normal income taxes.

[GRE.103]

Other Payments

Tax must be withheld from interest payable to recipients abroad at 40 per cent, subject to the provisions of any appropriate double-tax 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. [GRE.104]

Withholding Tax Rates on Payments to Non-Residents

Withholding tax rates on payments to non-residents are shown in the table below. [GRE.105]

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, Norway, Denmark, Poland, Finland, France, Germany, Hungary, India, Italy, The Netherlands, 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 Per Cent	Royalties Per Cent
Austria	0(3)	0
Belgium	15	5
Cyprus	10	0(4)
Denmark	8	5
Finland	10	10
France	10	5
Germany	10	0
Hungary	10	10
India	40	20
Italy	10	5(6)
The Netherlands	10(5)	7(7)
Norway	10	10
Poland	10	10
Sweden	10	5
Switzerland	10	5
United Kingdom	0(1)	0
United States	0(2)	0
Non-Treaty Countries	15/20/40	20

Notes:

1 A 40 per cent withholding tax rate applies to interest payments above a reasonable rate, 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.*
- 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.* [PRF 1061]

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.107]

Taxes on Individuals

In General

The principal tax on individuals is the personal income tax, the applicable law being Law Number 2238/94, as amended by Law Number 2753/99. [GRE.108]

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. 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.

Domiciled means having 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. Generally, such treaties provide that the salary of a foreigner working in Greece for not more than 183 days in any year will not be subject to Greek income tax, provided that it is:

- 1 *Taxable in the foreigner's home country;*
- 2 *Paid by an employer domiciled outside Greece; and*
- 3 *Not treated as a tax-deductible expense of a Greek permanent establishment of such an employer.* [GRE.109]

Taxable Income

Personal income tax is imposed on the total of the income (less losses, if any) from the following sources:

Income From °	Source
Land and buildings	A
Transferable securities	B
Commercial businesses	C
Farming enterprises	D
Employment	E
Professional services	F

Numerous detailed rules determine the basis on which an individual's income from particular sources is taxed. Losses from one source can be set off against profits from another.

A wife's income is entered in her husband's tax return, but it is taxed separately. Exceptionally, where a husband and wife both derive income from the same business (sole proprietorship, partnership), one as owner and the other as an employee, such income is combined and is taxed as if it were all that of the owner.

Persons permanently residing abroad but earning income in Greece are not entitled to the personal and family allowances described below. A home owned by its occupier is deemed to produce "Source A" taxable income, broadly at 3.5 per cent of its market value, determined from official tax tables. [GRE.110]

Exempt Income

Interest on the following is tax-exempt:

- 1 Deposits in foreign currency;
- 2 Securities issued by the Greek state and the European Investment Bank; and
- 3 Deposits by non-residents in drachmas with banks operating in Greece.

Capital gains are exempt from personal income tax. [GRE.111]

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. [GRE.112]

Allowable Deductions

The principal deductions and allowances are the following:

- 1 Payroll stamp duty;
- 2 Social security contributions imposed by law;

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[GRE.115]

- 3 Medical and hospital expenses;
- 4 One-hundred per cent of interest expense related to a loan used to acquire a primary residence;
- 5 Thirty per cent of rent expense, up to a maximum of 15 per cent of declared income not to exceed GRD 240,000;
- 6 Life and accident insurance premiums, up to a maximum of 4 per cent of declared income, not to exceed GRD 200,000;
- 7 Donations to the state; and
- 8 Thirty per cent of family expenditures.

[GRE.113]

Personal Tax Rates for Employees

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

Taxable Income GRD	Marginal Rate Per Cent	Cumulative Tax GRD
0 - 1,900,000	.	—
1,900,001 - 2,710,000	5	40,500
2,711,000 - 4,335,000	15	284,250
4,336,000 - 7,580,000	30	1,257,750
7,581,001 - 16,235,000	40	4,719,750
16,236,000 upwards	45	

* Individuals domiciled abroad (non-residents and temporary residents) are taxed at 5 per cent on income in this band.

An additional tax of 3 per cent is levied on gross income derived from leasing land and buildings, which is increased to 6 per cent if the real estate exceeds a statutory limit and is used for residential purposes.

For salaries of employees, the non-taxable amount is increased by GRD 300,000, which is deducted from the next scale.

[GRE.114]

Tax Credits

Domestic Tax Credit. Individuals are entitled to the following tax credits based on their family status.

Family Status	Allowable Credit for Each Child GRD
Family with one child	30,000
Family with two children	35,000
Family with three children	50,000
Family with four or more children	60,000

[GRE.115]

Foreign Tax Credit. Residents are entitled to a credit against Greek tax for foreign tax paid, up to the amount of the Greek tax that is attributed to the foreign-source income. [GRE.116]

Tax Assessments and Payments

An annual tax return aggregating income earned from all sources must be submitted by 2 March of each fiscal year. The filing date may be deferred:

- 1 *For individuals with income from salaries, wages, or pensions, not later than 17 March of the following year; and*
- 2 *For certain other taxpayers, no later than 15 April of the following year.*

Tax assessments are usually received in May, and any taxes due are then payable in three equal two-monthly instalments. Should the tax due be paid in a lump sum, a 2.5 per cent discount is available. Taxes due on employment income will already have been withheld at a rate of 20 per cent. [GRE.117]

Imputed Income

The tax authorities are empowered to take into account indications that a personal taxpayer actually has more income than he has declared in his tax return, such as the acquisition of certain assets (mainly luxuries) and the extent of living expenses. If the income imputed to the taxpayer based on these indications is higher than his declared income, he will be taxed on his imputed income. The imputed income rules do not apply to:

- 1 *Taxpayers having many children;*
- 2 *The passenger cars of handicapped persons;*
- 3 *Greek state bonds;*
- 4 *Shares quoted or approved for quotation on the Stock Exchange; and*
- 5 *Mutual funds.*

Foreigners not permanently resident in Greece who are employed by offshore and shipping companies can be subject to the imputed income rules, but not on the basis of their ownership or use of an automobile. Special rules apply to income from the renting of houses or flats. [GRE.118]

Other Taxes

Value Added Tax

Value Added Tax System. Value added tax is applied in Greece under Consolidated Law Number 1642/1986. The law is divided into the following parts:

- 1 *Fiscal, in articles 1-37;*
- 2 *Procedures, in articles 38-59;*
- 3 *Corporations subject to value added tax, in appendix 1;*
- 4 *Goods and services charged at low and high rates, in appendices 2 and 3; and*
- 5 *Agricultural goods and services, in appendix 4.*

Numerous ministerial decisions, both procedural and of substance, have still to be taken in regard to 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 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 (such as by exporters, who pay value added tax on purchases but do not charge value added tax on export sales). [GRE.119]

Taxable Transactions. The following are considered to be taxable transactions for value added tax purposes:

- 1 Delivery of goods;*
- 2 Performance of services;*
- 3 Imports; and*
- 4 Inter-Community acquisition of goods.*

For items 1 and 2, above, all of the following conditions must be satisfied:

- 1 Delivery of goods and performance of services must be executed as specified in articles 5-9 of Law Number 1642/1986;*
- 2 The transaction must take place within the Greek state; and*
- 3 The delivery of goods or the granting of services must be made by a person liable to value added tax in the context of his 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 a taxable person or not, in contrast to the supply of goods and services within Greece under items 1 and 2, above, when the tax is imposed only if the supplier is a taxable person. 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. [GRE.120]

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. Also subject to value added tax are all persons who from time to time carry out the delivery of a new means of transport, which is either sent or transported to another EU member state. 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 organisations 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. The conduct of independent economic activity, which is one of the conditions for the levying of value added tax, includes:

- 1 Purchase and sale of goods;*
- 2 Performance of services;*
- 3 Manufacture, mining, agriculture, and liberal professions (under special conditions); and*

4 Exploitation of tangible or intangible property for the purpose of acquiring profit (eg, the lease of equipment or a licence agreement resulting in payment, of royalties).

[GRE.121]

Obligations of Persons Subject to Value Added Tax. All persons subject to value added tax must:

- 1 Notify the tax authorities of the commencement or discontinuance of their operations;*
- 2 Issue invoices complying with value added tax rules;*
- 3 Maintain proper accounting books, the category (see text, above, relating to "Required Business Records") being determined on the basis of their turnover;*
- 4 Maintain value added tax accounts in their accounting records;*
- 5 Appoint representatives in Greece, if the persons subject to the tax are permanently resident abroad; and*
- 6 File the appropriate periodic tax returns, ie, "Third Category" books, monthly; "Second Category" books, monthly or fortnightly; and "First Category" books, quarterly.*

Value added tax on the purchase of private automobiles and on the cost of entertainment is not deductible; nor is value added tax on other expenses such as travel, employee housing, and other benefits (including those for representatives and executives), and tobacco and alcoholic products.

[GRE.122]

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 with 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. Taxable values are defined in article 16 of Law Number 1642/1986.

[GRE.123]

Tax Rates, The three rates of value added tax are:

- 1 The standard rate, at 18 per cent;*
- 2 The reduced rate, at 8 per cent, for necessities, such as food; and*
- 3 The special rate, at 4 per cent, for books and magazines.*

These rates are reduced by 30 per cent for sales made in certain Greek islands.

[GRE.124]

Exemptions from Value Added Tax. Exemptions from value added tax include:

- 1 Various social, welfare, and educational facilities (Law Number 1642/1986, article 18);*
- 2 Some imported goods and services (Law Number 1642/1986, article 19; these include goods that were exported and are re-imported for various reasons in*

Taxation

[GRE.130]

the same form and condition, with imports by embassies and specified other imports also being exempt); and 3 Exported goods and services (Law Number 1642/1986, article 20).

[GRE.125]

Net Wealth Tax

Apart from the real estate tax, Greece does not levy any taxes on net wealth or net worth.

[GRE.126]

Social Security Contributions

The principal social insurance organisation is the Social Insurance Institute. Contributions are made by the employers and employees on the percentage of the employee's monthly salary. The maximum monthly salary subject to these contributions is currently GRD 446,750.

The ruling does not apply to employees insured with the Social Security System after 1 January 1993. The most common percentages for occupations other than dangerous occupations are:

- 1 For the employer, 27.96 per cent of the monthly salary; and*
- 2 For employees, 15.90 per cent of the monthly salary.*

In addition to the Social Security Institute, a number of other insurance organisations cover self-employed persons, depending on the trade or profession to which they belong.

[GRE.127]

Local Taxes

Numerous taxes are levied by municipalities and other local bodies. These taxes, although not individually financially significant, are often administratively burdensome. Under Law Number 2687/1953, relating to the protection of foreign investments, local taxes may be reduced for export-oriented foreign investments.

[GRE.128]

Miscellaneous Taxes and Stamp Duties

Other taxes include the following.

[GRE.129]

Real Estate Transfer Tax. Real estate transfer tax, mostly varying between 9 per cent and 13 per cent, is payable on transactions in real estate. Sales to individuals acquiring their first homes are exempt from this tax on transactions up 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.130]

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 event; and*
- 5 Bills of exchange, up to 0.6 per cent.*

[GRE.131]

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.132]

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

[GRE.133]