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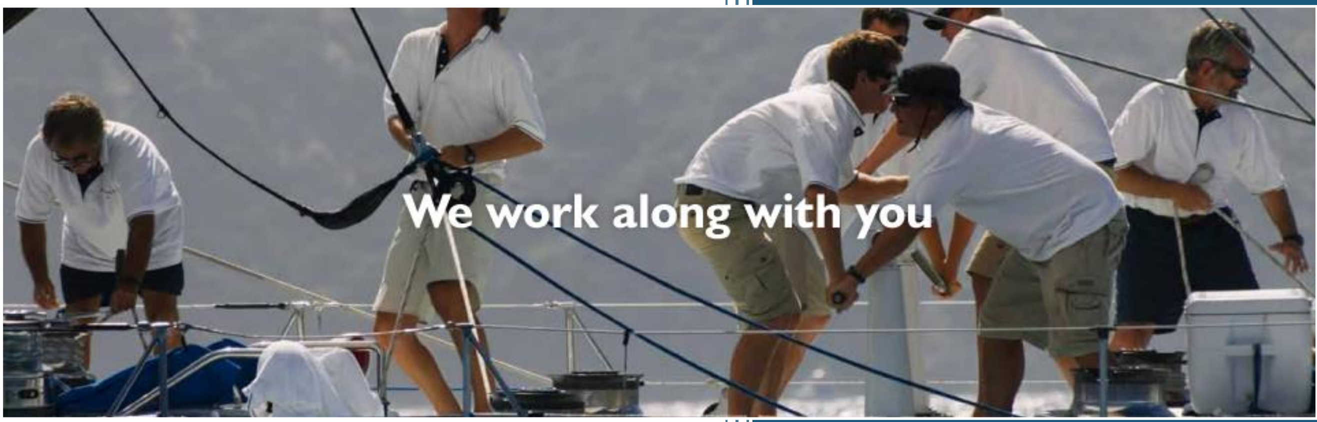
GREEK TAX OVERVIEW 2014



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CORPORATE TAXATION

Overview

Greek tax law is extremely complicated, with many elements introduced to promote short-term policies or to alleviate specific economic problems. The law provides a framework, supplemented by ministerial decisions and interpretive circulars from tax offices. Although these last assume the force of law, they sometimes contradict the legislation they are supposed to clarify and thus are often challenged in the courts. The accounts of corporations and limited companies must be audited before they can be signed off, but because of a shortage of inspectors, there has been a delay of some two years for large companies and considerably longer for smaller ones.

Tax evasion is a major problem in Greece. Under the guidance of the Troika (representing the European Central Bank, the European Union and the International Monetary Fund), the government established five task-forces in 2010 to devise new tax-collection techniques, two of which focused on large corporations and high-net-worth individuals. An arbitration system for disputed assessments was introduced in March 2011, via Law 3942/2011. A committee of the Ministry of Finance deals with disputes exceeding €50,000 and a specialist Body of Tax Arbitrators for those exceeding €150,000; in certain instances, debtors will be allowed to net tax obligations against arrears owed to them by the state (debtors must have secured a final court decision as to the amounts they are owed). Banking secrecy has been lifted (under specific conditions), and Law 3942/2010 provided for the online publication of details of alleged worst offenders owing more than €150,000. The government backed down from this, however, in October 2011 and made the list available only to MPs after 15-days' notice to the individuals. Crimes related to arrears, evasion and non-remittance of VAT or other withholding taxes were deemed "continuous", and a criminal prosecution may be brought regardless of whether an appeal has been launched before an administrative court. A special prosecutor has been named to pursue tax crimes, and the maximum sentence for a felonious offense increased to 20 years from 10.

Bribery of tax officials is punished severely. Law 3900/2010 made changes to administrative-court proceedings in an effort to accelerate tax, customs and social-security cases. Nonetheless, the judicial process remains ponderous, and even misdemeanours can take up to seven years to get to court and three years to exhaust the appeals process.

Each year a new tax bill is introduced to accompany the budget. In July 2013 the government passed Law 4172/2013. Among other provisions, the legislation includes the new Income Tax Code (ITC), which will apply from the start of The new Law replaces Law 2238/1994, although as of late 2013 there is a lack of clarity on which provisions of the earlier legislation remains in force.

Corporate tax rates

A 26% tax rate applied on corporate taxable income in the 2012 tax year (for returns filed in 2013), up from the previous rate of 20%. For the 2013 tax year, Law 4172/2013 of July 2013 introduces a distinction between different types of book-keeping to determine the applicable rate. The income tax rate for companies maintaining double-entry books (whereby financial transactions are recorded in two or more ledger accounts) will remain at 26%. However, for companies maintaining single-entry books, a rate of 26% will apply for taxable income up to €50,000, and 33% for income exceeding this amount.

Any increase in income from a source that is characterised as illegal, unjustified or unknown will be subject to income tax at a rate of 33%.

Mutual funds (unit trusts) pay tax on the annual average of a semi-annual evaluation of their investments and disposable funds at a rate equivalent to 10% of the European Central Bank's reference rate plus an increment that reflects the specific category of mutual fund. Their management companies pay normal corporate tax rates on their income.

In accordance with Law 2778/1999 (as modified by Laws 2992/2002 and 3581/2007), real-estate investment companies (REICs) pay 0.3% on the average of a semi-annual appraisal of their investment portfolio, and corporate income tax equal to 10% of the European Central Bank's reference rate plus 1 percentage point, which represented a rate of 1.025% in November 2013. REICs are also exempt from a number of other taxes and duties; hence, their total tax liability is less than 2%. This preferential rate was designed to promote their creation as a new asset class. Banks, which have been the main promoters of REICs, have used them as a tax shield.

In March 2011 the European Commission (EC) published a draft directive on a common consolidated corporate tax base (CCCTB), which would let groups operating within the EU calculate taxable profits according to a single set of rules. Companies would be able to file a single consolidated tax return with taxable profits shared out to the individual companies on the basis of a formula based on such criteria as assets, payroll and sales. There would be common rules on deductibility of interest and depreciation; transfer-pricing issues would be neutralised. National tax rates would still apply to each in-country operation, and entry into the scheme would be voluntary. Progress on implementing the regime, however, has been slow.

Taxable income defined

Corporations (AEs), limited companies (EPEs) and branches are taxed on total annual profits before distribution of dividends, fees to directors, bonuses and profits to employees. Resident corporations (Greek and foreign corporations operating and managed in Greece) and limited companies are taxed on net income earned in Greece and abroad. Greece unilaterally grants credit to residents for foreign income tax paid up to the amount of Greek tax payable on the foreign income. This may be modified under a double-taxation treaty between Greece and the foreign company's home country. Net income is calculated by deducting expenses from gross income. This is adjusted for nondeductible expenses, tax-free income and other income subject to special regulations with termination of tax liability (such as interest income subject to withholding tax).

Non-resident companies are taxed on income arising from Greek sources only.

Law 4172/2013 of July 2013 expanded the definition for the tax resident status. A legal or other entity is considered as tax resident in Greece if at least one of the following conditions is met:

1) it has been incorporated or established according to the Greek legislation;

2) it has its registered seat in Greece; and

3) the effective place of management is in Greece.

The determination of the effective place of management is based mainly on where the day-to-day management takes place, where the strategic decisions are made, where the annual general meeting is held, where the books and records are kept, where the meetings of the Board of Directors take place, and the residence of the members of the Board of Directors. The residence of the majority of the shareholders or partners may also be taken into consideration.

Law 4172/2013 also modified the definition of the term "permanent establishment" to more closely align with the OECD model.

The term now includes: a place of management; a branch; an office; a factory or workshop; and a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

Construction sites require at least three months of establishment (instead of 12 months provided in the OECD model) to be characterised as a permanent establishment. Moreover, keeping a stock of goods from which orders are executed on behalf of a foreign entity no longer qualifies as a permanent establishment.

Value-added tax (VAT; referred to in Greek as foros prostithemenis axias—FPA) is payable by all individuals, legal entities and associations of persons with residence or professional premises in Greece. Any professional, partnership or company providing goods and services generating revenue in excess of €10,000 must register with the tax authorities. Non-residents that make taxable supplies of goods or services in Greece also have to register. Law 3763/2009 amended the legal framework on the definition of the place of supply of services and the refund procedure for input VAT for cross border transactions. The rules are complex and require professional advice.

AEs and EPEs must produce annual financial statements, including a balance sheet, a profit-and-loss account, a statement of appropriation of profits and notes to the financial statements. Listed companies must also publish quarterly financials (including cash flow statements) and, in certain instances, unlisted companies must publish quarterly profit-and-loss statements. There are detailed rules about filing and publication. Foreign branches must file annual financial statements and summaries of their activities in Greece with the Secretariat of Trade and Commerce of the Ministry of Development; they do not have to publish profit-and-loss accounts, since their income is consolidated in head office accounts. Foreign credit and financial institutions must publish audited financial information. If the tax authorities find that transactions between a local subsidiary and a foreign parent are not carried out at arm's length, profits can be adjusted under transfer-pricing rules. Corporations with listed shares or securities must use International Financial Reporting Standards (IFRS). A corporation whose accounts are consolidated with a corporation that employs IFRS must also do so if it contributes more than 5% to consolidated turnover, assets or results (after minorities). For other AE or EPE companies, IFRS is optional. Otherwise, Greek Generally Accepted Accounting Principles (GAAP) apply.

For AEs and EPEs, corporate tax must be prepaid up to 80% of the tax obligation in the current year (100% for banks and the branches of foreign banks and 55% for partnerships). This amount is then netted against obligations in the succeeding year. Payment schedules are complex and have been considerably tightened, even before the 2010 EU/IMF Memorandum of Understanding. Professional advice should be sought in this regard.

To promote transparency in tax matters, companies in the following fields must have registered shares: banking, insurance, leasing, venture capital, factoring and forfaiting, utilities, telecommunications, defense, health and education. In addition, any company with procurement contracts worth more than €2.9m with the state, such as construction and information-technology companies also must have registered shares.

A Ministerial Decision (POL 1159/2011, supplementing Laws 3842/2010 and 3942/2011) provides that AE and EPE will be able to finalize their future tax obligations by filing online with the General Secretariat of Information Systems at the Ministry of Finance a tax certificate issued by an accredited auditor without waiting for a Ministry of Finance inspection. The tax certificates consist of two parts: a tax compliance report stating that no violations of tax law have occurred, and a detailed information appendix that includes a dossier of transfer-pricing information, among other things. The company receives a comfort letter from the tax authorities saying that, unless it is inspected within 18 months, its tax obligations are considered to be finalized by the compliance certificate. State inspectors will continue to audit a random sample of 9% of firms, and an inspection will be mandatory for any company that does not participate in the prior audit scheme. A negative compliance report or one with reservations will also mandate an inspection. The private auditor and the audit firm are jointly liable for compensation of the state in the event an inspection discovers undisclosed tax liabilities arising from omissions; administrative and penal sanctions apply if this is the result of a wilful act. This regime remains in force for the 2013 tax year, but it is not clear whether it will continue to apply from 2014 under Law 4172/2013.

Expense deduction.

Law 4172 dramatically changes the concept of expense deduction. The legislation only mentions non-deductible expenses. All other expenses, provided they meet the general criteria, are considered tax deductible.

Among others, expenses considered not deductible under the legislation are as follows:

- loan interest, for loans taken by the tax payer from a third party (not a bank), in excess of the interest payable on loans provided to non-financial entities, as indicated in the Statistical Bulletin of the Bank of Greece at the time closest to the date the loan was arranged;
- any expenses concerning the acquisition of goods or receipt of services in excess of €500, provided that the partial or total payment was not made through a bank;
- social security contributions that have not been paid;
- bad debt provisions, with exceptions;
- penalties and fines, including surcharges;
- provision or receipt of services (cash or in kind) that constitute a criminal offence;
- income tax, the freelancers' duty and extraordinary contributions, as well as the VAT corresponding to non-deductible expenses provided that it is not deductible as input VAT;
- entertainment expenses, with the exception of those performed by entities in entertainment services;
- personal expenses;
- all expenses paid to tax residents in non-cooperative countries or countries with a preferential tax regime, unless if proven that the expenses do not lead to the transfer of profits, income or capital with the purpose of tax avoidance or tax evasion; and
- expenses related to tax-exempt dividends.

Furthermore, Law 4172 specifies that the non-deductibility of expenses paid to tax residents of a preferential tax regime is not applicable in cases where the beneficiary of such amounts is a tax resident in an EU or European Economic Area (EEA) member state, to the extent that an agreement for the exchange of information between Greece and such state exists. A preferential tax regime is defined as a country in which the tax on profits, income or capital is equal to or lower than 50% of what would apply under the Greek tax framework.

The Greek fiscal tax year typically ends on December 31st each year, but provisions on the deductibility of business expenses will apply to tax periods closing from June 30th 2014 onwards.

Thin capitalization rules.

Law 4172 changes the criteria previously applicable to thin capitalization rules. Instead of being based on the debt to equity ratio (3:1, previously) the new rules take into account the earnings before interest, taxes, depreciation and amortization (EBITDA) figure. If the difference between interest expenses and interest income exceeds 25% of the EBITDA, interest expenses are not deductible. However, non-deductible interest may be carried forward for 5 years.

Thin capitalization rules do not apply in case the tax payer is not part of a group and the amount of the net interest expense does not exceed 1m annually, or to credit institutions.

Bad debts.

Law 4172 introduces deductions of 50-100% for the writing off of bad debts (including unpaid invoices), based on the amount of debt and on how long the debt remains uncollected. In all cases, provisions may apply under the condition that legal actions have been arranged in order to collect the debt. The new rules apply from the 2014 tax year.

Tax losses continue to be carried forward for five tax years. However, the five year carry forward will not be available if there has been a change of more than 33% in the direct or indirect ownership of a company's voting rights. This restriction does not apply if the taxpayer can demonstrate that the change in ownership occurred for commercial or business purposes.

Although losses from foreign sources continue to be ineligible for offsets against profits generated in Greece, Law 4172 makes an exception allowing Greek losses to be offset against profits earned in other EU or EEA member countries, provided that the respective income is not exempt on the basis of a double tax treaty.

Companies that have merged in accordance with Legislative Decree 1297/1972 may defer income tax on gains arising from revaluation of assets at the time of the merger until dissolution of the company and distribution of the gains.

Companies benefitting from tax relief under Law 3908/2011, the New Investment Law, may use up to one-third of their allowance in the first year and two-thirds in the second; otherwise the allowance may be deducted over 10 years for start-ups and eight years for established businesses. The amount is based on the company's net profits and must be consigned to a tax-free reserve and recorded in a special account in the enterprise's books.

Depreciation

The following depreciation rates apply from the 2014 tax year (with returns filed in 2015):

- 4% for buildings, facilities and warehouses;
- 5% for land (including mines and quarries), and public transportation;
- 10% for intangible assets and royalties, machinery and equipment, and other fixed assets;
- 12% for transportation of goods;
- 16% for transportation of people; and
- 20% for personal computers and software.

Depreciation rates of intangible assets and royalties may be modified according to the duration of the rights.

Law 4172 of July 2013 stipulates that both the owner of fixed assets and the lessee under a financial lease can depreciate assets in accordance with International Accounting Standard 17 provisions and International Financial Reporting Standards.

Assets with a value of less than €1,500 may be depreciated fully within the tax year acquired.

New business may defer the depreciation commencement for the first three tax years of operations

Capital taxes

There is a 1% tax on capital accumulation, including for the formation of companies and joint ventures and capital increases by existing companies. Companies transferring their headquarters to Greece from an EU member-state or a third country are exempt from this if they would not have been subject to such a tax in their home country.

There is also a 0.1% levy on the capital of start-up companies, to finance the Competition Commission.

Treatment of capital gains

Law 2065/1992 makes capital gains from the sale of tangible assets taxable as regular business income. Businesses must revalue their real-property assets every four years, and the surplus (in excess of €880) is taxed at a rate of 2% on land and 8% on buildings. The revaluation is calculated by multiplying the acquisition value, plus the value of additions and improvements according to coefficients established by the Ministry of Finance: 1.2–1.4 for land and 1.15–1.35 for buildings, depending upon the year of acquisition. The surplus must be capitalized within 2 years. Companies may not offset the tax against tax arising from other income. The present four-year period began on January 1st 2013 and will end on December 31st 2016. The tax does not apply to companies using International Financial Reporting Standards (IFRS), which have to mark to market the value of their property holdings (including land and buildings). The surplus is liable for tax and cannot be capitalized as goodwill. Real property held via financial leases is not subject to revaluation, a tax-loophole much favoured by real-estate investment companies (REICs).

The introduction of IFRS has affected the treatment of capital gains for banks. Under IFRS, all holdings have to be marked to market, and unrealized gains or losses in the trading portfolio must be recognized in equity and reported in the profit-and-loss account under net trading income.

Dividends distributed by portfolio investment companies (Law 3371/2008) and REICs (Law 2778/1999) were exempt from withholding tax under Law 3697/2008. REICs are also exempt from capital gains tax on the sale of properties built before January 1st 2006 (Law 3581/2007).

Venture-capital companies do not pay capital gains if the amounts realized are not distributed.

Taxes on interest and dividends

Under Law 4172/2013 a withholding tax of 15% is deducted from interest on deposits with banks operating in Greece or abroad and a 10% withholding tax applies on dividends.

Taxes on royalties and fees

Law 4172/2013 imposes a withholding tax of 20% on royalty and services payments Non-Greek legal entities providing services in Greece have the option of being taxed based on profit from the transaction, while also taking into account the tax withheld as credit. This would result in a 26% tax applied on profit instead of a 20% tax on gross revenue.

A 3% withholding tax applies on fees paid to contractors of technical projects and lessors of public buildings.

Double-tax treaties

A new double-tax treaty that was signed with Bosnia in July 2007 entered into force in January 2013. Negotiations for new or revised treaties are continuing with Algeria, Australia, Indonesia, Kazakhstan, Mauritius, Singapore and Thailand.

Withholding tax rates under double-tax treaties[a] (%)

Residence of recipient	Dividends	Interest	Royalties
Albania	5	5	5
Armenia	10	10	5
Austria	5/15	8	7
Azerbaijan	8	8	8
Belgium	5/15	5/10	5
Bosnia	5/15	10	10
Bulgaria	10	10	10
Canada	5/15	0/10	10
China	5/10	0/10	10
Croatia	5/10	10	10
Cyprus	25	10	0/5
Czech Republic	b	10	0/10
Denmark	38	8	5
Egypt	10	15	15
Estonia	5/15	0/10	5/10
Finland	47	10	0/10
France	b	10	5
Georgia	8	8	5
Germany	25	10	0
Hungary	45	10	0/10
Iceland	5/15	0/8	10
India	b	b	b
Ireland	5/15	5	5
Israel	b	10	10
Italy	15	0/10	0/5
Kuwait	0/5	0/5	15
Latvia	5/10	0/10	5/10
Lithuania	5/15	0/10	5/10
Luxembourg	38	8	5/7
Malta	5/10	8	8
Mexico	10	0/10	10
Moldova	5/15	10	8
Morocco	5/10	0/10	10
Netherlands	35	8/10	5/7
Norway	40	10	10
Poland	B	10	10
Portugal	15	15	10
Qatar	5	0/5	5
Romania	45	10	5/7
Russia	5/10	7	7
Saudi Arabia	5	5	10
Serbia	5/15	10	10
Slovakia	B	10	0/10
Slovenia	10	10	10
South Africa	5/15	0/8	5/7
South Korea	5/15	8	10
Spain	5/10	0/8	6
Sweden	b	10	5
Switzerland	35	10	5
Turkey	15	0/12	10
Tunisia	35	15	12
Ukraine	5/10	0/10	10
United Kingdom	b	0	0
United States	b	0	0/20
Uzbekistan	8	10	8
Non-treaty states	10	15	20

[a] The information represented is based on signed ratified treaties only. Where two rates are given, there are separate rates provided for in the treaty; one or the other applies depending on the nature of the payment or recipient (government/non-government, size of shareholding, etc). Taxpayers should either consult the treaty or take professional advice on which rate applies. [b] Non-treaty rates apply.

Intercompany charges

Law 3728/2008 introduced new rules for auditing all intercompany transactions between groups of companies with a foreign parent (including foreign companies operating in Greece as a branch) or groups of companies with a Greek parent, designed to prevent transfer pricing. (Law 3842/2010 tightened the provisions across the board.) All inter-group transactions (for sale-purchase of goods or the supply of services) are to be conducted in accordance with the OECD's arm's-length principl- that is, similar terms must apply to transactions between affiliated companies as if they had taken place between unrelated parties under similar market conditions. If the tax authorities decide transactions are not at arm's length, the difference will be added to the gross profits of the company that either charged the lower or paid the greater amount. The enterprise whose gross profits are inflated through such an adjustment will face an additional penalty of 20% (formerly 10%) of the difference over and above any additional taxes or fines on the reassessed income. Law 3842/2010 harmonized provisions regarding transactions between domestic enterprises with those between a domestic and a foreign company.

Transfer-pricing provisions now also apply to rental payments for movable or immovable property. Groups are exempt if the annual contracts between affiliated companies (one of which is not Greek) are less than €100,000 a year (previously €200,000). The €200,000 threshold still applies for transactions between Greek group entities.

In accordance with Ministerial Decision POL 1179/18.7.2013, an exemption from the documentation requirements is provided to taxpayers with transactions with one or more related parties not exceeding €100,000 in total, if the turnover of all related parties does not exceed €5m. The threshold is set at €200,000, if the total turnover of the related parties exceeds €5m.

Amendments were introduced within August 2013 that decreased the threshold over which documentation regarding intragroup transactions needs to be prepared to €20,000 per related entity and transaction type. This threshold applies to intragroup transactions that took place in fiscal years commencing as of January 1st 2012.

Turnover, sales and excise taxes

Value-added tax (VAT; in Greek, foros prostithemenis axias—FPA) was introduced in Greece in 1987, ten years later than elsewhere in the EU, with a derogation of another decade for full application. The VAT code was implemented by Law 2859/2000. The legislation was harmonised with the EU's Council Directive 2003/96/EC by Law 3336/2005, and with Council Directive 1977/388/EEC by Law 3783/2009. The latter provides for common cross border rules on the assessment of VAT and provides that the place of supply is ordinarily where the recipient has his business establishment. The reverse-charge mechanism has been expanded, thus significantly limiting situations where the acquisition of a VAT number in another member state is required. Taxable persons now submit applications for refunds in their state of establishment, and the state of establishment forwards them to the member state that is entitled to the refund. Investors should seek professional advice.

Since the start of the global financial crisis of 2008 and 2009, the government has twice passed legislation to increase VAT rates (Laws 3833/2010 and 3842/2010). The standard rate has been increased to 23% from 19%. Rates also have increased for essentials such as food (to 13% from 9%) and for so-called cultural goods, such as books, newspapers and theatre tickets (to 6.5% from 4.5%). Pharmaceuticals also qualify for the preferential 6.5% rate. Exemptions for medical and other professional services have been abolished. Many anomalies have arisen from the constant juggling of rates, particularly for those applicable to products from the hospitality and tourism industries. Law 4172/2013 has reinstated the lower VAT rate 13% for food served in restaurants and prepared for take away, but only from August 1st 2013 until the end of the year.

The standard rate has always applied to alcoholic beverages, but in 2011 it was applied to soft drinks as well. Since 2006 VAT has been charged at the highest rate on the first sale of new commercial properties and second homes, which has been a major factor contributing to a five-year slump in the construction industry.

Excise duties and special consumption taxes on tobacco and alcohol rose by as much as 70% for some products in 2010, along with steep increases in those for automotive fuels. The tax increases, on top of wage and pension cuts, have contributed greatly to the decline in private consumption in Greece.

The government in October 2012 harmonised excise tax rates for road and heating diesel per its medium-term fiscal strategy agreed with the Troika (the European Central Bank, the European Union and the International Monetary Fund) in mid-2011. A programme of heating subsidies was also implemented.

Other taxes (stamp duties-property taxes)

Most stamp duties have been abolished. The principal ones remaining are:

- on commercial property rentals (3.6%);
- commercial-loan agreements if the lender is not a bank (2.4%);
- private-loan agreements (2.4–3.6%, depending on the nature of the parties); and
- cash-withdrawal facilities (1.2%).

Property taxes are calculated according to “objective values”. These are administratively determined by committees within the Ministry of Finance, which assign a worth to a property based on factors such as its age, locale and condition along with any improvements made. Historically, these have been 20–40% below market values, but they provide a basis for the calculation of transfer taxes, which circumvents underreporting of actual prices. Since October 2009 the government has implemented a number of reforms on real-property taxes. These included replacing a modest duty (ETAK) with a real-property tax system (FMAP) at progressively higher rates; abolishing capital gains and transaction taxes; but also restoring a tax on property transfers (FMK).

Despite difficulties collecting its previous emergency levies on property (see Corporate taxes, Overview), the government introduced another one in October 2011. The levy was initially to apply only until 2012; however, it was extended until 2015 and looks to become permanent. Reflecting the problems with collection, it is to be applied on all residential and commercial buildings connected to the electricity grid and must be paid via electricity bills-with disconnection of services if it is not paid. The taxable charge is €3-€16/m^2, depending upon the objective value of the property (with a concessionary rate of €0.5/m^2 for the disabled and the unemployed) multiplied by a coefficient of 1-1.25%, depending on the age of the building. The owner of the property is liable for the tax and the lessee may deduct it from rents. Industrial premises (but not warehouses) and outbuildings for animal husbandry are exempt, as are buildings owned by the state, municipal and communal authorities, municipal enterprises, the church (exclusively for places of worship) and charitable foundations.

Local governments apply an annual levy of 0.025-0.035% on land and buildings (TAP), based on the objective value of the land and buildings to support the costs of cleaning and lighting. There are also municipal charges on advertisements, car-rental companies, the use of public places, hotels, bars, restaurants and places of amusement.

As of December 2013 the government is proposing a new system for the taxation of immovable property that would merge all the existing taxes and duties to one single tax. EU and IMF advisors to the government are pushing to focus taxation more on the ownership of real assets and less on transactions. However, no specific announcements have been made yet.

Acquisition of real estate

Foreign companies in Greece may rent premises or acquire real property. All individuals and companies from the European Economic Area (EEA; which includes the 28 EU member states plus Norway, Iceland and Liechtenstein) may acquire property for business-investment purposes and for primary or secondary residences. Non-EEA citizens require approval for border regions, granted by a Special Committee established within each regional administration (see Basic investment approval), which is comprised of the relevant General Secretary or the deputy secretary and a representative of each of the ministries of National Defence, Finance, Development and Citizen Protection. According to case law, such approval is also required where the acquisition takes place through an EEA legal entity that has as shareholders non-EEA citizens.

Companies making long-term investments in large industrial premises usually buy land. The plots in the network of industrial estates are sold freehold. Law 3986/2011 of July 2011 introduced the notion of long-term leasehold of land through which the government hopes to valorise part of its large land-holdings. Under its €19bn privatisation programme, the government plans to bundle into special-purpose vehicles tracts with clear title and to offer these on long leaseholds

Most companies in light-industrial or commercial developments rent their premises. The standard contract is for 12 years with the option of a four-year extension, as long as the lessor does not seek return of the property within 9 months of the expiry of the lease. Absent a contractual agreement, the lessor can claim a readjustment after the lapse of 2 years of not less than 6% of the accepted value of the premises (as assigned by tax authorities) and 4% of its open spaces. Legislation introduced in May 2010 stipulated that a lessee could terminate a commercial lease after 1 year, after giving notice of 3 months and compensation of 1 month rent.

There are special leases for certain types of activities that are protected by specific legislation (including trade premises, educational institutions, clinics and hospitals) and for certain protected professions (including lawyers, doctors, mechanical and civil engineers, and notaries). Tenants may not sublet property, though they may grant use of a leased property to a partnership or limited liability company of which they are part.

Law 2367/1995 allows the leasing of properties for business purposes. This is popular because it allows for faster depreciation of the buildings if the lessee acquires the property at term. The law does not allow depreciation of the land on which the buildings stand. Leasehold improvements are amortised. Sale and leaseback is possible, but leasing companies charge a heavy tariff.

Clearing title is difficult since Greece is the only European country other than Albania without a complete national land registry. Properties used to be registered in the name of the person by private registrars working on commission for the government, and records were not always accompanied by surveyor's maps. This is gradually being replaced by a system based on aerial maps (created by the Hellenic Cadastral and Mapping Organisation), against which owners register property co-ordinates as well as other rights (such as title deeds and building permits) with Ktimatologio (Hellenic Cadastre). This wholly state-owned company was founded in 1995, and the Ministry of Environment, Energy and Climate Change (YPEKA) is responsible. Once an area is mapped, existing owners are notified and then have 3 months (expatriates have six) to register their rights. Registration takes about 4 years.

To register a property right, an owner pays a flat fee of €35 (€20 for auxiliary buildings, such as storage and parking spaces) plus a levy of 0.1% of the objective value of the property in excess of €20,000 (payable on completion of the survey); there is a cap on this levy of €900. Rights are assigned a 12-digit reference number, and it is now possible to submit registration documents online

Historically, property owners often did not register their titles in order to avoid paying property-transfer tax. Such owners, when selling, would either demand that the buyer accept unregistered title deeds or pay the tax liabilities that flow from their registration. Such practices can continue for a time since some landowners might find the fine cheaper than paying their tax obligations, such as the real-property tax, the tax on property transfers and an emergency property tax levied in September 2011 on all properties connected to the electricity grid (see Other taxes). Property taxes are, as at December 2013, in the process of being reviewed.

Extra Annual Contribution of Shipping Companies

For the years coming 2014 up to 2016, an extra annual contribution is imposed to foreign companies owning vessels not flying the Greek flag which are managed by a Greek company or a foreign company maintaining in Greece office under the provisions of Law 27/1975.

In particular, vessels flying the Greek flag, above 500 GRT, shall pay an annual contribution that equals twice the amount of tax which was calculated for each ship at the prior tax year, without considering the reductions as provided for, in the law. The same applies for foreign flagged vessels that are managed by Greek or foreign ship management companies located in Greece.

This contribution is applied to ship-owners or ship owning companies for Greek flagged ships as well as to foreign ship owning companies or ship-owners for vessels under foreign flags, whose management is held by companies located in Greece, according to the Law 27/1975.

Ship management companies are jointly liable for payment of the annual contribution during the period exercising the management of vessels. If the vessel is managed by more than one company, all managing companies are jointly liable. Finally in case of transfer of vessels, the new owner is liable to the contribution from the date of transfer onwards and the previous owner is jointly liable until the transfer date.

For the calculation and payment of the contribution, the companies shall file a statement, within January of each year, indicating all relevant vessel's data (name, flag, sign, IMO, total tonnage and age). The competent tax office is the Tax Office for Ships. The annual contribution shall be paid at the rate of 50% within February of each year, and the remainder is paid within July of each year.

Transfer Pricing

Amendments to Law 4172/2013 and Law 4174/2013:

- It is now clarified that legal persons and legal entities, as defined by Law 4172/2013, must document transactions with associated persons as these are defined in Article 2 of Law 4172/2013 (Transfer Pricing rules).
- It is not stipulated whether a threshold (minimum amount) will apply per type and per counterparty for transactions that must be documented.
- The deadline for the preparation of the Transfer Pricing Documentation File and the electronic submission of the Summary Information Sheet is extended to 4 months after the end of each tax year.
- A penalty at the rate of 1% of the entity's recorded gross revenues is imposed in case of submission of an inaccurate or incomplete Summary Information Sheet.
- The decision to be issued by the General Secretariat will also determine, among others, a simplified documentation process for small and medium sized enterprises.

Amendments to Law 4110/2013:

- The Tax Authority has the right to retroactively request the Transfer Pricing Documentation Files of companies that had the obligation under the provisions of Article 26 of Law 3728/2008 of the Ministry of Development to document their intercompany transactions within financial years 2008-2009. The Documentation Files will be audited by the Tax Authority according to the applicable provisions of each period.

How to establish a local company

Companies may choose one of the following corporate forms:

- the corporation / S.A. (anonymos eteria-AE);
- the limited-liability company (eteria periorismenis efthinis—EPE);
- the private capital company (IKE)
- the general partnership (omorrythmi etairia-OE); or
- the limited partnership (eterorrythmi etairia-EE).

In addition, a company may organise as a branch. An individual can also form a single-partner limited-liability company (monoprosopi eteria periorismenis efthinis—MEPE). Although sole proprietorships (idiotiki kefaleouhiki eteria) have been a common way to conduct business in Greece for some time, Law 4072/2012, passed in April 2012, formally established them as legal entities. Greece has also transposed into national law EU legislation to create an EU-wide company (societas europaea—SE).

Anonymos eteria (AE)

Foreign companies almost invariably choose to form an AE, or corporation. AE formation is covered in Codified Law 2190/1920, which has been amended repeatedly, with an extensive overhaul in July 2007 (Law 3604/2007). The minimum capitalisation to form an AE is €24,000; the nominal value of the shares may be €0.30-€100. Establishing a bank requires minimum capital of €18m (€9m for non-EU companies that seek to establish a branch). An insurance company (life or composite) must have capitalisation of €6m. Non-life companies covering risks such as accident, illness, fire, vehicle, aircraft and vessel insurance may be capitalised at €2m. Under the one-stop-shop legislation (Law 3853/2010), companies can submit their articles of association directly to the General Commercial Registry without prior approval by regional authorities, unless they are companies having special activity (such as banks, insurance companies, investment-services companies and listed companies); these need to have their articles approved by the Ministry of Development.

AEs must distribute at least 35% of net annual profits as dividends, unless the general assembly decides otherwise by a majority representing 65%. The retained earnings would then be placed in a reserve account and must be capitalised within four years. (However, a majority of 70% of the general assembly may decide to deviate from that rule.) There are special terms for other companies in the public sector and the financial sector and for companies involved in maritime business.

Eteria periorismenis efthinis (EPE)

An Eteria periorismenis efthinis (EPE), or a limited-liability company, is governed by Law 3190/1955 and is considered a commercial company regardless of whether that is its purpose. It has lower minimum-capital requirements, of €2,400. EPEs may not issue bonds. The articles of association of an EPE must be registered with the General Commercial Registry. This can be done through the one-stop-shop procedure.

In line with the European Union's 12th Council Company Law Directive (89/667/EEC), an individual may form a single-partner limited-liability company, but may not participate in more than one company of this type. The articles of association must be filed with the Register of Limited Companies kept by the Court of First Instance.

Idiotiki Kefalaiouhiki etairia (IKE)

An Idiotiki Kefalaiouhiki etairia (IKE), or a sole proprietorship, was introduced as a new company type into the Greek legal system by Law 4072/2012, of April 2012. The IKE is considered a more flexible alternative to the limited liability company. An IKE can be started with one partner, and has a minimum start-up capital of €1. Start-up expenses are estimated at €85,80, plus one percent of paid in capital, plus (varying) chamber fees and an additional 5€ per partner after three partners, payable at the one-stop shop.

A share may derive from three kinds of contributions:

- in capital,
- in kind or
- by guarantee.

The latter new type of participation in the company's capital is envisaged for private companies, through guaranteeing of obligations of the company towards third parties up to a specific amount (to be determined in the Articles of Association). All of the aforementioned contributions are to be considered as equal when awarding shares to the members of the company.

Omorrythmi etairia (general partnership) and eterorrythmi etairia (limited partnership).

Greek law permits these forms of partnership. All partners may be held liable without limits, even to the extent of their personal property, except in a limited partnership, where one or more partners may be limited in their liabilities to the extent of their paid-in capital. Partners lose their limited-liability status, however, if they join the management, if their names appear in the title of the firm or if they represent it in business transactions. A written deed must be drawn up, attesting to formation of the partnership; detailing the names and addresses of the partners; the company's trade name; its purposes; each partner's contribution and participation in the profits and losses; the duration of the partnership; its management; and terms and conditions under which business is to be conducted. This must be registered with the General Commercial Register and can be done through a one-stop shop.

Joint ventures formed to carry out a specific project are usually treated as one off general partnerships. They must usually file a written agreement with the Greek tax authorities before beginning operations. Each of the members must be either a legal person or entity, and the joint venture must have an address.

Joint ventures do not constitute legal entities but do constitute fiscal entities for income tax purposes.

Law 3604/2007 clarified rules on a decrease in share capital and on the rights of members of the board and employees to participate in share-option schemes. It clarified that companies have the right to acquire, under certain conditions, up to 10% of their own capital as treasury stock and, if they are listed companies, have this covered by the exemptions under EU Commission Regulation 2273/2003. This allows buybacks to provide employee share-option schemes or to fulfil debt-to-equity obligations; however, it abolishes market purchases of Treasury stock in order to support the share price. (However, companies have repeatedly bought up shares in the open market since the global financial crisis of 2008 and 2009, looking to preserve what they perceive to be as their longer-term value.) Companies are no longer subject to statutory audit if they have an annual turnover of less than €1m. Capital increases may be made partly in cash and partly in kind.

A shareholder acquiring 95% of a company can require a "squeeze out" of minority shareholders if it is done within 5 years; conversely, shareholders can demand a "sell out" if one legal person (corporate or individual) acquires 95% of the shares. For listed companies, the relevant threshold for a "squeeze out" or a "sell out" following a public tender remains 90%, but this must be done within 3 months. There are also new rules for transforming a corporation into a partnership or limited partnership, and the procedures for mergers and demergers have been simplified and accelerated.

Foreign and local companies can establish "headquarters companies" in Greece (but not via the one-stop shop procedure) to provide services to head-offices or affiliates abroad (Law 89/1967, as amended by Law 3427/2005). Taxation is on a cost-plus basis (with minimum profit margins set per company of not less than 5%). Such companies must have operating expenses of at least €100,000 a year and have a staff of at least 4 employees.

How to establish a branch

A branch may be established if it meets the minimum-capital requirements applicable to Greek companies-that is, if the branch's parent company is a corporation, the branch must meet the requirements of a Greek corporation. The branch will not be established through the one-stop shop process but will be registered to the General Commercial Registry. For AE companies with a registered seat in a third country outside the EU, establishment of a branch will require a decision of the competent region prior to registering the branch with the General Commercial Register. The company must file all legal documents, including a certificate of establishment and good standing issued by the commerce directorate of the regional authority. Representatives who will be responsible before the Greek courts must be appointed (an authorized representative and an attorney resident in the region). In most cases, the registration and the names of the representatives must be published in the Government Gazette. There are supplementary specific requirements if the parent company's activities are regulated under a specific regime, such as credit institutions or investment firms.

Requirements of an anonymos eteria (AE)

Capital.

The minimum-share-capital requirement of an anonymos eteria (AE), or corporation, is €24,000, which must be paid fully in cash, contribution in kind (non-cash inputs having been valued) or in any combination thereof. Within 2 months after establishment of the company, its board of directors must certify such payment of capital. The law allows staggered payment of the share capital if:

- at least 25% of the nominal value of each share has been fully paid up,
- the time until the full payment of share capital does not exceed five years, and
- the shares are registered until full payment.

The shareholders should commit to pay the remaining 75% in accordance with the articles of association and other applicable provisions of Law 2190/1920.

A special committee consisting either of (a) employees of the Ministry of Development or (b) independent certified auditors or valuators evaluates contributions in kind before issuance of the respective shares. Partial payment in kind is prohibited. Partial payment of the share capital for listed companies also is prohibited.

Founders, shareholders.

There are no limitations on nationality or residence. Incorporation requires at least one shareholder, either a natural or legal person.

Administration, management.

The administration of an AE is by the shareholders at meetings of the general assembly and by the board of directors. Pursuant to Law 3884/2010, shareholders of listed companies are entitled to participate and vote in the general assembly's meetings via more-flexible formalities than those in by Law 2190/1920 and to an extent different from the ones for non-listed companies. A board of directors, consisting of at least three members, carries out the management of the company. Unless otherwise specified in Law 2190/1920 and the articles of association of an AE, the board of directors represents and binds the company in all matters. Directors' powers may be delegated to company officials or third parties, subject to specific conditions. Every member of the board is legally responsible for any fault (fraud or negligence) committed during the management of the company or arising from a breach of his/her duties imposed by the law, the articles of association or a resolution of the shareholders, unless it is proven that the member managed the company's affairs with the "proper diligence" of the "diligent business man".

Disclosure.

The annual financial statements must be filed with the Companies Registry and be published, at least 20 days prior to the annual ordinary general assembly, in the Government Gazette, and in one daily financial newspaper or in the company's website. An AE must have its annual financial statements audited. Certified auditors must review entities that satisfy two of the following three criteria:

1) assets of more than €2.5m;

2) gross revenues of more than €5m; or

3) average of at least 50 employees during the fiscal year in question.

Entities with gross revenues exceeding €1m that do not satisfy more than one of these criteria may be audited either by two auditors or by a recognised firm of certified auditors. Companies listed on the Athens Exchange must publish quarterly audited financial statements and semi-annual and annual audited financial reports; they must report any changes in qualifying holdings (Law 3556/2007) in accordance with the provisions of the EU's Transparency Directive (2007/14/EC).

Taxes and fees.

Excluding lawyers' fees, which are negotiable beyond a minimum fee set by law, costs associated with incorporation generally include the following:

1) company-establishment fee, consisting of:

- levy of €70 to establish an AE or EPE and €50 to establish a partnership (if founding partners, in any form of corporation, are more than three in number, such levy is increased by €5 per founder);
- general-registry registration fee of €10 for each registration;
- levy on a graduated scale (0.01–1%, depending on amount of the initial capital), payable to the competent bar association;
- registration fees with the Athens Chamber of Commerce of about €60 plus an annual subscription fee of about €400 (€950 for banks); if the company is registered during the second half of the year, the annual fee is reduced by half;

2) capital-concentration tax equivalent to 1% of the share capital of the company;

3) levy of 0.1% calculated on the share capital, payable to the Hellenic Competition Commission;

4) notary fees (fixed) of €750-€1,500, depending on the size of the document and number of copies involved;

(5) fees of about €1,500 (an estimate of the total of fees per publication) for various publications in the Government Gazette, for publication of the articles of association, the minutes for the constitution of the first board of directors and the verification of the payment of the share capital.

Companies benefitting from registration under the one-stop shop procedure should find registration faster and considerably cheaper, as it eliminates some, though not all, of the fees mentioned above.

Types of shares.

Shares may be common or preferred, bearer or registered. Registered shares are mandatory for certain types of companies (including banks, healthcare and education companies, insurance and leasing companies, telecommunications companies, utilities, defence industries and companies holding real property in Greece). The nominal share value for an AE may be €0.30-€100.00. Preferred shares, with or without voting rights, also may be issued. If provided in the articles of association of the AE, redeemable shares also may be issued.

Control.

Each share has one vote. Generally, shareholders holding at least 20% of the paid-in capital constitute a quorum at a meeting of the general assembly. Resolutions are adopted by an absolute majority of shareholders present or represented at the meeting. In special cases (share-capital increases, mergers or other important matters, as provided by law or in the articles of association), the quorum requirement is two-thirds of paid-in share capital, and resolutions are adopted by a majority of two-thirds of votes represented at the meeting. Shareholders representing more than 5% of share capital have special minority rights provided by law, which increase as their shareholding increases. For example, shareholders holding more than 5% may request the convening of an extraordinary general assembly, the postponement of a general meeting or the addition of items on the agenda of a general meeting. They may also demand disclosure of information about the company's management and operations.

PERSONAL TAXATION

Overview

Successive governments have tried to create a public tax consciousness, but widespread evasion persists, and bureaucratic rigidities have offered little assistance. For example, rules prohibit public-sector workers from taking outside employment, which effectively discourages them from legally declaring fees earned from second jobs used to compensate for relatively low wages. If persons on a state pension declare earnings, these are supposed to be deducted from their pension entitlement. Such rigidities thus contribute to an unrecorded economy that in 2012 was estimated at 24% of GDP, according to data from the Institute of Economic Affairs. This also partly reflects extensive self-employment in Greece (farmers, entrepreneurs, shopkeepers, tradesmen and professionals).

There has been a continuing effort to digitise the tax-collection system. An internet network, TAXISnet, has been overlaid on the Taxation Integrated Information System (TAXIS)—software that is used for tax administration. A gradual migration of taxpayers onto the new system culminated in a bold move in 2013, when all tax returns for 2012 income were required to be filed electronically by June 30th of that year. The ministry's General Secretariat for Information Systems (GSIS) conducts cross-checks of returns with digital data from other sources—among others, the state-owned electricity company, whose records show the size of properties.

Income is self-declared (usually through an accountant). Returns must also include a statement of assets. The tax authorities may impute income and assess additional tax based on criteria setting out assumptions on the cost and maintenance of assets. Via Law 3842/2010, the government imposes a steeply progressive tax rate, which has reduced allowances and increased the use of imputation to address under-reporting.

A "crisis levy" applies since August 2011 on personal income tax, beginning with the 2011 return on 2010 earnings. Styled as an extraordinary solidarity contribution for the unemployed, the tax applies at:

- 1% on incomes of €12,001-€20,000;
- 2% on incomes of €20,001-€50,000;
- 3% on incomes of €50,001-€100,000; and
- 4% on incomes exceeding €100,000.

Determination of taxable income

An individual is considered a Greek tax resident if one of the following conditions is met:

- the individual maintains a permanent or principal residence in Greece;
- the individual is a consular or diplomatic or public official, or public servant of Greek nationality serving abroad; or
- an individual that is physically present in Greece for a period exceeding 183 days within any 12 month period, either continuously or at intervals.

Law 4172/2013 defines four categories of individual income: employment and pension income, business activity income (such as self-employment), capital income, and capital gains income.

Employee withholding tax.

Employers must withhold tax according to tax brackets, as outlined in Law 4172/2013, from salaries, wages and other forms of remuneration (overtime, bonuses, allowances and redundancy payments) for full- and part-time employees (Employers must remit the tax monthly.) The amount is netted against the sum of all net income in other categories. Individuals must file returns by June 30th covering the fiscal year ending the previous December 31st. On the basis of the return, a tax assessment is issued. Tax may be paid in three instalments, but there is a 1.5% discount if paid as a lump sum.

Individuals must make a 55% pre-payment of the next year's tax based on the amount in the current year's assessment, which is then netted against the tax owed in the succeeding year.

Law 3842/2010, passed in April 2010, provides extensive measures for taxation of income in kind. Cash bonuses paid to bank executives (until end of 2013) will be taxed at rates of up to 90%. A bonus of up to 10% on income (wages and overtime) of up to €60,000 (that is, €6,000) will be taxed as regular income. Higher bonuses up to €20,000 will be taxed at 50%; up to €40,000 at 60%; up to €60,000 at 70%; up to €80,000 at 80%; and exceeding €80,001 at 90%.

Any benefit in kind exceeding the amount of €300 is considered as employment income. An advance salary payment constitutes a loan, only if such an advance exceeds a three month period. Special provisions apply for the method of calculating the market value of company cars and housing granted to employees, partners and shareholders.

Income arising from the exercise of stock option rights is considered as employment income, even if exercised after the exit of the beneficiary from the company. This category of income in kind explicitly refers only to stock options on listed shares.

Explicit exemptions from employment income include meal vouchers (€6 per day); travel expenses taking place exclusively within the frame of the business activity of the employer; and medical insurance premiums, up to €1,500 annually per employee.

Business activity income:

The definition of business activity includes any incidental or systematic act with a purpose of making a profit. Every three similar transactions occurring within six months are deemed as systematically carrying out operations, while for real estate, the period is specified as two years.

For the determination of the net income from a business activity the following items are deducted: business expenditure, depreciation and provisions for bad debts. Any increase in income from a source that is characterised as illegal, unjustified or unknown will be subject to income tax at a rate of 33% from 2014.

Capital income:

Law 4172/2013 defines capital income as income gained from :

- dividends (taxed at 10%),
- interest (15%) and
- royalties (20%).

Individuals are exempt from withholding taxes on interest income from bonds and treasury bills of the Greek state and the European Financial Stability Facility. Income arising from the rental of real estate is taxed at 11% for amounts up to €12,000 and at 33% for amounts over €12,000.

Capital gains:

Law 4172/2013 applies a tax of 15% on gains derived from the sale of real-estate property on or after January 1st 2014, when this does not constitute a business activity. The legislation provides the option of carrying forward the loss arising from the sale of real estate indefinitely and offsetting such loss only with potential future capital gains. Exemption from the tax is possible if the capital gain does not exceed €25,000, and if the taxpayer owned the property for at least a five-year period and no other transfer of real-estate property took place during that period. Income received from the transfer of shares of companies that derive their value from real estate at a percentage exceeding 50% are also subject to the tax.

From 2014, a capital gains tax of 15% also applies on income earned from the sale of company shares and partnership interests; state bonds, treasury bills and corporate bonds; and derivatives. The price of non-listed securities may be determined on the basis of the value of the net equity instead of the purchase price if the net equity is higher than the price at the time of sale or lower than the price at the time of acquisition. In case the acquisition price cannot be determined it is considered to be zero. The option to carry forward losses indefinitely and to set off such losses with future capital gains is also provided.

Assessment.

An individual's return must include details of assets such as primary and secondary residences (owned, rented or occupied under a free concession), cars, private-school tuition and fees, household staff, yachts, helicopters, aircraft and swimming pools. The tax authorities apply coefficients that make assumptions about the level of income needed to acquire and maintain such assets.

The income associated with these criteria is aggregated. If it exceeds by 20% the amount declared in the return, it is added to taxable income-unless the taxpayer can prove that the difference either came from sources exempt from tax or was covered by savings or borrowings. The authorities also impute income if assets acquired during a year are 20% higher than declared income.

The list of assets has included capital invested in companies, bonds and shareholdings (except Treasury paper and shares listed on the Athens Exchange), buildings (except a primary residence smaller than $200m^2$) and cash deposits by partners or owners in their companies. Taxpayers may appeal against assessments. To do so, however, they must pay 50% of the tax due in advance.

Proof of source of funds.

Some 60,000 taxpayers in public positions must demonstrate the source of their funds for the acquisition of immovable property to prove that these have been properly taxed. Acceptable sources of funds in the proof-of-source exercise include bank interest, capital accumulated out of taxed or tax-exempt income of prior years, sale of assets, import of foreign exchange, loans, gifts and lottery winnings.

Allowances

Allowances change frequently. Law 4172/2013, effective from the 2013 tax year (with returns filed in 2014), maintains tax credits that vary depending on taxable income, with €2,100 offered for taxable income up to €21,000; and reduced by €100 per €1,000 for taxable income greater than €21,000, up to €42,000. No tax credit is provided for taxable incomes above €42,000.

Additional deductions include the following:

- up to €200 for certain types of dependents, such as those with disabilities;
- a 10% reduction in income tax for medical expenses, up to €3,000, applicable only if medical expenses exceed 5% of taxable income; and
- a 10% reduction in income tax for eligible donations, provided that the donations exceed €100 and do not exceed 5% of the total income.

Non-residents

Non-residents taxed on income earned in Greece are not entitled to such deductions. Residents receiving income from abroad can claim credit for foreign taxes paid up to the amount of Greek tax payable on such income.

Personal taxation, 2013

Income tax on individual net income earned in 2013 is calculated according to the tax scale below. It represents the tax burden of a resident alien taxpayer with an employment relationship with a spouse (without taxable income) and two dependent children. The calculation below assumes that the individual is considered a Greek tax resident or EU tax resident earning at least 90% of his or her income in Greece.

Taxable income (€)	Tax rate (%)
0-25,000	22
25,001-42,000	32
42,001 and above	42
Tax computation (€)	**Tax on full bracket (€)**
Salary	80,000
Interest on government bonds	600
Interest on bank deposits	600
Total gross income	81,200
Less: Interest on government bonds, bank deposits	(1,200)
Adjusted gross income	80,000
Less: social-security payments[a]	(21,311)
Taxable income	58,689
Corresponding tax	17,949
Special Solidarity Tax[b]	1,761
Less (maximum tax credits)	
Medical expenses	(3,000)
Total income tax liability	16,710

[a] The maximum monthly salary subject to social-security contributions is €5,543.55 for 2013 (subject to regular periodic modification). [b] The Special Solidarity Tax is imposed on income for the 2011–15 period. For income over €50,000 and up to €100,000, the rate is 3%.

Personal tax rates

Law 4172/2013, effective from tax year 2013 (with returns filed in 2014), sets rates ranging from 22-42%, compared with 0-45% previously. The new tax regime stipulates a 22% tax rate on employment income up to €25,000; 32% on the €25,001-€42,000 bracket, and 42% on income in excess of that amount.

Tax rates for pension and severance payments vary by amount, and by the type of pension for the former. Employment income and pensions that are paid on a retroactive basis are subject to a 20% withholding tax.

Any income classified as "business activity income", or self-employment, is taxed at 26% up to €50,000, and 33% above that amount. For the first three years of activity, individuals commencing their operations from the start of January 2013 are subject to a lower rate, of 13%, if gross income does not exceed €10,000. Profits from individual agricultural business are also taxed at 13%.

When filing taxes, a married couple submits joint returns, but tax is calculated separately on the income of each spouse. A net loss of one may not offset the net income of the other. The husband must file the form and declare his wife's income. The income of a child younger than age 18 is treated as the income of the parent having the higher income or custody of the child. The child must file his or her own return if there is sufficient taxable income from employment, inherited assets or a pension. Foreign residents pay tax at a rate of 10% on the first €5,000 of taxable income, except for EU residents earning more than 90% of their income in Greece.

Capital taxes-Unified Real Estate Ownership Tax

According the Law 4223/2013, as of 1 January 2014, real estate will be subject to the Unified Real Estate Ownership Tax (EN.F.I.A.), which comprises a main tax and a supplementary tax.

Unified Real Estate Ownership Tax has replaced the previous real estate annual tax (FAP) and the special real estate property duty (EETA).

The main tax on buildings the calculation of the tax depends on the following parameters:

a) surface size (m^2),
b) tax rate zone which varies from €2 to €13/ m^2 (depends on the location of the property),
c) age and
d) floor.

In regards to land, the calculation of the tax depends on:

a) surface size (m^2)
b) tax rate
c) location and
d) usage.

That is:

- the main tax for plots of land located within city limits or zoned areas ranges from €0.003-€9/m^2 depending on their location/tax zone.
- the main tax for plots of land located outside city limits or zoned areas is €0.001/m^2, multiplied by certain coefficients depending on their use, whether they are irrigated, etc.
- the main tax is increased fivefold, if a residence is built on such a plot of land.

A supplementary tax is imposed on individuals owning real estate exceeding €300.000 in total and it will be calculated at rates ranging from 0.1% up to 1% depending on the total objective tax value owned.

A supplementary tax is imposed on all real estate owned by legal entities at the rate of 5‰ of the objective tax value.

Payment of tax will be remitted in one lump sum or in equal monthly instalments until the end of each year. As of 1 January 2014 Real Estate Tax returns (E9) will be submitted within 30 days from the date of acquisition or change of rights on Greek real estate.

A partial or full reduction of the tax can be granted to private individuals who cannot comply with their EN.F.I.A. obligation. For legal entities with a reduced turnover, payment of this tax can be postponed.

The transfer tax for property, based on the law 4223/2013, has been reduced from 8-10% to 3% of the value of the property.

HUMAN RESOURCES

Labour law

The following are the major laws in the Greek labour code.

- Laws 2112/1920, 3198/1955, 3863/2010 and 4093/2012 regulate termination of employment.
- Laws 2656/1953, 763/1970, 3846/2010, 3863/2010 and 4052/2012 regulate organisation and control of the labour market and hiring employees.
- Law 3863/2010, 3899/2010 and 4093/2012 allow for the payment of wages below the national minimum level (see Wages and fringe benefits), and Presidential Decrees 180/2004 and 81/2003 and Law 3986/2011 (see below) govern the use of fixed-term contracts.
- Law 539/1945, Law 4504/1966 and Law 1346/1983, and Law 3846/2010 govern leave and leave allowances.
- Law 1568/1985 and Law 3850/2010 make health and safety committees compulsory in all enterprises employing 50 or more workers.
- Law 1892/1990 gives legal approval to part-time workers, with hours to be set by personal agreement between employer and worker. Law 2639/1998 (as amended by Law 3174/2003 and Presidential Decree 81/2003) provides for their social-insurance coverage and defines the hours of work that constitute part-time working.
- Law 2874/2000 stipulated that part-time workers should receive an increment in hourly pay above that set by the national minimum-wage agreement, and provided for increments in pay for long-term unemployed persons prepared to take part-time work. Law 3899/2010 eliminated the premium and harmonised pay rates with those of full time workers.
- Law 3528/2007 regulates the status of public servants generally, as amended by Law 4057/2012, Law 4093/2012 and 4172/2013, regarding not only salary reductions, but also redundancies and the elimination of permanent positions.
- Laws 1264/1982, 1876/1990, 2738/1999, 3899/2010, 3986/2011, 4024/2011 and 4052/2012 regulate trade-union rights for the private sector, in matters pertaining to collective bargaining and the right to strike. Law 4046/2012 (Cabinet Decision 6/2012) requires mutual agreement between employees and employers to appeal to the Organisation for Mediation and Arbitration (OMED), and only for the settling of base wages.
- Law 1264/1982 requires all companies employing more than 100 persons to have a union representative and requires labour federations to enroll all unions that apply to join, regardless of their political makeup. The law kept provisions of Law 3239/1955, under which participation in a strike after a dispute has gone to arbitration violates the employment contract and subjects the violator to dismissal without compensation. Law 1264/1982 also set guidelines for the negotiation of the national minimum wage agreement between the Greek General Confederation of Labour (GSEE, the umbrella organisation for unions of workers in the private sector) and the three leading employers' organisations (see Industrial labour). These guidelines were substantially modified by Law 3899/2010 and abolished by Laws 4046/2012 and 4093/2012, with the national minimum wage now being legislated instead of negotiated. The three-party coalition elected to parliament in June 2012 set it among its priorities to reintroduce the negotiation procedure for the national minimum wage, but the junior coalition partner (the Democratic Left—DIMAR) who made this a priority left the government in mid-2013 without achieving this.
- Laws 1264/1982 and Law 2224/1994 require public-sector unions to give four days' notice of a strike. During this cooling-off period, negotiations are to continue, including negotiations to determine essential services in the event of a strike. OMED should be called in during these four days, though the exact timing of mediation is not stipulated.

- Law 1892/1990 and Law 2639/1998 govern the introduction of flexible working hours and fulfils an International Labour Organisation requirement for an independent Labour Inspectorate. Laws 3846/2010 and 3986/2011 made changes to the flex-time rules.
- Law 3844/2010 and 3919/2011 simplified licensing and related bureaucratic procedures were removed for certain professions, and Law 3919/2011 set qualification and certification standards for 115 categories of professions such as lawyers, architects, mechanical and civil engineers, machine operators, electricians, plumbers, welders, and persons dealing with refrigeration equipment and explosives. It provides for training institutions with standardized syllabi and examinations.

Article 12 of the Greek constitution establishes the principle of nondiscrimination in employment on the basis of race, nationality, religion or gender. The labour laws comply with the EU Employer Council Directive 2006/54/EEC on equal employment opportunities and the EU Employer Council Directive 1975/117/EEC on equal pay; in practice, however, female employees tend to be paid less than male employees. The scarcity of employment for women has deterred legal action on this issue.

Wages and fringe benefits

Law 4046/2012 in February 2012 legislated a new national minimum wage daily rate of €26,18 and a monthly rate of €586,08 (rescinding a prior agreement at €33,57 and €751,40, respectively).

Law 3863/2010 provided for sub-minimum wages for unskilled young workers entering the job market for the first time. Ministers Council Act No 6/2012 set the level at 68% of the National Minimum Wage for those under the age of 25. It is assumed that employers will not exploit these programmes to replace existing, more expensive, workers. However, cases have been discovered of employers hiring young people on sub-minimum wages for one year and then firing them without further recompense. To avoid accusations of age discrimination, these programmes to combat youth unemployment have been coupled with special regimes for workers older than age 55. Law 3863/2010 limited to 10% the share of workers aged 55-64 who could be included in layoff quotas (see below), and requires employers to continue to pay, for three years, 50-80% of the social-security contributions of those who are let go.

Fringe benefits are extensive. For example, workers covered by the Social Insurance Institute (IKA), which accounts for just over half the population, are entitled to a sickness benefit ranging from 15 days, for those employed for less than one year up, to 720 days, calculated according to a highly complex formula related to age, number of contribution days and so-called reference pay. In any case, the opinion of the Supreme Health Committee is obligatory in order to grant a sickness benefit over 15 days. The benefit is capped at €29,39 per day. In general terms, the amount of the sickness benefit depends on the earnings of the employee during the last 30 working days of the previous year. Furthermore, disability pensions are provided. Persons injured or disabled on the job are entitled to compensation and/or a disability pension for the period of absence from work after one insured day.

Law 2874/2000 set maternity leave at 17 weeks (56 days before and 63 days after delivery). The state (OAED) will fund another 6 months maternity leave for working mothers insured with IKA (Law 3655/2008), and the employer must keep the woman's job open during that time. Law 1302/1982 provides an additional year of nursing leave, during which mothers may start or stop work an hour early, or can alternatively interrupt their work for one hour. Consecutive national collective agreements have increased nursing leave even further to 30 months. Unless it is renewed, the latest national collective agreement is scheduled to expire at the end of 2013, reverting nursing leave to the 12 months of Law 1302/1982.

Mothers may elect to condense the time into additional leave, though this is at the employer's discretion. There are also four days of statutory paid time off per year available to parents with children in school. These may not be taken consecutively. However, not much actual use is made of this.

Holiday entitlements are generous. Certain employees can have holiday leave after their first month at work at a rate of 2 days per month employed; this targets employees working on a succession of short, fixed-term contracts. For full-time employees, annual holiday leave is 20 working days for those working a five-day week and 24 working-days for those on a six-day schedule. One day is added every 2 years until, after 10 years with the same employer.

The entitlements reach 22 working days for five-day-week workers and 26 working days for six-day-week workers, down from a previous 25 and 30, respectively, as per Law 3227/2004. Three mandatory annual bonuses totalling the equivalent of two monthly salaries are payable: two-weeks at Easter and another two ahead of the annual summer holiday and a month at Christmas. The July 2010 wage agreement preserved these so-called 13th and 14th salaries for private sector workers. They were eliminated for public-sector workers and look to be reduced or eliminated for private-sector workers in the future, though this had not yet occurred as of early December 2013.

A core feature of the economic-recovery programme foreseen under the 2010 EU/IMF memorandum of understanding is a radical overhaul of the social security system. The pension system has massive unfunded liabilities, absorbing public expenditure equivalent to 16.5% of GDP in 2012. Without reform, this figure would hit an unsustainable 25% of GDP by 2060. Law 3863/2010 proposed root-and-branch reforms in the system as it applies to all workers in the private sector; Law 3865/2010 applied the same rules in the public sector. The reforms aim to reduce the absorption of public revenues to 2.5% of GDP by 2060. Implementation of the changes began on January 1st 2011; the process took place through 2013 (previously 2015) per Law 4093/2012, with provisions for review and modification thereafter. The formula for the calculation of pensions is still subject to change in 2015 per Law 3863 and Law 3865 of the original plan.

Law 4093 raised the statutory pension age to 67 from 65 and the minimum pension eligibility age to 62 from 60 (see below). For public sector pensioners, Law 4093 cut pensions in excess of €2,000 per month by up to 15% (provided that the remaining amount is not lower than €1,800.01) and curtailed the pension rights for parliament members and local authority officials to be elected after the law's enactment. For private sector pensioners the cuts go even deeper, to 25% for pensions in excess of €4,000 per month. The pension system has three pillars: primary (Pillar 1), auxiliary (Pillar 2) and private (Pillar 3). The state has guaranteed and contributed to the financing of Pillars 1 and 2 but has regularly fallen behind in its contribution to Pillar 2. It allows meagre tax breaks to support Pillar 3 private funds, and successive governments have proved immune to lobbying from the insurance industry to increase allowances to promote private alternatives to Pillar 2 schemes.

Law 3863/2010 provided for the separation of healthcare and pension functions of existing funds and the supervision of the health sector by a Health Benefit Co-ordination Council (SYSPY). Law 3918/2011, in combination with Law 4052/2012, provided for the merger under the National Health Services Organisation (EOPYY) of the health functions of the four largest funds with responsibility for just under 95% of the population; these include IKA-ETAM, the Social Insurance Institute-Single Insurance Fund for Salaried Employees, covering private-sector employees; the Agricultural Insurance Organisation (OGA), covering farmers; the Civil Service Insurance Fund (OPAD), covering civil servants; and the Insurance Fund for Free Professionals (OAEE), covering the self-employed. Specialised funds still exist for doctors, lawyers, engineers, bank employees, press and media workers, and seamen. However, it is likely that these too will merge.

For pensions, there remain 10 main funds, but the government aims to cut these to 3, for public-sector employees, private-sector employees and the self-employed. Laws 3863/2010 and 3865/2010 introduced a flat rate basic state pension (paid from the budget) of €360 a month (on a 12-monthly basis) to be topped up by contributory schemes.

In addition to this and other initiatives, the laws also standardised retirement ages and benefit formulae across all funds; cut accrual rates to 0.8-1.5% a year, from 2-3%; raised the required number of years of contribution in order to secure full pension benefits to 40 years, from 37; reduced pension payments by 6% (previously 4.5%) a year for those seeking to claim benefits before age 65 without 40 years of contributions; capped pension indexation based on the EU's Harmonised Index of Consumer Prices (HICP) rather than wage growth; and established verification centres to register those receiving disability pensions and to conduct random checks on claimants. Effective at the start of 2013, Law 4093/2012 raised the statutory pension age to 67 from 65 and the minimum pension eligibility age to 62 from 60. Beginning in 2021, the 2 anchor years will be revised every 3 years in line with life expectancy.

Article 17 of Law 3863/2010 was introduced to cover "heavy and unhealthy" work. Persons working in jobs designated as such can secure early retirement by paying modestly higher social-security premiums.

The practice was initially meant to cover workers like miners and steeplejacks, but it had become greatly abused and, at its peak, covered nearly one-third of the workforce. Law 4075/2012 revised the list of professions, and reduced coverage to no more than 10% of employment for all current and future workers.

Contributions vary by fund but the indicative standard is that for IKA. As at the third quarter of 2013, social security contributions constituted 43.96% of an employee's salary (27.46% from the employer and 16.50% from the employee), though this can rise to 50.56% (30.61% employer, 19.95% employee) when additional benefits are purchased for "unhealthy" professions. There is a ceiling on the amount of salary on which pension contributions must be paid, which as per Law 4093/2012 stands at €5,543.55 per month.

Working hours

The five-day workweek and the eight-hour workday are common in most industrial jobs. A seven-hour day prevails in many white-collar jobs. Law 3979/2011 increased the workweek for civil servants from 37.5 hours per week to 40. The maximum working week is 48 hours, and the maximum working day is 12 hours. According to data from the European Industrial Relations Observatory, the average contractual workweek in 2012 was 40 hours (the highest level in the EU28, along with five other member states). The actual hours worked in all sectors also averaged 40, slightly higher than the EU28 mean of 39.6.

Legislation governing allowable overtime hours and the rates payable has changed several times in the past decade. Law 3385/2005 provided for eight hours of overtime per week (up to 120 hours a year). The first five hours of overtime are payable at 120% of salary, and the remaining three at 140%. Overtime exceeding 120 hours per year, done under special ministerial licence (commonly known as "legal" overtime), must be paid at 160% of salary; any overtime exceeding the 120-hour threshold for which the worker volunteers ("illegal" overtime) must be paid at 180%.

Law 3846/2010 allows employers, on application to a tripartite committee (worker, employer and government), to request up to ten hours of work a day for a period of up to four months (flex time) in seasonal industries or at times of extraordinary demand, as long as time off is given for extra hours worked and workers can refuse the offer without jeopardising their jobs. Law 3986/2011 increased the period of flex time that managers could demand from four months to six months. It stipulated that the decision did not have to be justified by management as under the previous legislation. In companies with fewer than 20 employees that are not unionised (which applies to more than 80% of Greek companies), managers may introduce flexible hours, though only with the consent of the workers.

An additional 75% of the hourly wage is payable for work on Sundays and official holidays. Employees are entitled to one day off (or one day of wages) in lieu of a holiday. For night shifts (defined as 10 pm-6 am) there is a 25% premium, with an additional bonus of 10-35% for hazardous jobs.

Law 4093/2012 introduces greater flexibility of working hours. The reforms require employers to provide only 11 hours of continuous rest per day with a maximum of 10 hours of employment per day, and 40 hours in total on a 6 day working week. The reforms give employers the right to change employees' monthly work schedules; greater flexibility was also given with regard to the timing of annual holidays.

Part-time and temporary help

Article 38 of Law 1892/1990 introduced part-time work as part of fixed-hour contractual agreements between employer and employee. To be valid, this has to be explicitly written into the employment contract. Law 2639/1998 requires all part-time contracts to be reported to the Labour Inspectorate within 8 days of signing; otherwise, the employee is considered to have full-time status. Ministerial decisions in August 2012 and February 2013 decreed that these submissions take place only through the Ministry of Labour's information system, Ergani (https://eservices.yeka.gr; available in Greek only). As a general rule, part-time workers should have the same rates of pay and privileges as fulltime employees, pro-rated to the number of hours worked. Under a special social insurance scale, contributions and benefits are paid in proportion to the hours fixed under the contract. The minimum presumed pay on which contributions are calculated is set at the daily minimum wage.

Employers have the option of unilaterally imposing part-time shift work during poor business cycles. In order to do so, they must inform employee representatives (Presidential Decree 260/2006 and Law 1767/1988). Law 3899/2010 extended the duration of such part-time shift work to nine months (from six, previously) in the same year.

The use of temporary work contracts is also common. The maximum allowable period of hire for temporary workers under contracts with agencies is 3 years (Law 3846/2010, 3899/2010 and 4093/2012) and per Law 4052/2012 (articles 98-133), legislation regarding temporary agencies is in agreement with the European Directive 2008/104.

According to Eurostat data, at end-2012 the proportion of part-time employment in Greece stood at 7.7%, compared with an average of 19.9% in the EU28. The proportion of persons working on temporary contracts at 9.9% is also below the norm, compared with an average of 12.8%. The low rate of part-time employment reflects two factors:

1) much of it is unreported (particularly for women and young people) and paid in cash to escape the complexities of labour and social-insurance legislation; and
2) many men say they would rather go on full unemployment benefits while looking for another full-time job rather than take part-time employment, though the authorities are trying to end this option and have taken to discontinuing unemployment benefits to individuals who repeatedly refuse to accept part-time openings.

Termination of employment

Over the past decade, the government has increased the number of allowable lay-offs and shortened the notice period necessary when announcing redundancies, particularly for white-collar workers. Law 3863/2010 set the probationary period for new employees; set the number of allowable collective dismissals; and extended and relaxed the requirements for notification and payout of redundancy money. Per the legislation, the probation period is 12 months. Companies employing 20-150 persons may lay off up to 6 workers per month, and those employing more than 150, up to 5%, to a maximum of 30 per month.

Mass dismissals are normally permissible only for mergers, relocation of manufacturing facilities away from the metropolitan area of Athens, or closure of a company. There are no restrictions for companies employing up to 19 workers, which account for most businesses in Greece.

Law 4093/2012, which amends Law 2112/1920 and Law 31/1955, changed the rules of notice periods and the amounts of severance payments. For white-collar workers, severance pay is two months of salary for service up to one year, progressing to 12 months of salary for 16 years of service and an extra month of salary for each additional year of service of up to 28 years. The severance payments could be halved if the employer gives 30-120 days' notice depending on years of service. No changes have been made to notice periods or severance payment for blue-collar workers, but notice periods for white-collar workers have been considerably reduced (to almost half, especially for those employed for over of 10 years).

Employment of foreigners/expatriates

Under EU Directive 2004/38/EC, citizens of the European Union have the right to move freely and to settle in other EU countries (Articles 1 and 3). EU citizens' immediate family members that are not EU nationals have the obligation to obtain a visa before entering the host country, as required by Regulation 593/2001 (Article 5), except if they already have a residence permit by the host state. The directive guarantees the right to EU residents to reside for periods of up to three months provided that they have a valid identity card or passport (Article 6); however, the host nation may ask EU nationals and their family members to register with local authorities in a free, one-time procedure, if their residency in the member state exceeds three months. Afterwards, EU nationals are eligible for a five-year residence permit. EU nationals are not subject to residence permits if they can show that they are engaged in economic activity (employment or self-employment), have sufficient resources to maintain themselves or are undergoing vocational training, and have adequate social insurance so as not to become a burden on the host state. Non-EU resident family members, however, are obliged to issue a residence permit of a family member of an EU citizen. After five years of uninterrupted residence, EU nationals acquire the right of permanent residence without conditions. Non-EU national family members may apply for residence permits of five years duration, after which they too would qualify for the right of permanent residence. The host state may impose restrictions on EU nationals' free entry and movement in a member state on the grounds of public order, national security or public health; it may also deport EU nationals for reasons classed as an emergency.

In March 2010 the government introduced new rules for citizenship based on legal residence status (Law 3838/2010): three years for members of other EU states and seven for legal migrants from third countries who have acquired EU long-term resident status (article 5, par. 1 d). Although employment of foreigners, and especially EU nationals, has generally been limited to branch offices and to companies that have invested foreign capital in Greece, Greek companies are starting to hire specialist foreign personnel at rates of pay typical of other European countries. This is increasingly common for middle-management positions.

The EU states have a common external border at which movements are checked through the so-called Schengen Information System. The 1985 Schengen Agreement (subsequently incorporated in the Union's acquis communautaire) provides for elimination of bloc-border controls for the citizens of 26 of the 28 member states (the UK and Ireland have opted out), plus those of Iceland, Lichtenstein, Norway and Switzerland, who can, under the freedom of movement directive (2004/38/EC), travel throughout the EU using a national identity card rather than a passport. Some new member states, notably Bulgaria, Croatia and Romania, have transition periods; Cyprus has voluntarily retained border controls. A total of 22 member states, including Greece, honour a common Schengen-area visa that can be obtained by third-country nationals.

Law 3386/2005 regulates the employment of non-EU immigrants, either of those that enter the country via visas for working purposes, or of those that already reside and work in the country. This law provides for a wide spectrum of residence permit types. Migrants must be working in order to renew their residence permits for employment; they must also have social insurance. Permanent or fixed-term contracts are accepted equally well by the judiciary.

The government has committed under the 2010 EU/IMF memorandum of understanding to opening so-called regulated professions, which, over the years had become subject to various restrictions (either by law or custom) limiting the number of practitioners and supporting their earnings. An indicative preliminary list of 136 such professions has been agreed. Law 3919/2011 set new rules for notaries, lawyers, engineers, architects and auditors, freeing negotiation of previously fixed fees, eliminating restrictive work practices and allowing more practitioners (see Price controls). Other disciplines are being opened via ministerial decisions and presidential decrees. Implementation is proving slow since the changes have been resisted every step of the way by the interest groups who previously benefitted from the closed shops and price fixing.

New Investment Law

The government suspended the Investment Incentives Law (Law 3299/2004) in January 2010, promising new legislation. The replacement, Law 3908/2011, also known as the New Investment Law (NIL), was gazetted in February 2011 and the permitting process further simplified by Law 4072/2012 in April 2012, and Law 4146/2013 in April 2013.

According to the KG Law Office, the NIL provides for the following types of aid: tax relief, business and leasing subsidies, and soft loans by ETEAN.

Tax subsidies apply to pre-tax profits, up to a maximum of 50% during the first year of operation. Thereafter, if not completely used, they may be applied over 15 years. The amount of the relief is consigned to a tax-free reserve, which must be recorded in a special account in the enterprise's books and which must not be distributed or capitalised. If the company fails, the tax must revert to the state. Business plans eligible for NIL benefits can be submitted throughout the year and are reviewed by accredited external evaluators in two phases starting in May and October.

Whereas previous incentive laws stipulated a long list of eligible investments, the present legislation does the opposite. It notes generally that the aid scheme is applicable to all branches of the economy save those that are specifically excluded. This constitutes a long list, but the exclusions are basically in construction, wholesale and retail trade, real property, financial services and most other services, though transport and logistical services to support industry remain included. Health services are also excluded, with the exception of rehabilitation centres and investment plans related to health tourism. The major productive sectors excluded are steel, synthetic fibres, coal and shipbuilding (with the exception of floating structures which are to be used as stable, long-term industrial facilities or energy installations) where EU restrictions on state aid apply.

Assistance cannot be granted for the construction of new hotels, unless they form part of an integrated leisure complex, but it can be used to upgrade existing hotel stock to at least three-star standard and to convert traditional buildings into boutique hotels of at least two-star standard.

In order to support the development of alternative and year-long forms of tourism in the country, Law 4146/2013 expanded eligible investments to include those pertaining to the development of "Special Tourism Infrastructure", such as the creation of thalassotherapy (seawater therapy) centres, theme parks, golf courses, health-tourism facilities, thermal-springs facilities, ski resorts and other high-end facilities. Aid cannot be provided to public-sector companies in which the state has more than a 49% holding and cannot go to companies under bankruptcy protection.

The aid scheme has seven priorities, three general and four "special". The first general priority is to strengthen the competitiveness and viability of investments to maximise their profitability; the second is to support technological development and innovation; and the third is to promote regional development and "green" growth. Special concerns focus on promotion of entrepreneurship among younger people; large investment projects (defined as over 50m); business plans to modernise existing business, including both technological and organisational upgrade; and investments in "synergies and networking" for research and development and production.

The NIL retains the fundamental principle of former laws: dividing the country into districts and pro-rating assistance to their level of development. It assigns the percentage of available aid according to a matrix formed of geographical divisions (the 50 former prefectures) and incentive zones, which are defined by average GDP per capita (see Regional incentives). Undertakings are further designated large, medium or small/very small, according the criteria of European Commission Regulation 800/2008. They are assigned maximum levels of aid, of 40%-50% in the poorest regions and 15%-25% in Athens and its industrialised environs. To qualify for state aid, the investor must commit to a minimum level of investment of which, for tax relief, at least 25% must be own capital. An investor may have recourse to ETEAN for soft loans, but these are aggregated when calculating the maximum allowable of assistance.

The size determinants and minimum investment commitments under EC Regulation 800/2008 are as follows:

- a very small company (fewer than 10 employees, with annual turnover and/or balance sheet of less than €2m) must invest at least €200,000;
- a small company (10-49 employees, with annual turnover and/or balance sheet of less than €10m), at least €300,000;
- a medium-sized enterprise (50-249 employees, with annual turnover not exceeding €50m and/or annual balance sheet not exceeding €43m), at least €500,000; and
- a large company (of 250 employees or more), at least €1m.

According to EU regional-aid guidelines (2006/C 54/08), investments up to €50m qualify for the full amount of incentives detailed in national law. For the €50m-€100m portion of an investment, only 50% of the incentives are allowed; for investments exceeding €100m, only 34% of the incentives qualify.

Applications for assistance are made electronically via the Greek government's Information System for Regional State Aid (www.ependyseis.gr/mis/). Supporting documentation must also be submitted in digital form. Hard copies must be deposited with one of the newly created Investor Service Offices

(ISOs), which have been established in the 13 regions of the country. Applications are assigned a registration number and are reviewed by ISO officials for completeness; any missing documentation must be submitted by the investor within ten days of the issue of a receipt. The entire process is supposed to take no more than 6 months.

An English-language summary of the New Investment Law is posted on the Invest in Greece website. The site also gives addresses for the new Investor Service Offices (ISOs). The Ministry of Development has established a portal (www.startupgreece.gov.gr) to serve as digital information and networking space for potential entrepreneurs.

Strategic investment

The Development Ministry has also assumed responsibility for Law 3894/2010 (amended by omnibus Law 4072/2012 and Law 4146/2013) on so-called strategic investments, which will benefit from a fast-track permitting process.

An investment can be deemed strategic if it is worth:

1) more than €100m, irrespective of the industry sector concerned;

2) more than €15m, where the investment is carried out in the industrial sector and concerns existing infrastructure;

3) more than €40m and creates at least 120 jobs;

4) if it creates at least 150 new jobs or helps maintain at least 600 jobs in a viable manner; and

5) if it is worth more than €5m, where the investment concerns the creation of a business park.

Priority categories include investments in industry, energy, tourism, transport-communication, health services, waste management, high technology and innovation, education, culture, the primary sector and the transformation of agri-food products and services in general.

An investor seeking strategic designation must present to the *Invest in Greece* (IiG) agency a dossier detailed in Inter-ministerial Decision 3/11.1.2011 The list of required documentation is extensive, but basically the dossier must contain the following: a business plan, including details of company structure, sources of funds, capital and financing; proof of property ownership; documentation for the required licences and permits; and an investment impact assessment (IIA) report. This is to be accompanied by the first instalment (10%) of the management fee, payable to IiG as a non-refundable advance.

IiG signs a confidentiality agreement with the investor, assigns the file a protocol number, evaluates the project within 15 days and forwards its opinion to a six-member Inter-ministerial Committee for Strategic Investments (DESE), consisting of the ministers of development, finance, foreign affairs, environment, education and culture, and also any other ministers having competence in the area of investment. The inter-ministerial committee has 30 days to decide whether the investment meets the criteria for fast-tracking. If so, the investor will deposit a complete file of any documentation required for the licences and permits, along with a receipt of payment to the IiG agency of the remaining 90% of the management fee due.

It is not mandatory that the investor use the GDSI's services, but the directorate's supervision of the permitting process is one of the principle features of the law. The GDSI does not issue the licences and permits but, using documentation provided by the investor, submits and pursues the applications. If for some reason there are unwarranted delays by the investor or the investor has not paid the management fee within 90 days from DESE's decision, the permissions obtained by this fast-track process may be revoked.

At the end of the third quarter of 2012, 11 investments had been approved for fast-track permitting, with an estimated total value of €7.2bn. Most were in the area of renewable-energy development but also included a hotel development in Crete, as well as the mining project of Eldorado Gold (Canada). Only one had been approved subsequently, at the end of 2012. This was an investment by Loyalward (UK) of €268m in the tourism industry. As of November 2013, and following Law 4146/2013, three more investments were reported to be up for approval, though no official announcements had been made.

The "strategic" designation can also be applied to public-private partnerships (PPPs) and, in certain instances, to public works. The IiG will conduct the relevant international tenders, but the pre-qualification stage may be dispensed with and the adjudication process restricted. Such contracts may need parliamentary approval. These provisions of the fast-track law will apply to the long-term port, airport and development-property concessions on offer through the privatisation programme.

Regional incentives

The New Investment Law (Law 3908/2011) uses the regional-aid development map drawn up for the EU's National Strategic Reference Frameworks (2007–13), under which EU structural-fund aid is provided to certain member states to promote convergence. The funds allocated depend on whether the average GDP per capita in an area was above or below 75% of the national average when the map was drawn in 2007. In Greece the map was based on the country's 50 prefectures, whose administrations were abolished under a local government-reform programme implemented on January 1st 2011. Their functions have been absorbed by 13 broader regional authorities and by municipalities. For the purposes of determining state aid, however, the prefectures continue to provide the geographical basis for investment zones.

- Investment **Zone A** consists of Attica, site of Athens, and the adjacent, heavily industrialised prefecture of Viotia.
- Investment **Zone B** has all those prefectures with 2007 GDP per capita above 75% of the national average.
- Investment **Zone C** consists of those below 75%, plus the entire region of Eastern Macedonia and Thrace (sensitive border areas), the islands of the north and south Aegean Sea (to the east of the country) and the Ionian Sea (to the west), and all other border prefectures.

Investments are further categorised as large, medium and small/very small, according to the European Commission's state-aid rules (Regulation 800/2008), and assistance is pro-rated by the size of the venture:

1) -15% for large enterprises,
   -20% for medium-sized enterprises and
   -25% for small/very small enterprises;
2) 30%, 35% and 40%; and
3) 40%, 45% and 50%.

ETVA VIPE, a joint venture between by the private Bank of Piraeus (65%) and the state (35%), manages 31 industrial estates (sites zoned for industrial ventures) that cover some 36.4 sq km of the country. Two more are operated by private contractors. These estates have roads, water, electricity and effluent-treatment facilities, and some have rail links. Plots within the estates are sold rather than leased to companies. In March 2013 under a joint initiative by the ETVA VIPE and the Development Ministry, a subsidisation programme was announced for the relocation of industries to these estates. At the close of application in August 2013, 19 applicants had come forward. Decisions on subsidies were expected by the end of 2013, but were not yet announced as of early December that year. Law 3982/2011 introduced a series of measures to facilitate and promote relocation of companies to business parks. Previous legislation permitted only processing operations; the new law allows for up to 40% warehousing. It provides simplified licensing procedures and a series of economic, urban planning and administrative incentives; it also clarifies issues relating to the ownership of common lands and utilities.