



## **FLASHLIGHT ON GREECE**

This flashlight paper describes some key taxation and other factors which are relevant on setting up business in Greece.

### **1. The choice of legal forms:**

- a. **Societe Anonyme (SA):** A limited liability company with either bearer or registered shares. Minimum capital requirements of €60,000. Incorporation expenses about € 3,000. The accounts must be published and filed with the Ministry of Commerce. Statutory audit requirements as per EU directives. (Any two of the following three factors: Turnover over €5.00 M, total assets over €3.00M and over 50 people staff). A one person company can be formed.
- b. **Limited liability company (EPE):** This is a limited partnership and the capital is consisting of share parts. Minimum capital requirements is € 4,500. There is an administrator instead of the board of directors and incorporation expenses are about €1,500. EPE is governed by its articles and memorandum of association and its accounts must be published. Statutory audit requirements as per EU directives. A single partner can control this form of incorporation.
- c. **Partnerships (OE or EE):** The agreement between the partners must be filed with the court of first instance. Set up expenses about €1,000. The partners can be either equally liable as per their capital contribution (OE) or one partner can have unlimited liability and the rest of the partners no liability (EE).
- d. **Branch:** The parent company can set up a branch office in Greece and the expenses involved are as for those of a SA (a) above. The branch must keep the same set of accounting records as that of an SA and must file branch accounts and those of the parent company with the Ministry of Commerce.
- e. **Ownership of the incorporated entity:** Ownership of the subsidiary company need not be 100%. Ownership percentage, direct or indirect control and type of incorporation to be chosen depend on the parent's company perception of the subsidiary's role. The tax position of the various schemes available is explained below.

## 2. Taxation:

- a. **Corporate Income Tax:** All Greek corporations (SA & EPE & OE & EE) are subjected to Greek income tax and capital gains on a worldwide basis. Branches of foreign companies are subjected to Greek income tax and capital gains tax only on their Greek activities.
- b. **Depreciation / Capital Allowances:** By rule, everybody in Greece is using the depreciation rates prescribed by the Greek Tax Code. Anyone who wishes to use greater rates of depreciation can do so provided the difference arising from the overcharge is added back to taxable profits (or reduction of taxable losses). Land is the only item, which is not depreciated. Capital expenditure up to €1,200 can be depreciated 100%, in the year of acquisition as from 1.1.2005.

### 2.1 **Corporate rates and taxes:**

- a) **Societe Anonyme (SA and EPE):** The rate of corporate tax is 24% for 2011, downgraded by 1% for every year to 2014 until it reaches 20% , on the taxable profits irrespective of whether the shares are registered or bearer respectively. By law the accounting reference period ends either on December 31 or June 30. Exceptionally a different year-end date can be approved provided there are sufficient reasons for this (i.e. parent company year-end). The first accounting reference period can be extended up to a maximum of 24 months.
- b) **Other corporations (OE, EE):** Up to 50% of the taxable profits are assessed on the partners / administrators as per their capital contribution, maximum 3 of them to be nominated by the company, the rest is assessed on the company at the rate of 20%.
- c) **Branches:** Branches are assessed on their taxable profits with the same provisions as for an S.A.

### 2.2 **Dividend payments:**

Dividend distributions are taxed at the rate of 40% and are included on the personal income tax returns, with a result the maximum tax to reach 45%.

### 2.3 **Directors fees and salaries / Administrators salaries:**



Directors' fees are subjected to 40% tax born by the company and are treated as dividends, ie are included with the tax payers total taxable income. Directors' salaries as well as administrators salaries are taxed at one off tax of 35% after deducting from gross salary the social security contributions. This rule does not apply to directors / administrators who are not shareholders or partners in the respective corporations. They are taxed under PAYE.

**2.4 Debt to Equity Ratios:**

For loans from abroad interest is paid after applying a small withholding tax, usually 5% to 15%, depending on the terms of the double tax treaty. This withholding tax may be recovered by the parent company. All procedures are carried out through the company's bankers. The tax authorities may not approve exceptionally high rates of interest.

**2.5 Modus Operanti:**

By incorporating a Greek company or a branch, both are subjected to Greek Income tax (Permanent Establishment Rule). For a branch office that do not carry out business activities in Greece no tax applies under L 89/67. However, prior approval is needed and there are certain provisions regulating the existence of such an office.

**2.6 The Arms Length Principle:**

The arms length principle applies to all transactions made between a Greek company / branch and its foreign affiliates. It is wise to be ready at all times to satisfy the tax authorities on pricing policies involving both ways of trading. For management fees and royalties above the rates accepted by the tax authorities special approval by the Ministry of Finance is required.

### **3. Employment:**

#### **3.1 Assignment of staff:**

Short term employment of foreign personnel by a Greek company / foreign branch is possible. However, work permit is needed for non-EU residents and social security contributions are accounted for. For long-term employment they are treated as Greek citizens. The assignment of staff by the parent company to its subsidiary / branch is possible provided the relevant agreement signed by the two companies is filed with the Greek Tax Authorities. On remittance of the money abroad a withholding tax is applied. The total cost is a tax-deductible expense for the Greek entity.

#### **3.2 Pay As You Earn (PAYE):**

For long-term employment the PAYE is applicable for all kind of compensation such as salaries, benefits, bonus, etc. This applies to either loan out personnel or circular, temporary employment personnel.

#### **3.3 National Insurance (N.I.):**

N.I. is due on the amount paid by both the employer and the employee. It is separately accounted and paid to the respective social security fund. For other EU nationals exceptions may be given for a limited period of time provided they can prove that they are registered at home.

#### **3.4 Rates of Tax and National Insurance:**

The rates of income tax and national insurance are changed virtually every year. Also the various tax allowances change accordingly and the final tax bill on an individual varies similarly.

### **4. Indirect Taxes:**

#### **4.1 Value Added Tax (V.A.T.):**

V.A.T. levied on all sales of goods and services within Greece and the EU. V.A.T. applies to all importations of goods and services from non-EU countries at the point of entry into Greece. The majority of goods and services are subjected to the 23% rate. Some goods and services are subjected to 13% or 10%. Some are exempted (e.g. education and medical services).



#### **4.2 Import Duty:**

Import duty is levied on all importations from non-EU countries. The rate of duty depends on the classification of the goods within the GATT tariff. This tax is paid at the point of entry and for the rest of the EU is a free zone. It should be noted that V.A.T. is charged over and above the customs duties.

#### **5. Accounting Rules:**

International Accounting Standards (IAS) are mandatory for all listed companies as from 1.1.2005. Optional use is allowed. IAS will be mandatory for all companies in due time.

#### **Disclaimer:**

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