

Z E P O S & Y A N N O P O U L O S

# DOING BUSINESS IN GREECE

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2006



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- VAT, Excise, stamp duty

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## I. GREECE AT A GLANCE

### **What languages are spoken?**

The official language is Greek. English is widely spoken and often used in business. French, German and Italian are also spoken.

### **What is the currency of Greece?**

The Euro.

### **Describe Greece's geography, proximity to other countries and climate.**

Greece is located in Southern Europe, between Italy and Turkey. Land border countries are: Albania, Bulgaria, Turkey, the Former Yugoslav Republic of Macedonia. The climate is temperate with mild, wet winters and hot, dry summers.

### **Are there cultural influences or prohibitions on the way business is conducted?**

No.

### **Are there religious influences or prohibitions on the way business is conducted?**

No.

### **Explain your Greece's infrastructure. Be sure to explain which cities have airports, railroad systems, ports, and public transportation.**

Highways connect all parts of continental Greece.

Transport of goods and passengers is often carried out by sea. The sea voyage from the Adriatic to Piraeus (Athens) is shortened by 325 km due to the Corinth Canal (6 km), which crosses the Isthmus of Corinth connecting the Gulf of Corinth with the Saronic Gulf.

There are marinas and ports in virtually all the islands and in some cities of continental Greece. Big cargo harbours are Piraeus (Athens), Thessaloniki, Alexandroupoli, Elefsina, Irakleio (Crete), Kavala, Kerkyra, Chalkida, Igoumenitsa, Lavrio, Patra, Volos.

There are 44 civil aviation airports, in all major cities, including many islands.

There is public transport, including buses, metro and trains, within and between communities, whether cities, towns or villages.

**Explain the communication system.**

There are adequate, modern telephone networks reaching all areas; there is also a good mobile and international telephone service. The telecommunications sector has been liberalized, with effect from January 2001.

There are numerous radio stations (39 in the greater Athens region, 54 in and around Thessaloniki, more than 800 overall in Greece), television broadcast stations (152 in total, national and regional ones inclusive) as well as numerous Internet Service Providers.

**Describe the public services-i.e. water, electricity, gas. Are they publicly or privately owned?**

Utilities (water, gas, electricity) have been partly privatized but the Greek State retains a controlling interest in all of them.

The electricity sector has been liberalized, with effect from February 2001, under Law 2773/1999, which implemented EC directive 96/92. The former public electricity utility (DEI), which has taken the form of a commercial shareholders company, holds a 99.8% share of the Greek electricity market.

The gas sector has been recently liberalized by means of Law 3428/2005.

**II. GENERAL CONSIDERATIONS****1. Investment policies****Does Greece generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?**

The Greek Government encourages private foreign investment as a matter of policy. The liberalization of the (previously closed to private investment, foreign as well as domestic) electricity and telecommunications markets in 2001 of the gas market recently and the possibility of developing the legacy of Athens 2004 Olympic Games offer considerable investment opportunities. Greece's membership in the E.U. Economic and Monetary Union offers currency stability. Investments, foreign and domestic, are screened according to the same criteria, with respect to government subsidies and tax incentives.

The main body devoted to the promotion of investment is the Hellenic Center for Investment, ELKE ([www.elke.gr](http://www.elke.gr)). This is the national investment agency, responsible for seeking, promoting and supporting foreign investment into Greece and aims to

operate as a one-stop investment shop, where investors may get information, guidance and support on investment opportunities in Greece.

Information and guidance on investment can also be found through the Hellenic Organization of Small and Medium Sized Enterprises and Handicraft (EOMMEX, information available at [www.eommex.gr](http://www.eommex.gr)), concerning investment opportunities for medium sized, small and very small enterprises, as well as through the Ministry for Development ([www.ypan.gr](http://www.ypan.gr)) and the Ministry of Economy and Finance ([www.ypetho.gr](http://www.ypetho.gr)).

### **What is the rate of inflation?**

3.5% in the first quarter of 2006.

### **Explain any sector exceptions, incentives or restrictions on foreign investment?**

As regards incentives to foreign investment, under the new investment incentives Law 3299/2004, businesses may alternatively choose any of the following combinations of incentives: (a) State grants (in cash), (b) State subsidies with respect to financial leasing contracts for the purchase of new machinery and other equipment for investments, (c) tax relief through the creation of a special tax-free reserve and (d) State subsidies with respect to the cost for the creation of new employment positions. The emphasis of the law is on assistance for projects related to tourism, high technology services, environmental protection, renewable energy sources, agricultural and industrial research the development of new products, for small and medium size manufacturing companies.

As regards restrictions to investment, non-EU investors receive less advantageous treatment than domestic or EU investors in the banking, mining, broadcasting, maritime, and air transport sectors. These sectors were opened to EU citizens due to EU rules. Restrictions on foreign investment also exist as regards land purchases in border regions and on certain islands, on national security grounds.

### **Describe de facto restrictions on investment, if any, such as bureaucratic discretion.**

Bureaucracy sometimes leads to lack of flexibility and delays.

### **What are the sizes of the different markets?**

Services are the largest and fastest growing sector of the Greek economy.

Trade and financial services (29% of GDP), real property management (22.6% of GDP), tourism industry 14.3% of GDP (tourism increased impressively in the last five years while, according to 2004 figures, the number of jobs which are directly or indirectly related to the tourism sector is 659,719; that is 16.5% of the country's total employment),

health (8.1% of GDP), education (7.7% of GDP) and transportation and communications (14.4% of GDP) are the largest service sectors. Greece has also a long shipping tradition.

Agriculture accounts for 7.7% of GDP and employs about 15% of the workforce. Despite significant support from the EU in the form of structural funds and subsidies, Greek agriculture is still characterized by small farms and low capital investment.

The industrial sector accounts for 10% of GDP while construction covers 12.7% of the GDP.

### **What types of businesses are conducted in Greece?**

As mentioned above, the country has developed trade services, tourism industry, mining, shipping, construction and its energy and communications sector is evolving.

## **2. Diplomatic Relations**

### **Explain any established diplomatic relations Greece may have.**

Greece has long established diplomatic relationships with almost all recognised states and participates in many international and regional organisations. Also, being a member of the EU, Greece collaborates closely in various levels with all the 25 countries of the Union.

### **Give addresses, telephone numbers for the embassies or consulates in Greece?**

Almost all recognised states have embassies or consulates in Greece, for example the following states and their embassies:

France	7, Vas. Sofias Ave., Athens	+30 210 3391000
Germany	3, Karaoli & Dimitriou Str., Athens	+30 210 7285111
Japan	46, Ethnikis Antistaseos Str., Chalandri Attiki	+30 210 6709900
UK	1, Ploutarhou & Ypsilantou Str., Athens	+30 210 7272600
USA	91, Vas. Sofias Ave., Athens	+30 210 7212951

### **Are there prohibitions or restrictions on certain business dealings with Greece?**

There are no specific prohibitions or restrictions on business dealings, save for illegal transactions, for example on child pornography, illegal gambling, violation of intellectual property rights.

### **Explain any travel restrictions to or within Greece?**

There are no travel restrictions whatsoever to or within the country.

### 3. Government

#### **Explain Greece's election system and schedule. Is there an anticipated change in the present government?**

Greece is a parliamentary republic and has a majority electoral system, aimed at enabling the formation of single party governments. Elections are held every four years. The conservative party called "New Democracy" was elected in power in the spring elections of 2004.

#### **Is the present government stable? Briefly explain your Greece's political history in the last decade.**

The present government is stable. For the last decade, Greece was governed by the socialist party ("PASOK"). The conservative party ("N.D."), which was the governing party between 1990 and 1993, has won March 2004 general elections and is in power ever since.

#### **Explain Greece's judicial system.**

Judicial power lies with the courts of law. Apart from *stricto sensu* resolutions, courts also review the constitutionality of laws and the constitutionality and legality of all other statutory instruments. Unlawful and unconstitutional administrative acts and statutory instruments, other than acts of parliament, may be declared null and void by the administrative courts while unconstitutional acts of parliament may be denied application by any court.

It is a fundamental constitutional principle that no one may be deprived against his will of judicial protection (access to the law). The law defines the scope of powers as well as the jurisdiction of the different courts.

There are administrative and civil courts of law (the latter hearing both civil and criminal cases). The supreme administrative court is the Council of State (in Greek "Symvoulío tis Epikrateias") established after the model of the French Conseil d'Etat. It has an advisory function with regard to the constitutionality of secondary legislation and it is the administrative court of first and last instance for applications for review (so-called "petitions for annulment") of administrative acts for breach of law or abuse of discretionary power. It is also the Supreme Court ruling on final appeals against judgments of the lower (first and second instance) administrative courts. When the law provides for a full judicial review of an administrative dispute on grounds both of law and merit, this dispute is brought before the administrative courts of first and, as an exception, of second instance, which also hear appeals against judgments of the first instance administrative courts.

The civil courts hear all “private disputes” (disputes between individuals or entities), as well as cases of non-contentious proceedings. Final appeals on points of law, both in civil and criminal cases, are decided by the Supreme Civil Court (Areios Pagos).

Court proceedings are, as a rule, public, but the judges deliberate in private. Court decisions must contain a statement of their reasons, may include dissenting opinions, and must be pronounced at a public hearing. They are known by the name of the court which rendered them, a serial number, and the year (for example Council of State 235/1985).

The judicial system is impartial and the judges are deemed to be independent and not subject to political influence. The main defect of the judicial system is the time required for the final resolution of disputes. Sometimes, a final decision (i.e. having exhausted all appeals and remedies) on a dispute may take more than 10 years to be reached. For this reason, it is common for foreign investors to include clauses in their commercial contracts, which either provide for the jurisdiction of foreign courts or choose arbitration for dispute resolution.

Under a well established principle based on article 3 of the Greek Civil Procedure Code and supported by the case law of the Supreme Court (Areios Pagos), the parties to an agreement are in principle free to validly agree to submit disputes arising out of a contract before foreign courts (especially if one of the contracting parties is connected with the selected forum). Thus, the explicit choice of foreign courts as a forum for potential disputes arising out of an agreement and the implicit exclusion of the competence of the Greek courts is a valid and an enforceable contractual clause.

Foreign court judgments issued in EEA countries are recognized and enforced in Greece by virtue of the Regulation 44/2001 on “Jurisdiction and the recognition and enforcement of judgments in civil and commercial matters”. Other foreign judgments are recognized and enforced locally by virtue of mutual agreements entered into between Greece and other countries for this reason.

Greece is a signatory party of the New York Convention for the recognition and enforcement of foreign arbitral awards. Under the Convention and article 903 of the Greek Civil Procedure Code, any arbitral award is regarded as valid and enforceable in Greece provided that:

- i) it has been based on a valid arbitration clause
- ii) the object of the arbitration is arbitrable according to Greek law
- iii) it is not subject to any further judicial recourse or subject to an ongoing procedure of appeal or any equivalent action
- iv) the party against which enforcement is sought has not been deprived of its right for a fair trial in the course of the arbitration
- v) the award is not conflicting with a court decision issued by a Greek court for the same case between the same parties and

vi) the award is not violating Greek public order.

### **Explain Greece's legislative system.**

Legislation is mainly adopted the Parliament. Within the limits of the Constitution the Parliament has no constraints regarding what and how to legislate. The Parliament currently consists of 300 MPs.

Under the Constitution, the legislative power lies with the Parliament and by the President of the Republic. In practice the powers of the President are confined to promulgating and publishing the acts of Parliament. Although Presidents have the right of referring a bill back to Parliament, in which case the bill must receive the favorable vote of a majority of the total number of MPs to be adopted, they do not make use of this right. The President can also adopt Presidential Decrees containing legal rules on the basis of a specific delegation by law, which must state the subject, aim and limits of such delegation. Such delegation is generally allowed unless the Constitution requires that a certain matter is governed by a "formal law", that is, an act of Parliament, instead of any statutory instrument. As a rule, such "formal laws" are mandatory for the imposition of taxes (stating the taxable object, the tax rate, and the tax abatements and exemptions) but also in many sensitive areas, including the exercise and protection of individual rights.

Presidential Decrees are the most important form of delegated legislation and are issued on a ministerial proposal; they are submitted in draft form to the Council of State, which examines their legality and accuracy.

Parliament may also delegate legislative power to other organs of the executive, e.g. ministers, though only with regard to matters of a specialized, local, technical or detailed nature.

In urgent cases, the President's powers are wider: on proposal of the Cabinet he is allowed to issue 'legislative acts' without statutory delegation. These acts must be submitted to Parliament's approval within forty days from their adoption or the Parliament's convocation. However, only their future force, not their past application, depends on this approval, even in case they were not submitted at all to Parliament.

## **4. Environmental Considerations**

### **What is the public/government attitude toward environmental regulation?**

The government aligns its position towards environmental protection with the positions and provisions decided by European Union.

## **Explain any environmental regulations.**

Article 24 of the Greek Constitution establishes the fundamental principle that environmental protection is a duty of the Greek state and provides specifically for the protection of forests and for the sustainable urban and regional planning. There are also numerous provisions on environmental protection contained in laws, presidential decrees, ministerial and joint ministerial decisions, some of them adopted to implement International Conventions or EC Directives. Such legislation covers most of the aspects of environmental protection: natural environment, forests, urban planning, waste, waters, industry, noise and air pollution. Law 1650/1986, so-called "Framework Environmental Law", is the most important environmental law. It was enacted to implement the aforementioned article 24 of the Constitution as well as EC Directive 85/337 concerning the assessment of the effects of certain public and private projects on the environment. The law has been recently amended to implement EC Directive 97/11, which amended EC Directive 85/337, and EC Directive 96/61 concerning integrated pollution prevention and control. Law 1650/1986 determines the fundamental terms of environmental protection and sets out the main principles governing the protection of the particular environmental elements, such as water, air, ecosystems and so on. Furthermore, Law 1650/1986 establishes the procedure of environmental impact assessments and provides for measures of protection of nature. Greece has lately ratified the Cartage Protocol on Biosafety to the Convention of Biodiversity (Law 3233/2004) as well as the "Århus Convention" (Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters) adopted on 25 June 1998 at the Fourth Ministerial Conference in the "Environment for Europe" process (Law 3422/2005).

## **5. Intellectual Property**

### **5.1. Copyright law**

The main statute on copyright is Law 2121/1993, the so-called Law on Intellectual Property. This law bears many similarities with the civil law approach of German and French intellectual property laws but differs from the common law outlook of the U.K. and U.S. copyright laws. This law is very protective of the author. It distinguishes two types of rights, namely the economic and moral rights. The economic rights include the rights to copy, reproduce, translate, modify and distribute the work, while the moral rights entitle the author to decide when and in which form his work will be communicated to the public, to demand to have his name attached to the work and to prevent any modification of the work which would be prejudicial to him or to the work. The author can transfer his economic rights or license the use of all or some of his/her economic rights. Such licenses may be exclusive, in the sense that only the licensee and no other party has the right to exercise the powers granted by the licensor. The law provides only general guidelines for the majority of contractual agreements regarding intellectual property rights. It sets out however, compulsory rules for certain contractual types most frequently seen in practice, such as contracts for publication, for translation or for the exploitation of photographs, in order to provide additional

safeguards to the author, especially as regards his royalties and his moral right to the work.

Protection under the copyright law (Law 2121/1993) is granted automatically from the time the work is created without the need of compliance with any formalities and expires 75 years after the death of the creator.

The Greek law on intellectual property has incorporated the Berne Convention, the Universal Copyright Treaty and various conventions on specific issues such as the Rome Convention, the Geneva Convention, the TRIPS Agreement, the WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty and it is in line with the main European Directives on Intellectual Property Law, such as Directives 91/250/EEC (re: legal protection of computer programs), 92/100/EEC (re: rental right, lending right and certain rights related to copyright), 93/83/EEC (re: coordination of rules concerning copyright applicable to satellite broadcasting and cable retransmission), 93/98/EEC (re: term of protection of copyright and certain related rights), 96/6/EC (re: legal protection of database) and 2001/29/EC (re: harmonization of certain aspects and related rights in the information society). It is also worth noting that pursuant to Council Regulation (EC) No. 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and Council Regulation (EC) No. 1891/2004 implementing above regulation, a unified procedure has been established among the EU countries in relation to the prohibition of the entry, release for free circulation, exit and export of counterfeit and pirated goods.

## 5.2 Trademark law

Trademark law in Greece is regulated mainly by Law 2239/1994, which is in line with both the EC Directive on the Trade Mark Law and the EC Regulation on Trade Marks, which establishes the Community Trade Mark. Under this law, trademark protection is afforded only for signs capable of being represented graphically. Under Greek law, the natural or legal person that has validly registered a sign with the competent authorities is entitled to the exclusive use of the sign in relation to the goods or services for which the sign has been registered and has the right to prevent anyone else from using either the same or similar sign on similar or same goods or services, when that would confuse the public, or the same or similar sign on dissimilar goods or services, when the second sign would take unfair advantage of the reputation of the registered trademark. The owner of the trademark has the right to transfer his rights. However, partial transfer of the rights only for specific goods/services and transfer that can lead to confusion of the public are not allowed. There are certain categories of signs, more notably the Greek flag, national emblems and religious symbols, which cannot be registered as trademarks.

Trademark protection is not granted automatically, as in the case of protection of copyright, but the sign needs to be registered with the competent authorities, under the first-come first-served principle. The application for registration is submitted to the trademark department of the Ministry of Commerce. In case that the holder of or the

applicant for a Community Trade Mark wishes to convert either the trademark or the application to national, he must submit certain documents, specified by the law, to the General Director of Commercial and Industrial Property of the Ministry of Development. Trademark protection lasts for 10 years starting on the day following that of the application and can be extended for another decade upon application of the holder of the trademark.

Greek law complies, as was mentioned, with the EC Directive on the Trade Mark Law and the EC Regulation on Trade Marks, which establishes the Community Trade Mark. Greece is also a member of various international conventions, more importantly the Paris Convention, the Madrid Protocol, and the Nice Convention.

### 5.3 Patent law

Patent protection in Greece is governed by Law 1733/1987, which was passed in order to bring Greece fully in line with the European Patent Convention (previously ratified by Law 1506/1986), to which Greece and most major European countries, including all the members of the EEC, were signatories. Also, Greece has ratified by virtue of Law 3396/2005 the revised text of the European Patent Convention, which was signed in Munich on 29 November 2000. European patents are mainly regulated in Greece by Law 1607/1986, which ratified the European Patent Convention, and Presidential Decree 77/1988. In brief, once granted a European patent becomes equivalent to a bundle of nationally-enforceable, nationally-revocable patents, subject to a time-limited, unified, post-grant opposition procedure.

Law 1733/1987 provides that a patent may be granted if the invention is new, includes an inventive step and is capable of industrial application. However, even when these requirements are satisfied, a patent may not be granted in certain cases, more importantly when the invention runs against the morals or the public order or relates to varieties of plants or species of animals or to the biological methods for their production, under conditions. Discoveries and scientific theories do not constitute invention and, thus, cannot be protected by a patent. The holder of the right is entitled to proceed to any act relating to its commercial exploitation, notably the right to reproduce and sell the invention, to conclude contracts for the transfer of the right and license its use; such licenses may be exclusive, in the sense that only the licensee and no other party has the right to exercise the powers granted by the licensor. In cases of strong public interest and for reasons of national security, the law imposes to the inventor the obligation to conclude an "obligatory license", when certain requirements are satisfied. Apart from the above economic rights, the inventor is granted the moral right of paternity, in the sense that he/she is entitled to have his/her name attached to the invention. The moral right of the inventor can only be transferred if this is expressly stated in the contract and does not run contrary to the right of personality of the inventor.

The procedural requirement for acquiring a national patent is the filing of an application to the Greek Patent Office (namely the "Industrial Property Organisation",

having the Greek acronym OBI). Protection lasts for twenty years starting on the day following that of the application. As regards European patents, the application may be submitted before Industrial Property Organisation (OBI); such application must be filed with OBI in case the applicant is a Greek citizen and provided that no priority is claimed based on a previous application filed in Greece.

Greece is a signatory party to the Paris Convention, the Patent Co-Operation Treaty and the Budapest Treaty.

#### 5.4. Trade secrets

Trade or industrial secret is a piece of information of commercial or industrial nature that is known to a small number of persons and has a financial value for the business. In Greece, trade secrets are partially regulated under Law 146/1914 concerning unfair competition, especially with respect to (i) employees disclosing their employers' trade secrets with the intention of harming or competing with their employer, (ii) anyone using or disclosing trade secrets which have come to his knowledge by means of unauthorized disclosure, an illegal act or an act which is contrary to the public morals and (iii) anyone using or disclosing trade secrets which have come to his knowledge pursuant to a transaction. The unauthorized disclosure of the information leads to both civil and in certain cases to criminal liability. Various provisions apply to trade secrets in special circumstances, such as the liability of the Board of Directors of a company limited by shares in case of use or disclosure of trade secrets relating to the company.

#### 5.5. Transfer agreements and licenses

Transfer agreements and licenses for the commercial exploitation of rights protected by intellectual property law, trademarks and patents must be made in writing. Regarding transfer of trademarks, the law does not expressly provide that the contract is valid only when in writing, but the prevailing view is that the contract must be concluded in writing, as in the case of intellectual property rights and patents.

The general rules on contracts, found in the Greek Civil Code, also apply to licensing contracts and royalties under them. Article 179 of the Civil Code provides that contracts that tie excessively a party are invalid, as they are deemed to violate *bonos mores*. Furthermore, article 388 provides that, if, for exceptional reasons that could not have been predicted, the obligations of one party in a contract become excessive in view of the counter obligations of the other party, taking into account the principle of good faith and relevant transactions practices (if any), then that party may ask the competent Court to readjust the excessive obligation or terminate the contract, if this is possible.

In the licenses that relate to intellectual property rights, trademarks and patents, the local antitrust laws apply. The use of a registered mark or the exploitation of a patent, although rightful, does not exclude the application of the rules concerning free and unfair competition and there is case law stating that their rightful use and exploitation must be exercised within certain limits.

### III. INVESTMENT INCENTIVES

#### 1. Export incentives

There are no tax incentives for exports today. For the period between January 1<sup>st</sup>, 1997 and December 31<sup>st</sup>, 2003, a special deduction from gross income was applicable in favor of export businesses; said deduction was applicable to every type of export product.

Greece, as a member of the EU, cannot finance either directly or through tax or duty exemptions exports to other Member States, unless after obtaining a permission from the Commission to finance certain activities as a State Aid for specific reasons of social or regional policy. Regarding export to third countries, there is legislation on export incentives, under which either the exporting company may be exempted from taxes and custom duties on the imported raw material and fuel used for the production of the exported goods or the Greek State may return to the exporting company the duties and taxes paid on the imported raw material and fuel. Producers of exported goods may also be exempted from their obligation to pay social security contributions for their employees. Producers may sell their goods free of export duty in duty free areas provided that they will be consumed outside the national territory.

#### 2. Grants, subsidies and funds Greece offers to foreign investors

Investment incentives are used as part of the Greek structural policy, to assist productiveness and competitiveness of Greek economy, increase employment and help regional development. The main law on investment incentives is Law 3299/2004, which basically provides for four types of incentives to investors, namely grants, subsidies of part of the installments paid for the leasing of equipment acquired to implement an investment, tax exemptions for part of the undistributed profits of the company and subsidies for the employment costs namely coverage by the State of the salary costs of all employees for two years during the first three years of the completion of the investment plan. Business activities in all sectors of the economy are eligible to receive assistance, under certain requirements set out by the law, such as that the investment must not be in some cases lower than a specified amount, that the investor must operate as a company in cases where the grant exceeds a certain amount, or that, to be eligible for certain incentives, the investor must participate by at least 25% in the investment cost.

There are also special regimes to assist investment, provided for by *ad hoc* Presidential Decrees and Ministerial Decisions.

All incentives other than the tax exemption are awarded only after application, filed through out the year (including specified documents) by the interested investor before the competent authorities. These authorities vary according to the size, type and geographical location of the investment. The authorities must answer at the latest after three months starting from the day the application is filed. The authorities will take into

account several criteria to reach their decision, including the characteristics of the investor (previous experience, solvency, financial condition), the perspective of creation of a profitable business and the increase of work positions.

### **3. National tax incentives for foreign investors**

#### **1. Investments Incentives Law 3299/2004**

##### **(a) Introduction**

Investment Incentives Law 3299/2004 has substituted Law 2601/1998, the previous development Law that still applies only with respect to specific investments that had already been commenced, yet had not been completed upon the issuance of Law 3299/2004. Law 3299/2004 offers a package of incentives in order to promote private investments in Greece, improve the competitiveness of the economy, promote business dexterity, strengthen technological change and innovation, protect the environment and save energy.

Pursuant to the Greek Government, this law is simple and easy to understand and makes no reference to previous legislation; furthermore, it is expected to breathe life into all areas of the economy (small and medium enterprises, tourism, services etc.) and all regions of the country.

##### **(b) Development Regions and Qualifying Investments**

For the purpose of differentiating the available regional investment grants/subsidies, Greece is divided again into four (4) areas (A, B, C and D). In general, area A refers to the most developed regions of Attica and Salonica with the exception of certain sections included in other areas. Area C refers to those regions with unemployment problems and to sparsely populated regions (these areas are defined every two years by common ministerial Decree and cannot be amended during the intermediate period) and also contains the so-called 'Lavreotiki Zone'. Area D comprises the most underdeveloped regions and contains mainly the prefecture of Thrace (Xanthi, Rodopi and Evros), the Industrial Business Zones (the so-called "V.E.P.E" of the Prefecture of Ipiros (the majority of Greek islands of the Aegean, the island of Thassos and the regions adjacent to the frontier, including prefectures located in a distance up to twenty (20) kilometers, as well as the municipalities and communities bearing territories under their administration intersected by the limits of the 20-kilometer zone, the Prefecture of Dodecanese (except for the city of Rhodes). Finally, the remaining districts constitute area B.

Further, the undertakings eligible for the application of the law should be engaged in the following activities (the listing is not exhaustive):

- i) Production and manufacturing of products such as machines, electric appliances, cars, hardware, furniture, paper, clothes, food and beverages.
- ii) The provision of services of highly advanced technology.
- iii) The development of computer software.
- iv) The research and development of new technologies and industrial planning in various fields.
- v) The production of all types of energy through various forms and, in particular, of alternative sources.
- vi) Mining, quarrying and related activities.
- vii) Craft industry.
- viii) Tourism industry.
- ix) Trade.
- x) Information technology.
- xi) Telecommunications,
- xii) High-technology services
- xiii) Logistics.

(c) Requirements for the granting of benefits

The most important requirements for the granting of the benefits are the following:

Legal Form: Enterprises which have investment plans that amount to more than 200,000 Euros are obliged to operate under the legal form of a corporation or an association.

Minimum sizes of productive investments: (a) for very small undertakings Euro 100,000, (b) for small undertakings Euro 150,000, (c) for medium undertakings Euro 250,000 and (d) for large undertakings Euro 150,000.

Minimum participation of the investor: 25% of the cost of the investment plan. For the first time investors are entitled to use venture capital funds in order to cover the minimum participation.

Filing an application: In order for any undertaking to qualify for the incentives (except for the tax relief through the creation of a special tax-free reserve), it must file an application to the competent authorities; such application may be filed anytime throughout the calendar year and should in principle be approved within three months from filing.

(d) Contents of Incentives

The incentives consist of: (a) State grants (in cash), (b) State subsidies with respect to financial leasing contracts for the purchase of new machinery and other equipment, (c) tax relief through the creation of a special tax-free reserve and (d) State subsidies with respect to the cost for the creation of new employment positions.

More specifically, for the entities which will opt for the incentive of tax relief, the latter may cover fully the amount invested; whereas in case of State grants (in cash), the State subsidies in connection with the purchase of new machinery and equipment through leasing and the State subsidies with respect to the cost for the creation of new employment positions may in no case exceed 55% of the amount invested.

Finally, special categories of investment plans with a minimum subsidy ranging from 30% to 40% for the entire Greek territory, including areas A and B, are provided for in order to support and promote innovative investment plans, new technologies, theme parks, environmental care, energy production and energy saving and competitiveness between enterprises.

To small/medium size enterprises, as these are from time to time defined in the EU legislation, an additional percentage of subsidy up to 15% is granted.

For the first time investment plans to be realized outside Greece are within the scope of the Investment Incentives Law. Specifically, in order for such investment plans to qualify for State grants, any investment plan must, among others, be realized only by small or medium undertakings; furthermore, the contemplated activity must relate to either investment plans in all sectors of processing for the establishment of new production units or certain investment plans in the field of agriculture or animal breeding or high-technology aquaculture.

#### (e) Tax-free reserves

An undertaking making a productive investment in any of the special activities identified in the law qualifies for a tax-free reserve. The reserve is not included in its taxable profits for an amount equal to a certain percentage of the investment cost or the total value of leasing contracted. The said percentage ranges from 40% to 100%. The size of the annual reserve varies depending on the area and type of the investment project.

## 2. Other Investment Incentives

(a) L.D. 2687/1953 authorizes the Government to grant certain privileges to investments made with imported foreign capital. Repatriation of loan or share capital (up to 10% annually), cumulative remittance of profits (up to 12%, net of tax, on the imported and non-repatriated capital), remittance of interest (up to 10%) are the main advantages of this law which is endowed with constitutional power (i.e. neither this law nor the ministerial approval can be amended by legislation). All major investments made in Greece have been protected under this law.

(b) Following implementation of the free movement of capital by virtue of P.D. 96/1993 in compliance with the relevant E.C. Directives, a direct investment from an E.U. member state qualifies for full remittance of profits and repatriation of the proceeds of

liquidation. The authorities are only allowed to check the legality and genuineness of the investment but not its expediency, as is the case under L.D. 2687/1953. E.C. Directive 88/361, which further liberalized capital movements, enjoys direct application in Greece.

(c) Investments from third countries are also treated favorably, as their status - governed by an Act of the Governor of the Bank of Greece (825/1986, as amended) - is identical, in substantial terms, to that awarded under P.D. 96/1993. While capital investment originating in an E.U Member-State is processed through the Ministry of Finance, that originating in third countries goes through the Bank of Greece. As regards investments exceeding the amount of Euro 3,000,000, a 50% of which is funded by foreign capital, the respective competent authority is the Hellenic Investment Center (H.I.C.); past investments financed by capital originating in third countries do not, in general, qualify for full remittance of profits unless they come within the purview of L.D. 2687/1953. Act 2098/1992 of the Governor of the Bank of Greece removed impediments with regard to all payments, namely those made to both Member States and third countries, where those pertain to current transactions, as the term is defined by the I.M.F.

#### (d) 3<sup>rd</sup> Community Support Framework

As regards agriculture, which is one of the primary sectors of Greek economy, a program of the 3<sup>rd</sup> Community Support Framework is currently underway, providing community subsidies and direct grants for investments aiming at the development of agriculture, competitiveness of Greek products and restructuring of the countryside.

Financial incentives, depending on the region and type of investment, are granted to investors engaging in energy and environmental projects partly financed by the 3<sup>rd</sup> Community Support Framework. Such projects refer to energy saving, electricity and heat co-production, substitution of petroleum energy products for gas energy products, renewable energy sources and creation of sewage plants.

Financial incentives are granted to young investors aged from 21 to 39 and female investors aged from 21 to 55 who wish to engage in the field of trade, services and tourism; such projects are partly financed by the 3<sup>rd</sup> Community Support Framework.

Financial incentives are granted by the 3<sup>rd</sup> Community Support Framework to both new and existing (old) undertakings engaging in the field of applied and technological research as well as to any undertaking wishing to employ personnel holding a PhD degree in order to engage in research activities.

Financial incentives are also granted by the 3<sup>rd</sup> Community Support Framework to small and medium sized undertakings engaging in tourism (i.e. hotels, camping, rooms to let, tourist agencies etc.) for the purpose of improving their quality in services and competitiveness in the respective field.

#### 4. Regional tax incentives open to foreign investors

See above under 3.

#### IV. FINANCIAL FACILITIES

The main financial institutions in Greece are on the one hand the credit institutions, which receive deposits or other repayable funds from the public and grant credits for their own account and on the other hand financing institutions other than credit institutions, the business of which is basically the investment of stocks, lending, leasing, providing financial consulting services, trading for own account or for customer's account, trading foreign currency or transferable securities.

A credit institution can only be established in the form of a société anonyme, that is, a limited company with shares and only as an exception can it be established in the form of a purely credit partnership. Credit institutions established in Greece, as well as their branches operating in Greece or abroad, are subject to extensive supervision by the Bank of Greece (hereinafter "BOG") covering most aspects of their operation and aimed at safeguarding the interests of the depositors.

Apart from BOG, the Hellenic Bank Association (hereinafter "HBA") also plays an important role in the Greek financial market. It is a non-profit legal entity, which represents banks and other financial institutions operating in Greece and promotes issues of common interest through the convergence of its member banks' opinions. According to a report published by the HBA in 31/12/2004 there were 464 outlets and 3007 branches of credit institutions in Greece, which occupied in total 62.611 personnel.

Generally speaking it is relatively easy for a natural or legal person to open an account, though a specific procedure must be followed and certain requirements must be satisfied. These requirements vary depending on the type of the bank account and the bank where the account is opened. Under the Code of Banking Ethics, banks may open an account following submission of an application to this effect by the person who wishes to open the account and upon verification of the identity of that person. Banks may impose some quantitative restrictions by requiring a minimum amount of money to open an account or time restrictions by setting a duration for which the account must remain open. In case the person opening the account is a legal entity, a copy of the Articles of Incorporation and other legislation documents may also be required.

There is no obligation on the part of investors to maintain a bank account in Greece. With regard to the restrictions on the use of the account, they also vary depending on the nature of the account. In cases of accounts opened by private persons there may be an obligation that the account is not to be used for commercial purposes. A commission

may be charged when a third party pays a sum into the account or a fine may be imposed when the account has not been used for a long period of time.

The Stock Exchange of Greece operates in Athens. The Minister of National Economy exercises supervision over the operation of the Stock Exchange through the Capital Market Committee, a public entity appointed by the Minister of National Economy and having supervisory powers.

## **V. EXCHANGE CONTROLS**

### **1. Business Transactions with Nationals, Residents or Non-Residents**

A Greek national is a person who has the Greek nationality, either automatically from birth (when he/she is the child of a Greek man or woman or when he/she is born in Greece and he/she does not have any other nationality) or following application. A resident is a person who lives permanently in Greece, regardless of whether he has the Greek nationality or not. Legal entities do not have a nationality. Nevertheless, the place of the registered offices of a company constitutes their so-called “pseudo-nationality”.

In general terms there are no restrictions on non-nationals to conduct private business in Greece. Participation in public sector positions is more difficult and special rules apply to certain professions, such as doctors and lawyers. In these cases, when there is no agreement between Greece and the country involved, special procedures need to be followed to allow the non-national to exercise his/her profession. An investor can receive loans both from nationals, residents and non-residents.

### **2. Investment Controls**

Generally speaking, there are no specific restrictions regarding direct and indirect investment in Greece. There are various provisions aiming to attract of foreign investments, which offer incentives under conditions specified in the relevant legislation.

### **3. Money Transfer**

Since 1980 the determination of exchange rates is free. The Bank of Greece only regulates the selling profit margin of the Banks.

Money may be transferred in and out of the country and profits may be forwarded abroad, but money operations are subject to the national (Law 3424/2005 amending Law 2331/1995) and European rules prohibiting money laundering, i.e. income from criminal acts.

## **VI. IMPORT/EXPORT REGULATIONS**

### **1. Customs Regulations**

#### **Is Greece a member of the EU and GATT?**

Greece became member of the European Economic Community (EEC), later renamed to European Community (EC) and now European Union (EU), in 1981. Greece is also a member of the WTO and has signed all Annexes of the Marrakesh Agreement that establishes the World Trade Organisation. That basically means that Greece is bound both in its own capacity and in its capacity as Member-State of the EU (since the latter is a contracting party to the Agreement) by the GATT, GATS and TRIPS and the Dispute Settlement Understanding.

#### **Is Greece a party to a regional free trade agreement?**

Greece is contracting party, in its capacity as Member-State of the EU, to the European Economic Area Agreement (EEA), which has been concluded with Norway, Iceland and Liechtenstein to extend application of certain provisions pertaining to the single market to those three signatory states.

#### **Does the Customs Department value the goods?**

The Greek Customs value goods pursuant to the rules of the GATT Customs Valuation Agreement, which have also been incorporated into the Community Customs Code (CCC) in articles 28-36. It is important to clarify that the EC is a Customs Union, meaning that a Common Customs Tariff (CCT) applies to imports of goods across the external frontier of the EU (namely, goods that enter the Customs Union territory from a third country). Goods qualifying as Community Goods (namely, goods for which Customs duties and relevant taxes have been settled), are placed into free circulation within the common market and are subject to no more customs duties.

#### **How are goods cleared through customs?**

Customs clearing is normally carried out by a Customs broker appointed by the respective importer. The broker undertakes to deal with all formalities before the Customs Authorities including the settlement of payments due.

Customs clearance normally involves payment of the relevant customs duties and VAT. Other controls, such as health inspections, may be conducted when it comes to specific goods (e.g. food, farming animals, etc).

The taxable amount for VAT purposes consists of the import value of goods, which is inclusive of export or import duties. The standard VAT rate in Greece is 19%; a lower rate of 4.5% or 9% applies to certain goods and services (e.g. newspapers, books, theater

tickets, services furnished by hotels, restaurants, writers, artists e.t.c.). It should be noted that the end-importer (i.e. the one in the name and on the account of whom the procedure before the Greek Customs Authorities is carried out) is liable for payment of the VAT.

### **Are there applicable tariffs?**

The Common Customs Tariff (CCT) is in force throughout the Customs Union. The Tariff forms a combination of the *Combined Nomenclature*<sup>1</sup> (or classification of goods) and the *duty rates*<sup>2</sup> which apply to each class of goods (TARIC Code).

The Tariff, in addition, contains all other Community legislation that has an effect on the level of customs duties payable on a particular import; that is normally the case where a preferential regime agreement is in place between the EC and the country of origin. In that regard, it is important that national Customs Authorities be provided with documentation giving full evidence of the imported goods' origin, which is decided on the basis of the applicable Community Rules of Origin (articles 22-27 of CCC).

## **2. Exports**

### **Are there restrictions on exports?**

Few restrictions on exports exist with regard to drugs, dual-use goods (goods that in addition to their normal use may be used for military purposes), war materials, refinement products of crude oil and antiques. Export of such products is possible only after a license is obtained by the competent ministry. Apart from the above restrictions based on the type of goods, restrictions exist with regard to international embargos, either total or partial, in which latter case a permission is required for an export to take place to the country against which the embargo has been declared.

### **Are there applicable export duties?**

The export duties applicable are those provided for by Community legislation with regard to certain agricultural products. Regulation 120/1989/EEC sets out the basic legal framework in that regard.

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<sup>1</sup> The *Combined Nomenclature* (CN) is comprised of the Harmonized System (HS) nomenclature with further Community subdivisions. The Harmonized system is run by the World Customs Organization (WCO). This systematic list of commodities forms the basis for international trade negotiations, and is applied by most trading nations.

<sup>2</sup> The TARIC is a data base, which is under daily update and includes all applicable customs duties and all customs trade policy measures for all the goods applicable at any time.

### 3. Foreign Trade Regulations

#### **Are there foreign trade regulations on the import or export of goods involved in the business?**

At a European Union level some foreign trade regulations exist with regard to particular goods. Some quotas exist on certain imports depending on the country of origin. Non-Tariff Barriers at the EU level exist mainly in the form of “anti-dumping”, i.e. the restriction of imports in the EU at artificially low prices.

### 4. Imports

As a member state of the European Union, Greece has adopted the Common Custom Tariff (CCT) and the Common Agricultural Policy under which custom duties are applied to imports from non-EU countries.

There are no applicable import barriers with the exception of a small number of products restricted for safety, political or sanitary reasons, such as the prohibition with relation to the international trade of endangered species (wild fauna and flora), drugs and weapons.

With regard to food and beverages, products complying with the Greek Food Code do not, generally, require a special permit to be imported in Greece. There are, however, some restrictions for imports from non-EU countries which are related to seeds, nuts, meat, poultry and dairy products. In addition, new-to-market or new-technology food products, as well as food products that contain new substances must be approved by the Supreme Chemical Council of Greece before they may be marketed in Greece. Baby food, dietary supplements and special dietary products must comply with EU prescribed standards and are subject to a notification obligation to the National Drug Organization (E.O.F.), the approval of which is necessary for the custom clearance of the imported products. There is a special procedure for the import of medical and pharmaceutical products and cosmetics, the import of which necessitates a certification following a license procedure before the National Drug Organization.

In addition, for the import of agricultural and forestry products from non-EU member states the importer must obtain a phyto-sanitary certificate issued by the competent department of the Greek customs' authorities.

Finally, the importer of military equipment must obtain a special permit from the Ministry of Defense. With respect to the import of commercial weapons and ammunition, a permit from the Ministry of Public Order is required. The permit is necessary regardless of the country of origin of the product (EU member, or not). The country of origin in this case is hence only relevant as regards import duties.

## 5. Manufacturing Requirements

**Must the product contain ingredients or components, which are found or produced only in Greece and will the importation of certain component parts be permitted only if they are to be ultimately incorporated in a final product?**

There are no manufacturing requirements for the product to contain ingredients or components which are found or produced only in Greece. If, however, a product contains a prohibited ingredient or component, its import may be forbidden. In addition, a product circulating within the Greek market must conform to Greek and EU safety standards (with regard to the requirement of CE marking, please see below).

## 6. Product Labeling

**Are there applicable labeling or packaging requirements (e.g. multi-lingual notices, safety warnings, listing of ingredients, etc.)?**

As an EU member state Greece applies the safety requirements prescribed by a number of directives with regard to the use of harmonized European standards. The CE marking indicates minimum compliance to EU regulations and is a mandatory marking for many of the products sold in the EU. Products bearing the CE indication are deemed as being compliant with such regulations and may circulate freely within the EU, even if they originate from abroad. The following products belong to a constantly growing number of goods with prescribed standards and a CE marking obligation:

- i) Electrical and electronic equipment
- ii) Toys
- iii) Construction products
- iv) Machinery
- v) Personal protective equipment
- vi) Active implants and medical apparatus
- vii) Telecommunication, terminal equipment
- viii) Hot water boilers
- ix) Appliances burning gaseous fuels
- x) Simple pressure vessels

Apart from the CE marking requirement, the market law code (Law 14/1989 as amended) imposes labeling requirements both on food and non-food products.

Food products must bear information such as the brand-name of the product, the list of ingredients, the net quality, the date of expiration, instructions for use and preservation, the name or trademark and the address of one of the following persons or entities: the producer, the packager, the agent, the importer, or the seller established in the EU. In some cases, the same products must also bear information on the place of origin of the product (article 35).

Packaged non-food products must bear information such as the name or trademark and the address of one of the following persons: the producer, the packager, the importer, the agent or the seller established in the EU. The same products must also bear information on their place of origin, when this is not an EU member state (article 43).

All labeling information required must be in Greek. The Greek labels may be attached to the product locally, in the time period between clearing customs and being offered for sale to the end-consumer.

Instructions for use are mandatory for all consumer products that are not simple in use and operation. The instructions must be in Greek and must include information with regard to the type and model of the product, basic technical data and safety warnings pertaining to the use, operation and maintenance of the product (article 348 Law 14/1989).

## VII. STRUCTURES FOR DOING BUSINESS

### 1. Governmental Participation

Several years ago the State exercised a number of business activities, especially in the utilities, transportation and banking sectors, acting as a “legal monopolist”. Further to a waive of privatizations, which has been coupled with the liberalization of the utilities and transportation sectors, during the last decade, the participation of the State in the exercise of business activities is gradually receding.

### 2. Joint Ventures

Joint Ventures do not constitute a distinct type of incorporation. In practice joint ventures take two forms:

- i) A legal entity (most of the times a corporation), which is jointly held by two or more shareholders, or
- ii) A consortium or association between two or more independent entities to dedicate capital and resources for the completion of a specific project (e.g. construction projects). Such joint venture does not have legal personality, therefore is not a separate entity.

In the event that a joint venture takes the form of legal entity (namely, under i) above), its tax treatment depends on the specific type of entity formed in Greece. If the entity qualifies as a corporation (Société Anonyme, Limited Liability Company), then for details on its tax treatment, please refer to **Chapter XII**. If it qualifies as any other legal body (General, Limited and Silent Partnership, Civil Law Society), then please refer to **Chapter XIV**.

It should also be noted that notwithstanding lack of legal personality in the case under ii) above, a joint venture constitutes a distinct tax entity. For the tax implications of such investment, please refer to *Chapter XIV*.

### 3. Limited Liability Companies

The Limited Liability Company is called Eteria Periorismenis Eftinis (EPE). EPE constitutes the common corporate vehicle for small and medium sized businesses. The Limited Liability Company has features of a partnership and a corporation. The liability of the partners is limited to the amount of their contributions subject, however, to certain exceptions concerning debts of the company towards the State, taxation frauds and liabilities towards Social Security Funds.

The minimum share capital amounts to Euro 18,000, divided in company parts of a nominal value of Euro 30 or multiples thereof, and must be paid-up in full. It can be paid both in cash and in kind, but there is a limitation: at least ½ of the capital must be paid in cash.

The Articles of Incorporation are executed before a Notary Public and are registered with the local Court of First Instance and a summary thereof is published in the Government Gazette. An EPE may be established and operate as a single shareholder entity.

To be noted however that, establishment of a 'single-shareholder' EPE is invalid if:

- i) the founder (individual or legal entity) is the sole founder/shareholder of another 'single-shareholder' Limited Liability Company in Greece or within the EU, or if
- ii) the sole shareholder of the 'single-shareholder' EPE is another 'single-shareholder' Limited Liability Company.

The average cost for establishment of a (minimum share capital) Limited Liability Company (EPE) in Greece amounts approximately to Euro 2,500 (excluding legal fees). The executive and representation powers in an EPE are exercised by one or more administrators, which may be foreign individuals.

For the tax implications of such corporate type, please refer to *Chapter XII*.

### 4. Corporations

A Corporation is called Anonimi Eteria (AE). An AE is a stock company established under Law 2190/1920. In such company the liability of the shareholder is limited to the amount of its contribution to the share capital, which is represented by shares of stock. The minimum share capital amounts to Euro 60,000, which has to be paid-up in full within two months as of the effective date of incorporation. The payment of the share capital may take place either in cash or other assets, including intangibles. To be noted

that the option of payment in assets triggers a valuation procedure, completion of which requires substantial time.

An AE is managed by a Board of Directors, which consists of at least three members, none of which is required to be Greek.

The incorporation procedure of an AE is summarized as follows:

Stage one:

The Articles of Incorporation must be executed before a Notary Public in Greece. At least two founders (either individuals or legal entities) are required as a matter of law. To be noted, however, that after the incorporation of the company all the shares may be held by one shareholder.

Stage two:

The relevant notarial deed that incorporates the Articles of Incorporation must be submitted to the competent supervisory authority, which is the local Prefecture. A decision for the establishment of the company and an approval of the Articles of Incorporation must be issued by the appropriate Prefecture – Department of Commerce and registered in the relevant corporate registry kept by the Prefecture (with the date of said entry being the effective date of incorporation of the company). Following such registration, an announcement thereof is published in the Government Gazette.

The time required for the completion of the incorporation procedure may vary in accordance with the amount of the initial share capital, as follows:

- i) Share capital not exceeding Euro 300,000: within approximately three working days from submission of all the incorporation documents to the Prefecture.
- ii) Share capital exceeding Euro 300,000: within approximately fifteen days from the day all the incorporation documents are submitted to the Prefecture.

The costs of establishment of a minimum share capital AE amount approximately to Euro 3,000 (excluding legal fees).

For the tax implications of such corporate type, please refer to **Chapter XII**.

## **5. Partnerships, General or Limited**

The general partnership in Greek law is called “Omorrythmi Etairia” (O.E.). An OE is a company in which all partners are liable, jointly and severally for the partnership debts. According to Greek law a General partnership (contrary to British, American and German law), is a legal entity. Such corporate type is very flexible and requires minimum cost for establishment and legal compliance, but entails a serious risk for the participants, as they are subject to personal liability for corporate debts. Such type is therefore commonly used for small family businesses.

All of its partners are qualified as “merchants”, a qualification based on the mere fact of their participation in an O.E. (derivative commerciality of the partners). The bankruptcy of the legal entity of the O.E. results ipso facto to the parallel bankruptcy of its partners.

A limited partnership, in Greek “Eterorhythmi Etairia” (E.E.), is a partnership with one or more general partners and one or more limited partners. The general partners have unlimited liability whereas the limited partners have limited liability only. A limited partnership cannot, by law, exist without at least one general partner and in case the general partner ceases to exist such partner must be replaced or otherwise the company must be dissolved. However, a limited partnership the limited partner of which has exited in any way may continue trading in the form of a general partnership. According to the provisions of Greek Company Law, general partners are fully liable in respect of any liabilities of the limited partnership in parallel with the latter. Thus, any third party may seek from a general partner the satisfaction of a claim against the limited partnership, without having to turn first against the latter. Limited partners are liable only up to the amount of their contribution to the partnership. As an exception to the above, a limited partner may be fully liable for the limited partnership’s debts if he has not paid in or has withdrawn his contribution or if he assumes the duties of the administrator of the partnership or represents, in general, the partnership towards third parties.

The name of OEs, used for commercial transactions and business, consists only of the names of the partners. The name of EEs must consist of the names of one or more of the general partners, while the inclusion of the name of the limited partners is strictly prohibited.

The articles of a general or limited partnership must be drawn up either by a private contract or by public deed. The articles govern the partnership and must be made public by the publication of an extract thereof. This extract must contain at least the full name and residence of the partners, the registered office, the persons with authority to manage the business and to sign on behalf of the partnership, the amounts of capital invested (there is no minimum capital required by the law), the time of commencement and termination of the partnership. In practice, a ratified copy of the deed is registered with the registry of Companies of the First Instance Court of the district in which the partnership has its registered office. The same publication is required for any amendment of the articles.

For the tax implications of such corporate types, please refer to *Chapter XIV*.

## **6. Partnerships, Undisclosed**

As a matter of Greek law undisclosed partnerships are not regulated. However, in practice further to an established principle of case law, undisclosed partnerships are treated as de facto general partnerships.

For the tax implications of such investment, please refer to *Chapter XIV*.

## 7. Sole Proprietorships

The sole proprietorship is in practice preferred only for very small scale businesses as they entail a high risk of personal liability vis a vis creditors.

For the tax implications of such investment, please refer to *Chapter XIV*.

## 8. Subsidiaries/Branches/Representative Offices

Foreign Unlimited Liability and Limited Liability Companies, lawfully established pursuant to their home state laws and regulations, may establish branches in Greece subject to certain conditions laid down by article 50 of Law 2190/1920 and article 57 of Law 3190/1955 respectively.

A branch is a financially and legally dependent department of the foreign entity. It does not have a legal personality and its activities are performed in the name and on behalf of the foreign company. It may perform all activities provided for at the Articles of Incorporation of the foreign company, except in case there is respective limitation at the Power of Attorney for the establishment of the branch in Greece.

Approval of the Prefecture of the branch's registered seat, registration with the companies' registry kept with the Prefecture and publication formalities are required for the establishment of a branch. Additional licensing may also be required depending on the kind of activities performed (e.g. in case of certain industrial establishments).

The main obligations of branches of the foreign companies during their operation in Greece are to submit to the competent Prefecture:

- i) All modification of the data which have been submitted for their establishment.
- ii) A copy of the annual balance sheet of the foreign company.
- iii) A record for its operations in Greece during the financial year of the respective balance sheet.

A branch of a foreign entity is managed by a legal representative, who may be a foreign individual, the scope of powers of whom is defined by a Power of Attorney that is issued by the parent company.

The cost of establishment of a branch of a foreign entity in Greece amounts approximately to Euro 1,000 and the incorporation procedure normally takes one month.

Greek-located subsidiaries, being legal entities distinct from their parents, are Greek tax resident entities. They are thus established pursuant to the forms of entity organization

available under Greek law and taxed according to the rules that apply to the specific entity type. Branches have the same treatment (rates, tax base) as Greek corporations. In that respect, please refer to *Chapter XII*. The treatment of Representative Offices depends on whether they qualify as a permanent establishment of the foreign investor in Greece. In the event they do, they have the tax treatment of corporations (*Chapter XII*). Otherwise, they suffer no tax in Greece at all.

## 9. Trusts and Other Fiduciary Entities

Trusts or other fiduciary entities are not recognized by Greek law.

## VIII. REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS

### 1. Alien Business Law

There are no major alien business law restrictions for the exercise of business activities other than the following:

- i) foreign (non EU employees) must obtain work permits in order to work in Greece.
- ii) real estate property in border areas of Greece may be purchased by foreign entities or individuals only further to prior clearance issued by local authorities.

### 2. Antitrust Laws

There are no specific antitrust laws requirements for the exercise of business activities by foreigners in Greece. Local antitrust laws, which resemble EU ones, equally apply to nationals and non nationals. Greek Antitrust Law was recently modified by the enactment on August 2, 2005 of Law 3373/2005, which amended Greek Competition Law 703/1977. The amendment reflects, *inter alia*, the requirements of EC Regulation 1/2003 and provides the Hellenic Competition Commission with a reinforced operational framework as well as with an extended range of powers to be exercised on the basis of a more rationalized and effective procedural background. Said modifications refer mainly to the reinstatement of the post-merger notification regime, the amendment of the pre-merger notification thresholds, the abuse of financial dependence, joint ventures, the leniency regime, new regulatory powers of the Hellenic Competition Commission on specific sectors of the market as well as to matters of notification of agreements, decisions and concerted practices.

### 3. Environmental Regulations

The basic environmental regulations are described above under the heading "Environmental Considerations".

#### **4. Government Approvals - Licenses/Permits**

Government approvals/Permits are required for the exercise of specifically regulated business activities, such as insurance, banking, investment and capital market services, mining activities, transport and tourism, and construction. The licensing requirements and the fees associated with such procedures are different in every sector.

#### **5. Insurance**

As a general rule insurance is not mandatory for the exercise of business activities. However, particular business activities such as transport, construction and investment services entail the obligation for professional liability insurance.

### **IX. OPERATION OF THE BUSINESS**

#### **1. Advertising**

##### **Are there restrictions on advertising?**

Advertising is a highly regulated sector. Restrictions exist, for example, with regard to the content of the advertisement, to the object of the advertisement, to the medium in which a product may be advertised as well as with regard to the recipients of the advertisement. More particularly, an advertisement may not be untruthful or deceitful. The advertisement of some products such as prescription medicine is absolutely prohibited. Television advertisement must take into consideration the special interests of the minors. War games, smoking products and prescription medicine may not be advertised at all in the radio or television, while advertisements may not encourage consummation of alcohol by implication of success or improved performance. Comparative advertisement is, on the other hand, acceptable, subject to a number of conditions and most importantly that the comparative advertisement is neither personal nor misleading.

#### **2. Attorneys**

##### **Is it necessary to have local counsel?**

There is no legal requirement for a company to have an attorney in order to operate its business. In practice, however, a local counsel is necessary both regarding the establishment of a business as well as regarding various issues arising during the regular conduct of business. A party to a dispute before Greek courts must also be represented by a counsel admitted in the local Bar Association, unless the dispute is heard before the lowest court for small disputes (Eirinodikio), where the party may represent itself without legal representation.

### **How can local counsel be found and how much are attorney's fees?**

International clients and foreign investors may find local counsel through international listing publications and the internet. The local Bar associations have lists of registered members, which a client or an attorney admitted in another Bar Association may consult.

With regard to attorney's fees, major commercial law firms charge on the basis of hourly rates. However, the majority of single practitioners and especially criminal lawyers either charge on a success fee or on a lump sum basis. The Code of Lawyers also provides a list of minimum fees per legal action.

### **3. Bookkeeping Requirements**

#### **Must the investor keep local books of accounts?**

A foreign investor is under the obligation to keep local books of accounts if it is either engaged in local taxable activities or has a real-physical professional establishment in Greece, irrespective of whether such establishment amounts to a permanent establishment. In addition, the above obligation equally applies to investors that have a right of ownership, or other right *in rem*, on real estate located in Greece.

A distinct case is that of the VAT representative, appointed by non EU investors that do not maintain any permanent establishment in Greece, though effect VAT taxable transactions therein. The VAT representative keeps books and records specifically destined to allow him/her to comply with the respective operator's VAT obligations in Greece.

#### **In what form must the investor keep accounts (e.g. GAP, in what language, etc.)?**

Accounts are kept in Greek language and pursuant to the provisions of the Greek Accounting Plan. There is an obligation to publish the following three annual accounts: Balance Sheet, Profit and Loss and Distribution Table. It should also be mentioned that Greece, in conformity with relevant EU legislation, has introduced the International Accounting Standards' method of reporting financial statements in respect of listed companies among others and/or companies that have opted for the International Accounting Standards as of January 1<sup>st</sup>, 2005.

### **4. Business Ethics/Codes**

#### **Are there certain business ethics or codes, which the investor must follow (e.g. GAAP for accountants, etc.)?**

There is no precise business ethic being of horizontal application. Different codes of conduct apply to each professional discipline, which investors must take into account

accordingly. For example, Presidential Decree 1123/1980 introduces GAAP for accountants while Law 3148/2005 refers to the incompatibilities and limitations of the activities of accountants.

## **5. Consumer Protection Laws**

### **Are there consumer protection laws, which apply to the investor's operations?**

Greece, as a member of the EU has implemented all EU Directives (except for the latest Directive 2005/29/EC concerning unfair business-to-consumer commercial practices in the internal market) and introduced further provisions with regard to consumer protection, regulating, among others: the general terms of transaction, distance selling, out of the store contracts, after sale service, product liability, the liability of the supplier of services and advertisement. Depending on the kind of the operations of the investor, the investor may be subject to these consumer protection laws (principal local law on Consumer's protection: 2251/1994).

## **6. Construction**

### **What are the costs of construction?**

### **Are permits required for construction and how is authorization obtained?**

### **How long does it take to receive authorization to construct and what fees are involved?**

The costs of construction are comparable to the average western European countries. The vast majority of construction work requires previous issuance of a construction permit through an administrative procedure. The period of time and the fees necessary for the issuance of a construction permit depend on the type and magnitude of the construction work.

## **7. Contracts**

### **Can the investor freely enter into local contracts?**

According to a major principle of Greek law, a person has the freedom to enter into any agreement, unless this is immoral or prohibited by law (i.e. a contract for the sale of drugs etc.). An investor may therefore enter into any local contract he/she deems appropriate subject to the above restrictions.

### **Can the law of another country govern the contracts?**

The parties to an agreement may determine that the law of another country is applicable, unless the application of a foreign law is contrary to morality or to Greek public policy, or the agreement relates to possession and real rights on immovable things, which are governed by the law of the country where such assets are situated.

## 8. Price Controls

### **Are there applicable price controls?**

The prices are freely determinable subject to the general rule of supply and demand. Few exceptions apply currently for example for medicine, the prices of which are subject to approval by the Ministry of Development.

Pricing at the retail sales level below cost is prohibited, when the structure of a specific market is jeopardized or the principles of competition or the interests of the consumers are substantially distorted. Notably, a number of cases of concerted retail pricing policies have been found by the Hellenic Competition Committee to be in breach of competition legislation.

## 9. Product Registration

### **Must the entity register its product?**

#### **If so, how is registration obtained and how long does the process take?**

Medical or cosmetic products must be registered with the National Drug Organization (EOF). The duration of the procedure is longer with regard to medicine, for which a permit to circulate must be obtained, and depends on the nature and the properties of the medicine.

## 10. Reductions or Return on Capital

### **Can capital be repatriated while the corporation is still ongoing?**

A corporation may reduce its capital and pay the sum of the deduction as dividends to its shareholders provided that the reduced capital meets the minimum capital requirements prescribed by law and the deduction does not result to the undercapitalization of the corporation.

## 11. Sale of Goods

### **Are there restrictions on the manner, time or place of sale of goods?**

A number of provisions regulate the operation schedule of the stores and the places a number of products may be sold. Medicine, prescription or no-prescription, for example, may only be sold in pharmacies, while cigarettes may not be sold in supermarkets.

## 12. Trade Associations

### **Are there trade associations the investor can or must join?**

#### **If so, are there fees involved?**

An investor must register with the local Chamber of Commerce, in Athens with the Athens Chamber of Commerce for a moderate fee.

## X. CESSATION OR TERMINATION OF BUSINESS

### 1. Termination

#### **Can the business be terminated without government approval or intervention and what are the obligations towards creditors, employees and others upon termination?**

A legal entity may at any time and at its shareholders' discretion terminate its business and enter a liquidation procedure, which will result in the payment of all of the entity's outstanding debts to creditors and employees of the business and the distribution of the remaining assets to its shareholders.

#### **What are the tax consequences of terminating the business?**

The termination of a business brings forth no specific tax consequences except for the income tax liability that arises from the annual and final income tax return statements which are to be filed in the course of the liquidation period. VAT is due at the beginning and upon completion of the liquidation process. It should be mentioned that termination of a business is not linked to a tax audit. That implies that a tax audit, meant to look at past years of assessment that have remained unaudited, may well take place after the entity has been terminated.

### 2. Insolvency/Bankruptcy

#### **What is the extent of the investor's liability in the event of insolvency or bankruptcy?**

According to Greek law regarding Bankruptcy, there are two necessary conditions for the declaration of a natural person or legal entity as bankrupt: (a) the capacity of a person or entity as a trader and (b) the discontinuation by such person or entity of payments towards debts arising from their involvement in trade and non-trade activities that occurs in a serious and consistent manner and demonstrates lack of creditworthiness.

The declaration of bankruptcy is linked to a series of consequences for both the bankrupt person and its creditors. A person declared in bankruptcy is debarred from being involved in trade on a customary basis, although he/she may intermittently

undertake individual trade actions. The bankrupt person is also deprived of any power to administer or dispose of all assets belonging in its bankruptcy property despite remaining the legal owner of such assets. Instead, the bankruptcy administrator assumes the responsibility to proceed to every action that appears to be necessary for the preservation of the bankruptcy property. During that time, creditors are barred from undertaking individual execution measures, unless their claims are secured. There are three alternatives with regard to the result of these proceedings: (a) a bankruptcy settlement, (b) a pro-rata allocation of the liquidation proceeds among the bankruptcy creditors or (c) termination of the bankruptcy proceedings because the liquidation of the bankruptcy property appears to be unfruitful or unprofitable in which case creditors are free to seek individual redress for their claims.

With regard to the doctrine of piercing of the corporate veil, the autonomous legal personality of a corporation and of a limited liability company and the distinction of its assets and liabilities as opposed to the assets and liabilities of its shareholders and executives is a well-established principle in Greek law. As a result of the above principles, shareholders may not be held liable and their personal assets are shielded against insolvency, tort, and contractual claims of creditors of the company. However, although not strictly provided by law, the theory of “piercing of the corporate veil” i.e. a case where the consequences of the liability of the company may be imposed on a shareholder has been endorsed in a very small number of instances by the case law of the Supreme Court of Greece (Areios Pagos).

**What choices, if any, are available to the investor with regard to the restructuring of the business?**

With regard to the restructuring of a business, Greek law provides two possible procedures: (a) company – creditors’ agreement pursuant to article 44 Law 1892/1990 or (b) special liquidation pursuant to article 46-46A Law 1892/1990:

In line with the market economy principles and the respective distrust for regulatory interventions, Law 1892/1990 stipulates that creditors representing sixty percent of the claims of the previous financial year against a company in difficulty and forty percent of its secured debts, may agree with the majority of the company’s shareholders to set off, limit or settle their claims, or at least defer or alter the condition of payment of such claims under the assumption that the company’s producing assets have not been sold off. Furthermore, the parties are free to agree upon additional measures facilitating the return of the indebted company back to a state of viability and profitability. The agreement is subject to approval by the Court of Appeals of the area of establishment of the company and its effects are binding for both the company and the creditors of the class referred to in the above provision.

According to article 46 of Law 1892/1990 companies in financial difficulty or in bankruptcy, characterized by deteriorating solvency ratios, may be subject to a special liquidation procedure. This procedure is triggered by an application of creditors

representing twenty percent of the company's outstanding debt, addressed to the Court of Appeals of the company's place of establishment. Following the adoption of the court decision, an administrator is put in charge with the company's management, while all employment relationships of the company's personnel are terminated. The administrator must then sell off the company's assets and distribute the proceeds of the sale among the company's creditors. Article 46a, introducing a similar procedure, favors the continued operation of the business by an alternative entrepreneur purchasing the totality of the company's assets. The application to the Court is in this case submitted by 51% of the creditors of the company, while the administrator monitors a tender procedure for the sale of the company.

## **XI. LABOR LEGISLATION, RELATION, AND SUPPLY**

### **1. Employer/Employee Relations**

#### **What laws govern employer/employee relations?**

Employer/employee relations are regulated by a number of employment law provisions covering all issues including the hiring of employees, working hours, overtime, annual leave, dismissal, severance pay, health and safety at work and others.

Employment contracts are subject to the provisions of the Greek Civil Code. The contracting parties are free to agree to any term of employment that does not infringe any mandatory rules. Most legal rules in the field of labor law are mandatory. Employment contracts may be fixed for a definite or indefinite period. Such a distinction has a significant bearing on factors such as termination, severance pay and annual leave. If an employment contract for a definite period is continuously renewed, it becomes a contract for an indefinite period.

### **2. Employment Regulations**

#### **Is there a minimum wage?**

Minimum statutory levels of pay are fixed through collective bargaining. A distinction is made between the national minimum wage (applying to all occupations) and the minimum wage for particular occupational categories (applying to given industries or branches of activity). Any employment contract agreeing on a level of pay below the statutory minimum is null and void. Indicatively, the minimum wage of a non-qualified worker is set at the amount of Euro 27,18 per day while the monthly salary of an employee without prior experience is set at Euro 608,32 per month.

**Is there a maximum number of hours an employee can work each week?**

The statutory working hours for employees working a 5-day week are set to 8 hours per day and 40 hours per week. The limit of 40 hours per week may be exceeded by 3 hours (characterized as “sui generis overwork”) for which additional compensation must be paid. Any work beyond the 43-hour limit (up to the maximum limit of 48 hours a week) is considered as “overtime” and requires the approval of the labor authorities.

**Is there a minimum number of vacation and sick days to be given?**

Employees who work 5 days per week are entitled to annual vacation of 20 working days. After the first paid vacation one day is added per year, until the maximum of 22 days is reached. Employees who have completed 10 years of service with the same employer or 12 years of service with any employer are entitled to 25 vacation days. During the vacation period employees are entitled to receive their normal pay plus a vacation allowance equaling  $\frac{1}{2}$  of their monthly salary.

Employees who are prevented from working, due to a serious reason, including illness, for which they cannot be held responsible, are entitled to continue receiving their normal pay during the period of their absence from work, on condition that they have been providing their services to the employer for at least 10 days before their illness. This entitlement does not last for the whole of the period for which they are prevented from working, but is subject to certain time limits set by law. According to these, an employee who has completed one year’s service with the same employer is entitled to receive pay for one month’s absence, while an employee who has not completed such time of service, is entitled to receive pay for  $\frac{1}{2}$  month’s absence.

**3. Hiring and Firing Requirements****Must the investor employ a minimum number of people?****Must the investor employ a minimum number of nationals?****Must nationals hold certain positions in the company?**

There is no obligation that an investor employs a minimum number of people and may place any employee (of any nationality) at any position at its own discretion.

However, employees who are citizens of a non-EU country are only permitted to work in Greece if they obtain a work and residence permit (for details please see below under Immigration Requirements).

**Are there rules to follow in hiring/dismissing personnel (e.g. notice)?**

The hiring of an employee must be notified to the labor authorities within eight days from the hiring date.

Employment contracts of indefinite term may be terminated by the employer without prior notice by paying to the employee the lawful severance payment. The minimum amount of severance payment is specified by law based upon the employee's length of service and monthly emoluments. Employment contracts of definite term expire automatically, without compensation, upon their expiry date. Early termination is allowed by law only for serious cause.

**Does the investor have a continuing obligation towards dismissed employees?**

No such obligation exists under Greek law.

**4. Labor Availability**

**Is adequate skilled or unskilled labor available for the anticipated business?**

Both skilled and unskilled labor is available in Greece for almost every business that could be founded in the country.

**5. Labor Permits**

**Are labor permits required and how are they obtained?**

**How long does the process take and what fees are involved?**

With regard to labor permits for non-Greek nationals, please see below under Immigration Requirements.

**6. Safety Standards**

**Are there safety standards that must be followed?**

The employer is required to take all necessary measures for the welfare, health and safety of the employees at the place of work. Special laws for specific obligations of the employers as regards hygiene and security at work apply particularly in relation to industrial undertakings.

**7. Unions**

**Are unions recognized?**

Trade union activity is recognized under Greek law for all types of undertakings. State authorities are under a legal obligation to ensure that the right of establishment and the independent operation of all trade unions are unimpeded. Pursuant to labor law, employers may not impede in any way whatsoever the exercise of their employees' rights. Furthermore, termination of employment on the grounds of lawful trade union activity as well as dismissal of union board members are void.

## **XII. TAX ON CORPORATIONS**

### **1. Allowances**

#### **What are the major allowances (e.g. capital cost depreciation)?**

Greek corporate tax law, in principle, allows for deduction of all expenses pertaining to the business activity of a corporation (i.e. expenses that contribute to its financial results). In addition thereto, an allowance is also granted to account for the depreciation of a corporation's fixed assets.

More specifically, deductible expenses shall fulfill the following criteria:

- i) The expenses incurred shall pertain to the business activity of the company and contribute to its financial results.
- ii) They shall be certain (i.e. not contingent upon occurrence of a precise event) and recorded in the book entries of the year of assessment in regard to which their deduction is claimed.
- iii) They shall be properly recorded in the company's books and supported by all necessary documentation in line with the law.

#### **What are the major deductible items?**

There is no exhaustive listing of deductible business expenses in Greek corporate tax law. In principle, all business expenses are deductible to the extent they fulfill the criteria set by the law. Notwithstanding the above the Ministry of Finance issues every year a Ministerial Decision providing for a list of expenses that are either deductible or non deductible for corporate income tax purposes which is binding for the tax auditors.

Some key deductible expenses expressly mentioned by the law and/or the Ministerial Decision are the following: management expenses, salaries paid to personnel, deemed rental payments for real estate owned by the corporation, life insurance premiums paid for group insurance of personnel, expenses incurred for the repair and maintenance of business premises, machinery and vehicles, interest from loans, the amount of depreciation of fixed assets, royalties paid to other entities for the use of technical assistance, patents, trademarks, designs, etc, advertising costs, leasing rentals. Furthermore the deductibility of the intercompany charges incurred by a Greek company and paid to non Greek resident companies of the Group is subject to a pre-approval procedure that takes place before a Special Governmental Committee.

Depreciation is compulsory for Balance Sheets settled after December 31<sup>st</sup>, 1997 and shall be performed annually. The method of depreciation is, in principle, a straight-line one; an exception allowing for choice between a straight-line and a declining-balance method applies to new mechanical and other equipment, acquired after January 1<sup>st</sup>, 1998 by certain corporations. From 2003 onwards, two alternative depreciation rates, a

lower and an upper one, shall be applicable to a number of fixed assets explicitly described in the Presidential Decree 299/2003. All fixed assets in relation to which no specific (lower and upper) depreciation rate is established shall be subject to depreciation on the basis of their productive lifetime. Furthermore, as of January 1<sup>st</sup> 2005 corporations have the additional right to choose an intermediary rate between the upper and the lower one.

As regards the fixed assets expressly referred to in the Presidential Decree, a corporation may decide to apply the lower or the upper depreciation rate or any other intermediary depreciation rate between the upper and the lower. However, the depreciation rate chosen for a specific category of fixed assets acquired during a specific year of assessment must be applied in a consistent manner over the remaining years of assessment up to full depreciation of the assets. From 1 January 2003 onwards, depreciation shall obligatorily be calculated on the basis of the new depreciation rates, while specific rules apply to newly-established enterprises.

For example, depreciation rates for buildings range between 5% and 12% depending on the use of each building (e.g. schools, cinemas and theatres may be depreciated at either the lower rate being 5% or the upper one being 8%, while airport terminals at either 2% or 4% etc.). Machinery and plants used for the production and distribution of electricity are depreciated at rates varying from 2% to 20% (e.g. systems of electronic supervision used in machinery or premises for the distribution of electricity are subject to depreciation at either 18% or 20%, while machinery of water power plants is depreciated at either 3% or 4% etc.).

### **What are the major expenses that are excluded from deductibility?**

As mentioned above, all business expenses are, in principle, eligible for deduction provided they comply with the relevant criteria set by the law.

The Corporate Income Tax Code and the Ministerial Decision providing for the non deductible expenses includes among other the following expenses:

- i) Expenses in connection with both services and capital assets rendered/purchased from offshore companies. Offshore companies are identified as those legal entities that reside abroad and benefit from the favorable tax treatment of their residence countries. For the purpose of identifying potential residence countries of offshore companies, the relevant Interpretative Circular issued by the Ministry of Finance points to an indicative list of countries that coincides with the OECD initial list of Tax Havens.
- ii) Default interest for late payment of taxes, duties, contributions and penalties to the State or other public organizations.
- iii) Depreciations in relation to non operating fixed assets.
- iv) Expenses for the purchase of gifts that are granted by the tax payer to clients, customers and third parties exceeding Euro 15 per gift.

v) 50% of expenses incurred for the use of mobile phones.

It should be mentioned that only *deemed* expenses (the same as those to which Greek-resident partnerships are entitled – see under *Chapter XIV, Section 1*) are deductible from rental income received by non-resident companies that have no such presence in Greece amounting to a permanent establishment.

## 2. Calculation of Taxes

### How is the taxable base determined?

Greek corporations are subject to income tax on their worldwide annual income. Foreign entities are taxable in Greece only on their Greek-source income (e.g. rentals of premises in Greece). In addition, where such entities maintain a “permanent establishment” in Greece, they are taxed on income attributed thereto. However, treaties for the avoidance of double taxation between Greece and other countries vary in their definition of a permanent establishment and taxation of foreign residents.

Generally, corporations’ gross income is reduced by their allowable expenses for the purpose of arriving at their net income (the conditions for deduction are set out above under 1(c)). The tax rate applies on corporations’ net income.

## 3. Capital Gains

### What are the federal or national tax rates on capital gains?

As regards corporations, there is no capital gains tax distinct from income tax in Greece. For example, capital gains resulting from a disposal of specific securities such as bonds are treated as interest and are taxed at a 10% rate. In addition, the gain arising from the transfer of fixed assets is taxable at the corporate income tax rate (i.e. 29% for 2006 and 25% for 2007 and onwards) as part of the annual income tax liability.

As regards individuals, please refer to Capital Gains *Chapter XIII, Section 3*.

The following gains are subject to income tax at a 20% rate:

- i) the goodwill, if any, upon transfer of a going concern or an entire business;
- ii) gains arising from the transfer of intangible assets, such as trademarks, patents, leasing rights and any other rights pertaining to the operation of an enterprise or profession;
- iii) gains from the transfer of quotas in limited liability companies.

It should be noted that said tax does not exhaust the corporations’ income tax liability with respect to this income. Such gains shall be declared along with corporations’ other

income in their annual tax return and the amount of tax already withheld shall be set off against tax corresponding to the total income declared.

#### 4. Filing and Payment Requirements

The corporation must file its tax return by the tenth (10<sup>th</sup>) day of the fifth (5<sup>th</sup>) month that follows the end of the year of assessment in the course of which tax liability arises.

The arising income tax liability must be paid off in eight (8) equal monthly installments; the first one thereof must be settled upon filing of the tax return. The other seven (7) installments must be remitted by the last working day of the seven (7) months following that in the course of which the tax return was filed.

#### 5. Miscellaneous Taxes Due

##### Is there a tax on capital?

No tax on capital is due in Greece except in relation to real estate located therein; from 1997 onwards, real estate has been subjected to an annual property tax. Such tax is imposed upon the total value of immovable property owned by a corporation and bearing a value in excess of Euro 243,600. Property tax is computed by applying a 0.7% flat rate either on the “objective value” of the property (i.e. such value is calculated pursuant to official tables prepared on the basis of certain parameters such as location, place, floor, age, etc.) or its “market value” (i.e. such value is based on the comparative system assessing the value of property located in areas where the “objective system” does not apply yet). It must be noted that certain exemptions from said tax have been introduced (e.g. buildings used by the corporation for production or commercial activities, 50% of the value of immovable property owned by hotels and used in their operational activities).

Moreover, as of 2003, a special tax of 3% is payable by legal entities (domestic or foreign) owning or having other property rights such as usufruct on real estate located in Greece. Such tax is imposed on the “objective value” of immovable property. There are, however, exemptions from said taxation. Entities engaged in the construction of buildings which they put into use for the purposes of their own business or entities that derive higher income from activities other than that of directly holding real estate fall out of the scope of said tax liability. Furthermore, AEs with registered shares up to the ultimate individual shareholder(s) as well as Limited Liability Companies that disclose all holders of company quotas up to the ultimate individual beneficiary are also exempt, provided the entity that maintains the direct property right be resident within the EU; if that entity is resident in a third country, then in addition to the above disclosure requirement, exemption is only granted on condition that a **“treaty for administrative assistance in the combat against fraud and tax evasion”** be in force between Greece and the third country in question. It is to be noted that so far, Greece has concluded no such treaty. Listed companies having a direct right of ownership to real estate escape the

above 3% tax liability; in the event such companies have an indirect holding in Greek real estate, the property-owning entity is exempt without a need to disclose beneficiaries of holdings placed further than the listed company in the shareholding tree. Finally, the same applies to certain institutional investors (closed-end Mutual Funds, Mutual Fund Management Companies, closed-end companies of collective investment in real estate, etc), provided those are resident in the EU.

## **Are there other taxes?**

### (i) Municipal Taxes

Corporations may be liable, depending on the precise form of their activity, to the following municipal taxes/duties: (a) cleaning and lightning fees, payable as part of the electricity bill, by the owners or users of buildings for the collection of litter and waste and the lightening of streets; the amount is based on the size of the building; (b) annual tax on undeveloped real estate; (c) special duty on advertisements.

As of January 1<sup>st</sup>, 1993, a small property duty is levied at a rate ranging between 0.025% and 0.035% on the objective value of immovable property located in the territory of a municipality. This duty is also incorporated in the respective electricity bill.

### (ii) Taxes in favor of third parties

Certain provisions impose numerous taxes in favor of third parties, such as the Lawyers' Pension Fund, Universities, other funds and non-profit organizations.

## **What are the filing and payment requirements?**

Corporations must file their property tax return within March each year, irrespective of the date on which they settled their Balance Sheet or the fact that they have had a year of assessment exceeding twelve months.

As far as the special tax of 3% is concerned, the legal entities being subject to this tax must file the respective tax return before the competent Tax Authorities by May 20<sup>th</sup> of each year. Said tax must be paid in full upon filing of the tax return.

## **6. Registration Duties**

### **Are there registration duties due upon the incorporation of a company?**

Law 1676/1986, implementing Directive 69/335/EEC, introduced a special tax of 1% on capital accumulation, i.e. establishment, conversion or merger of a company, capital increase or capital contribution. In certain cases, the above tax replaced stamp duties already existing at the time.

In addition, a share capital increase in a AE is subject to a duty of 0.1% payable in favor of the Greek Competition Committee.

### **Are there registration duties due upon the transfer of the company's shares?**

Corporations disposing of shares are to receive the following tax treatment:

(i) Transfers of listed shares: those are subject to 0.15% tax on the transfer value. The tax due is borne by the seller and is either withheld by the Central Securities Depository upon liquidation in case of listed shares on the Athens Stock Exchange or paid to the State within the first 15 days of the month following the sale of the shares. The capital gain, if any, arising from the transfer is taxable at the applicable income tax rate only if, when and to the extent it is distributed or capitalized.

(ii) Transfers of non-listed shares: those are subject to 5% income tax applicable to the relevant transfer value. The taxable value per share cannot be lower than the result of a calculation performed pursuant to a Decision issued by the Ministry of Finance.

In this respect, a minimum transfer price per share is calculated on the basis of the value of the shareholder's equity as it appears in the latest Balance Sheet (account is also taken of any capital increase that may have been effected thereafter); the amount corresponding to the above is increased by the ratio of the average operating profits of the last five years over the average shareholder equity for the same period. The outcome is further increased by the capital gain accruing as a result of the company's possession of real estate; the amount in question arises from subtracting the overall acquisition cost of the company's real property as revaluated and currently appearing in the company's books from its current deemed objective value. The amount to result from the above calculation is divided by the existing number of shares and the outcome thereof gives the minimum transfer price per share.

However, if a higher purchase price is concluded by the parties, then this higher amount must be taken into consideration in calculating the 5% tax. In addition to the 5% tax, the capital gain, if any, arising from the transfer is taxable at the applicable income tax rate of 29% for 2006 and 25% for 2007 onwards, only if, and to the extent, it is distributed or capitalized. In such a case, the part of the 5% share transfer tax corresponding to the part of the capital gain distributed is deductible from the transferor's arising income tax liability. The capital gain arising from the transfer leads to no further tax liability only if the amount of the 5% share transfer tax already paid exceeds the amount of tax ensuing from application of the respective income tax rate to the gain.

The 5% tax also applies to situations where shares are contributed in kind upon the formation or increase of the share capital of Greek or foreign companies. In order to determine the value upon which the share transfer tax will be levied, the tax authorities will take under consideration the value determined by the Committee of Experts

designated in the Law on corporations, which is competent for evaluating in kind contributions.

### **Are there registration duties due upon a transfer of corporate assets?**

Movable corporate assets transferred are subject to VAT at the regular rate of 19%. In the event those assets have been held for less than 5 years, then the adjustment procedure provided by the VAT legislation in relation to capital goods shall apply. No other registration duties shall be levied in that regard.

Where property rights in real estate owned by a corporation are transferred for a consideration one of the following applies:

#### **(i) Real estate transfer tax**

Real estate transfer tax will be gradually abolished following the imposition of VAT on transfer of new buildings and of the real estate transaction duty (see below under ii and iii).

Notwithstanding the above, the acquisition of real estate which qualifies as first residence for its purchaser will remain subject to real estate transfer tax, being considered as a VAT exempt transaction. Furthermore, real estate acquired before 1/01/2006 is still subject to transfer tax. The tax base is either the "objective value" of real estate property (i.e. such value is calculated pursuant to official tables prepared on the basis of certain parameters such as location, place, floor, age etc.) or the "market value" thereof (i.e. such value is based on the comparative system assessing the value of real estate property located in areas where the "objective system" does not apply yet). For a value of up to Euro 15,000, the applicable rate is 7%; 9% is applicable to any excess thereof. A surtax of 2% is levied in both cases if the real property transferred is located in an area served by a fire station, which practically comprises the entire urban area of the country. In addition, a municipal tax of 3% is levied on the relevant amount of transfer tax. Reduced rates apply to certain cases, such as mergers and distributions. However, it must be stressed that if the transfer price is higher than the "objective" or the "market value", as the case may be, then this higher transfer price is to be taken into consideration for the calculation of transfer tax.

#### **(ii) VAT**

The sale of buildings or part of buildings that have not been occupied yet and the land on which they are erected is in principle subject to VAT at the rate of 19%. The prerequisite for the imposition of VAT is that the relevant building permit has been issued after January 1<sup>st</sup> 2006. The taxable basis for the calculation of VAT is based on the real estate sale price taking into account any supply of services connected with the taxable transfer of the real estate.

### (iii) Real estate transaction duty

Any further transfer for consideration of real estate after 1/01/2006, in case where the seller has acquired the property after 1/01/2006 is subject to the real estate transaction duty. The said duty is computed at 1% of the real estate's value and it burdens the purchaser. Thus property buyers who until now paid up to 11% of the property's value as transfer tax will henceforth pay a 1% real estate transaction duty.

## 7. Sales Tax or Other Turnover Tax

### What is the system of sales tax (e.g. VAT., cumulative)?

As of January 1<sup>st</sup>, 1987, value-added tax (hereinafter VAT) applies in Greece. The VAT system was introduced to bring Greek law in line with the Sixth EEC Directive. It replaced, totally or partially, many other indirect taxes and, particularly, the turnover tax and stamp taxes. VAT is payable when any person engaged in independent economic activity supplies goods or renders services in Greece for a consideration or imports goods into Greece. Certain categories of transactions are exempt (such as legal, notarial and medical services, post-office services etc.), while special regimes apply to small enterprises, farmers and travel agents. Transactions carried out by the State or state agencies are, in principle, not subject to VAT with the exception of a selected list of services and supplies of goods (telecommunications, distribution of energy etc.).

Prior to the introduction of VAT, Turnover Tax used to be imposed on the gross revenue of industrial or handicraft enterprises arising from the sale of their products, the gross revenue of banking institutions and insurance companies, value of imported goods and finally, gross revenue derived from certain categories of services.

Following introduction of the VAT, turnover tax has been limited only to insurance companies. The applicable rates range from 4% to 15%, depending on the type of risk against which the insurance policy has been taken out.

As far as it concerns the imposition of VAT on the sale of new buildings, please refer to Corporations under *Chapter XII, Section 6*.

### Is input tax creditable against output tax?

Yes, it is. VAT is a tax neutral to business, structured to be ultimately borne by the final consumer; it is collected gradually at all stages of production by the encumbered taxable persons. In essence, such persons charge VAT on their outputs and remit it to the State after having deducted their inputs. If they have incurred higher inputs than outputs, they declare their credit to the Authorities and occasionally, are entitled to a refund. Exports of goods are exempt from VAT. However, exporters are entitled to a full right of deduction of their inputs, which they exercise by filing the relevant refund claims with the Authorities.

### **What are the tax rates?**

The transactions are divided into categories according to the applicable rates: standard rate (19%), reduced rate (9%) and lower rate (4.5%). The standard rate applies in principle to most of the supplies, while the reduced rate of 9% indicatively applies to food products, pharmaceuticals, medical equipment and ancillary goods, transportation of persons, etc. The low rate applies to books and printed material as well as entries to theatres etc. A reduction of 30% on all rates applies to certain Greek islands. Agricultural goods and services are subject to special treatment.

### **What are the filing and payment requirements?**

Corporations must file their periodical VAT return on a monthly basis, namely by the twenty sixth (26<sup>th</sup>) day of the month that follows the period under assessment. This obligation to file VAT returns applies irrespective of whether the corporation is in a debit or credit VAT position or it has not effected any transactions at all in the period for which the VAT return is filed. Notwithstanding the above, corporations that effect intra-Community supplies or acquisitions or claim a VAT refund are under the obligation to file periodical VAT return statements on a monthly basis irrespective of whether their outputs exceed their inputs.

Moreover, corporations must file their final VAT return statement once a year, namely by the tenth (10<sup>th</sup>) day of the fifth (5<sup>th</sup>) month that follows the end of the fiscal period under assessment.

VAT must be paid in full upon filing of both the periodical and annual tax returns.

## **8. Social Security and Welfare System Contributions**

**Are social security contributions due?**

**Are retirement or pension contributions due?**

**Are unemployment insurance contributions due?**

**What are the filing and payment requirements for any such contribution?**

Corporations are liable to pay 2/3rds of their personnel's social security contributions. The remaining 1/3 thereof is a burden to the employees themselves. The amount of social security contributions depends on the particular status of each employee (i.e. years of employment, marital status, amount of salary etc.)

Part of the above social security contributions is used by Pension Funds to pay pensions to their retired members, while another part thereof is destined to cover medical care needs of the working population.

In addition, unemployment contributions are borne by all employees entitled to unemployment compensation; those are collected as part of the monthly Social Security contributions.

Corporations must send a detailed list, called "Analytical Periodical Declaration", of all their employees and respective social security contributions to the competent Social Security Fund; that can be done in electronic form once a month. The amount of social security contributions due by the corporation must be paid in full by the last day of each month. The part (i.e. 1/3 thereof) of social security contributions that burdens the employees themselves is withheld from their monthly salary.

## 9. Special Tax Schemes

### **Are there particular tax consequences of doing business in Greece?**

Apart from precise investment incentives granted by incentive Law 3299/2004, there are no other particular tax consequences of doing business in Greece.

## 10. Tax on Profits

### **What are the national income tax rates on profits?**

Greek corporations are liable to corporation tax at a flat rate of 29% (for fiscal year 2006 to be reduced to 25% on 2007 onwards). In addition to the above, a 3% "**supplementary tax**" is levied on gross rental income from real estate, which however cannot exceed the amount of corporation tax.

## 11. Tax Treaties

### **Are there any applicable tax treaties?**

Greece entered into thirty-nine (39) tax treaties between 1953 and 2005. The tax treaties currently in force have been concluded with the following countries (listing is by chronological order): (1) United States of America, (2) United Kingdom, (3) Sweden, (4) France, (5) India, (6) Italy, (7) Germany, (8) Cyprus, (9) Belgium, (10) Austria, (11) Finland, (12) Netherlands, (13) Hungary, (14) Switzerland, (15) The Czech Republic, (16) Slovakia, (17) Poland, (18) Norway, (19) Denmark, (20) Romania, (21) Bulgaria, (22) Luxembourg, (23) Korea, (24) Israel, (25) Croatia, (26) Uzbekistan, (27) Albania, (28) Portugal, (29) Spain, (30) Armenia, (31) Georgia, (32) Ukraine, (33) Slovenia (34) South Africa , (35) Ireland, (36) Turkey (37) China , (38) Lithuania and (39) Mexico. Moreover, Greece has ratified a treaty with Russia which has not yet become effective. As the ratifying instruments have not yet been exchanged between the two countries, it is not yet known when it will become effective.

A revised Treaty with Belgium has also been ratified by the Greek Parliament. The said Treaty substitutes the one previously in force (ratified in 1969 and in force as of 1970). Although it was expected to come into force as of January 2006, no official announcement has been made yet by the Ministry of Foreign Affairs. Article 28(1) of Greek Constitution provides that ratified international treaties constitute an integral part of the Greek legal system and prevail over any contradictory statutory provision, including tax law.

All tax treaties, except for those concluded with the United States of America and the United Kingdom, follow, in principle, the OECD Model. These treaties define, in general, certain key terms, such as the “permanent establishment” or place of taxation and provide for certain tax exemptions at source in favor of tax residents of the other country or special treatment of certain types of income.

### **Are there any rules against treaty-shopping?**

With the exception of relevant clauses included in the OECD Model Convention, no other national rules against treaty-shopping can be reported to apply in Greece. It should also be noted that no Central Foreign Companies “CFC” legislation has so far been enacted in Greece.

## **12. Territoriality Rules**

### **Where is the corporation subject to tax?**

The corporation is subject to tax on its worldwide income at the place where it is resident for tax purposes. The residence criterion in Greek law is in theory that of *effective management* which does not necessarily coincide with the location mentioned as *seat* in the Articles of Association. However, it should be noted that Greek Tax Authorities do not, in practice, go beyond the seat stated in the Articles of Association.

In addition, income tax liability may arise in a foreign jurisdiction in which a corporation is either engaged into business activities or generated foreign source income on the basis of the applicable Double Taxation Treaties and the foreign tax legislation. In such event, only profits attributable to the permanent establishment shall be subject to tax in the foreign jurisdiction (namely, at source). It should also be noted that even in the case no permanent establishment is maintained in a foreign jurisdiction, tax liability may take the form of withholding tax, VAT, gift tax, etc.

### **Is the corporation subject to tax on its worldwide income?**

The corporation is subject to income tax on its worldwide income in the country of its residence. However, if the corporation also receives foreign-sourced income, already subjected to tax in the country of source, the corporation shall then be entitled to a foreign tax credit at residence provided it duly submits official documentation giving

evidence that tax has been paid to foreign tax authorities. The credit shall not exceed the respective Greek tax liability.

### **13. Treatment of Tax Losses**

#### **How are corporate tax losses treated?**

Corporate tax losses may be carried forward for five (5) consecutive fiscal years in order to be set off against income to be gained in the course of that time period; that is so, provided that the corporation's books and records are in full compliance with the "Code of Books and Records". Corporate tax losses generated in another country may be set off only against foreign source income.

### **14. Wealth Tax**

#### **Is there an applicable wealth tax?**

Except for the real estate property taxes described under 5 above, there is no other wealth tax in force.

### **15. Withholding Taxes**

#### **What are the rates of withholding tax on dividends?**

Domestic payments of dividends are only subject to tax at company level in the sense that distributions of profit are made after-tax. Further, no fiscal liability arises at shareholder level, which means that Greek law has created a situation free of economic double taxation features.

Where a Greek corporation pays dividends abroad, no tax is withheld either.

However, in the event that dividend income is paid to a Greek corporation from abroad, Greek withholding tax at 20% applies upon remittance. The above amount, together with any tax withheld at source, is then deductible from the corporation's annual income tax liability in Greece.

Greek corporate taxpayers qualify for the Parent-Subsidiary Directive. Where the Directive is of application, dividend payments are not subject to the 20% Greek withholding tax upon remittance. In addition, a foreign tax credit is given to account for the corporation tax that corresponds to the dividend distribution made by the foreign subsidiary as well as the dividend payment withheld at source. The credit shall not exceed the Greek tax liability.

## **What are the rates of withholding tax on royalties?**

(i) Withholding tax on royalties paid to foreign tax residents (that do not maintain any permanent establishment in Greece) is calculated at a flat rate of 20%. Said tax exhausts any further Greek tax liability for the royalty recipient in this respect.

In the event that royalties are paid to a company resident in a country that has entered into a double tax treaty with Greece (and such payment is not made in relation to activity attributed to a permanent establishment located in Greece), then a lower withholding tax rate applies in line with the relevant provision of the double tax treaty at issue.

(ii) Royalty payments made between Greek companies are in principle included in the gross income of the recipient and are taxed according to the general provisions.

(iii) No withholding tax is due in Greece on royalty payments made to Greek corporations by entities resident abroad. Any tax withheld at source is to be given a foreign tax credit in Greece to the extent it does not exceed the Greek tax liability.

(iv) The Interest and Royalties Directive, was also introduced into Greek legislation as of 1<sup>st</sup> July 2005. Consequently, the royalty payments made by a domestic AE or by a permanent establishment of a company of a Member State situated in Greece to an associated company of a different Member State or to a permanent establishment of an associated Company located to another Member State, are exempted from any taxes imposed on those payments.

For Greece a transitional period of eight years starting on 1<sup>st</sup> July 2005 will be applied. During this period the rate of tax on payments of royalties made to an associated company of another Member State or to a permanent establishment situated in another Member State of an associated company of a Member State must not exceed 10% during the first four years and 5% during the final four years.

## **What are the rates of withholding tax on interest?**

Withholding tax on interest accruing to a domestic corporation from any deposit made with any bank located in Greece is calculated at a flat rate of 10%, while withholding tax on repos is calculated at a same flat rate. The above withholding tax does not exhaust the tax liability of the recipient and this interest revenues are declared along with corporation's other income in their annual corporate income tax return.

Greek withholding tax on loan interest accruing to a domestic corporation is calculated at a flat rate of 20%. Such liability arises irrespective of whether interest is generated in Greece or abroad and shall be credited against the amount of income tax due annually.

Where interest accrues to a domestic corporation on a loan made to a foreign entity, to the extent a double tax treaty is in force between the two countries in question, the

Greek corporation shall bear a withholding tax at source at the lower rate provided in the respective treaty. Tax withheld at source shall be credited against the amount of tax corresponding to the total income declared in Greece.

In the event that interest on a loan is remitted by a Greek corporation to a foreign business lender, withholding tax at 29% is due in Greece for interest accrued in 2006 and 25% for interest accrued in 2007. In the event a double tax treaty is in force (and such payment is not made in relation to activity attributed to a permanent establishment of the lender located in Greece), then the lower withholding tax rate provided therein shall prevail.

As regards the application of the Interest and Royalties Directive see immediately above under (iv).

### **What are the rates of withholding tax on profits realized by a foreign corporation?**

The profits realized by a foreign company that maintains a “permanent establishment” in Greece are taxed at a flat rate of 29% for profit earned in 2006 to be reduced to 25% as of 2007 onwards; it is to be noted that only profits attributed to the permanent establishment are taxable. If a foreign company does not have presence amounting to a “permanent establishment”, though derives business income in Greece, its profits shall not be taxable therein to the extent a double tax treaty is in force. If no such treaty applies, then such income shall be subject to 20% withholding tax with exhaustion of any further tax liability.

## **XIII. TAX ON INDIVIDUALS**

### **1. Allowances**

#### **What are the major allowances?**

Greek Income Tax Code provides for the following two categories of allowances: (a) tax allowances and (b) tax reductions.

(a) The most important allowances that reduce the net taxable income are : (i) obligatory contributions to social security funds which are deducted to their full extent, (ii) the value of monetary donations over Euro 100 made to certain public, educational, medical or religious institutions as well as to charities; moreover, the value of monetary donations to cultural institutions up to 10% of the taxpayer’s taxable income (with respect to athletic institutions a 10% withholding tax is imposed where the amount of the donation exceeds Euro 2,950 (iii) life or medical insurance premiums paid by the taxpayer or premiums paid for insurance against accidents; the overall amount to be allowed cannot, however, exceed Euro 1,100.

(b) The tax reductions (that reduce the tax payable) are the following: (i) 20% of the rental paid annually by the taxpayer in respect of his principal residence, up to Euro 1,100 (ii) 20% of the expense incurred for private lessons delivered to the taxpayer and/or his/her spouse and/or their children either at home or in private institutions, including foreign language courses up to Euro 1,100 (iii) 20% of the interest paid on mortgage-loans or loans guaranteed by means of a mortgage pre-note entered into by the taxpayer for the purpose of purchasing his/her first-ever private residence not exceeding 120 square meters, (iv) 20% of the total annual amount of medical and hospitalization expenses incurred by the taxpayer for the purpose of his/her own or his/her dependants' treatment; the overall amount to be allowed cannot, however, exceed Euro 6,000.

Finally, Greek law allows full tax credit for taxes paid in foreign countries for income generated from sources within those countries. Such tax credit may not exceed, however, the amount of the Greek tax corresponding to such income.

## **2. Calculation of Taxes**

### **How is the taxable base determined?**

Individuals resident in Greece are subject to income tax on their worldwide annual income. Residence is acquired by physical presence in a place and by the intent of the individual to have this place as the center of his social, economic or professional activity.

Individuals not resident in Greece are taxed only on their income derived from a source therein (e.g. rental of premises in Greece).

Greek Law classifies income derived from different sources into six schedules: real estate (buildings, land) (Schedules a & b), securities (Schedule c), commercial activity, namely business activities in the fields of commerce and industry or any other trade carried out for the purpose of making a profit, excluding professional activities (Schedule d), agricultural activity (Schedule e), employment or retirement income (Schedule f) and professions and all other sources (Schedule g). Income tax is computed on the aggregate income from all schedules and loss from one schedule may not in principle be offset against profit from another.

In general, gross income is reduced by (actual or imputed) expenses/allowances in order to arrive at the net income (for more details please refer to the previous question).

## **3. Capital Gains Tax**

### **Are capital gains taxable?**

(i) Please refer to Corporations *Chapter XII, Section 3*.

Please note that, unlike what applies to corporations, the 20% income tax on the gain arising from transfers of goodwill, intellectual property rights, parts in partnerships and parts in Limited Liability Companies exhausts any further tax liability of individuals acting as transferors.

When such transfers are made to close relatives of the transferor (e.g. spouse and first or second degree ascendants and descendants), they are taxed at lower rates, namely at a rate of 1.2% and 2.4%, as the case may be, which is applied to the market value of the business, parts in partnerships, parts in Limited Liability Companies etc under transfer.

Any income tax paid on capital gains by individuals is not deductible for income tax purposes.

#### (ii) Real estate capital gains tax

As of January 1<sup>st</sup> 2006 the transfer of real estate by individuals is subject to a capital gains tax (foros aytomatou ypertimimatos).

The real estate capital gains tax is charged on any further transfer for consideration following the acquisition of real estate after 1/01/2006 and is imposed on the difference between the acquisition value and the value of the real estate at the time of its sale. For example in case that a real estate property is acquired on 30/12/2005 and sold on 30/12/2007, real estate capital gains tax is not applicable. On the contrary, in case that the real estate is acquired on 3/01/2006 and its subsequent sale occurs on 30/12/2007 then real estate capital gain tax is due. The tax is always assessed on the value determined by the "objective evaluation system" and burdens the seller. (please refer to **Chapter XII, Section 5**).

The rates depend on the number of years the seller owned the property before selling and are determined as follows: 20% if the transfer takes place within 5 years from the real estate's acquisition, 10% if the transfer takes place between 5 and 15 years and 5% if the transfer takes place between 15 and 25 years from acquisition.

## 4. Filing and Payment Requirements

**When must the individual file a tax return, if any?**

**When must the individual pay his taxes?**

The date on which the individual must file his/her tax return depends on the Schedule within which falls the income he/she derives. As a general rule, the individual must file his/her tax return by March 1<sup>st</sup> of the year following that to which declared income pertains. However, there are many exceptions to that rule. For example, if the individual generates agricultural revenue (Schedule e), then he/she must file his/her tax return by April 1<sup>st</sup> of the respective fiscal year, whereas if he/she receives employment or retirement income (Schedule f) or income from trades (Schedule d),

he/she must file his/her tax return by May 2<sup>nd</sup> of the respective fiscal year. If the income falls within more than one schedule, he/she must file his/her tax return by the latest of all applicable dates.

Income tax must be paid in three (3) equal monthly installments, the first of which is due by the last day of the month following that of tax assessment. The second and third installments must be paid by the last day of the third and fifth month respectively following the month of tax assessment. If the tax assessment is effected in August and September, the arising tax liability must be settled in two (2) equal monthly installments, the first of which is due by the last day of the month following that of tax assessment, whereas the second installment must be paid by the last day of the third month following the month of the tax assessment. If the assessment is effected in October or later than that, the tax due must be paid off by the last day of the second month following that of tax assessment.

If the tax liability is fully settled by the deadline set for the first installment, the individual is entitled to a 1.5% discount on the amount due. Moreover, if the tax return is filed electronically, entitlement to an additional 1.5% discount on the tax due applies. The latter discount cannot however exceed the amount of Euro 118.

## **5. Inheritance and Gift Tax**

### **Does the individuals' presence in Greece subject him to inheritance or gift tax?**

Inheritance tax is imposed on the assets of an estate. Both movable and immovable property situated in Greece are subject to tax, irrespective of nationality of the deceased person. Movable property located abroad is subject to Greek Inheritance Tax to the extent its deceased owner was a Greek national at the time of death, irrespective of his/her tax residence; the same applies to non-Greek nationals having their tax residence in Greece at the time of death. Notwithstanding the above, movable property located abroad is exempt from Greek inheritance tax to the extent its deceased owner was a Greek National at the time of death yet was a foreign tax resident for at least ten (10) successive years.

Greek Gift tax is due upon donation of any movable or immovable property situated in Greece. Movable property located abroad is subject to Greek Gift Tax to the extent the donor is a Greek national; the same applies upon donation of movable property located abroad and owned by a foreigner where the beneficiary is a Greek tax resident, irrespective of nationality.

### **What kinds of assets are subject to tax?**

Inheritance and gift tax are imposed on every type of assets, i.e. immovable property, movable property, money, intangible assets etc.

### **What are the tax rates?**

Inheritance and gift tax are imposed on the basis of a progressive scale ranging from 5% to 40% depending on the degree of relationship between descendant and heir (or donor and beneficiary) whereas tax free amounts are provided for each category). The persons subject to tax are classified into the following three categories: spouse, parents, children (including children recognised by the father either voluntarily or judicially) and grandchildren; other descendants and ascendants, siblings (also step-ones), other relatives of third degree (nephews/nieces and uncles/aunts), foster parents, children from previous marriage of the spouse, sons or daughters-in-law and ascendants-in-law; and, finally, all others.

The tax rates for each category range from 5% to 20%, 10% to 30% and 20% to 40% respectively. A tax-free amount of Euro 80,000, 15,000 and 5,000 respectively is recognised for each category, while the threshold beyond which the marginal rate applies is Euro 220,000.

### **Are allowances available?**

While inheritance tax is imposed on the assets of an estate, the debts of the estate are deducted from its gross market value.

Moreover, Greek law provides for certain inheritance tax allowances applicable to (a) farmers (b) the spouse or children of a deceased person for the purpose of acquiring their first-ever principal private residence and (c) spouses and underage children of the deceased.

### **What are the payment and filing requirements?**

Inheritance and gift tax must be paid by the heir or the beneficiary, as the case may be, in twenty-four (24) equal monthly installments, provided that each installment (except for the last one) is not less than Euro 300. In the event the tax due is paid off by the deadline set for the first installment, entitlement to a 5% discount is granted.

## **6. Miscellaneous Taxes Due**

### **What are the miscellaneous taxes to which the individual may be subject?**

#### **What are the filing and payment requirements?**

Individuals bear a variety of taxes, some of which are well known, such as the taxes on car sales or imports, circulation taxes on vehicles, taxes on mobile telecommunications; others are less visible, such as consumption taxes on alcohol and beer.

The taxes applying to sales or imports of cars as well as alcohol and beer are paid upon transaction, whereas the circulation taxes on vehicles are paid annually; the taxes on mobile telecommunications are paid monthly as part of the respective cell phone bill.

## 7. Real Estate/Habitation Tax

### Is the individual subject to real estate or habitation tax?

As of 1997, real estate located in Greece has been subject to annual property tax. Such tax is imposed upon the total value of immovable property owned by the same owner and bearing a value in excess of Euro 243,600. The tax-free threshold is doubled to Euro 487,200 in the case of couples and there is an additional Euro 61,650 allowed for each child. Property tax is computed by applying the following tax rates either on the "objective value" of the property (i.e. such value is calculated pursuant to official tables prepared on the basis of certain parameters such as location, place, floor, age, joint ownership etc.) or on its "market value" (i.e. such value is based on the comparative system for property located in areas where the "objective system" does not apply yet). Individuals' real property is taxed by applying a progressive tax scale as follows (amounts are in Euro):

Bracket of Property	Tax rate (%)	Tax of bracket	Total property's Value	Total tax
146,750	0.3	440.25	146,750	440.25
146,750	0.4	587.00	293,500	1,027.25
146,750	0.5	733.75	440,250	1,761.00
293,500	0.6	1,761.00	733,750	3,522.00
293,500	0.7	2,054.50	1,027,250	5,576.50
Excess	0.8			

Please note that there is no habitation tax in Greece.

## 8. Sales Tax

### Does the individual pay sales tax?

Since VAT is ultimately borne by the consumer, the individual pays VAT where he/she is in position of final consumer.

## 9. Social Security and Welfare System Contributions

Contributions to social security funds are compulsory for both employees and professionals (i.e. self-employed persons).

In the event the individual is an employee, social security contributions to be borne by himself/ herself are 1/3 of the actual payable amount; the employer pays 2/3rds

thereof. The amount of social security contributions owed to the Social Security Fund (IKA) depends on the particular status of the employee (years of employment, marital status, current amount of salary etc.).

If the individual is a professional (i.e. self-employed), he/she bears, on his/her own the cost, social security contributions to the respective pension fund. The amount of social security contributions owed to such pension fund depends on the particular status of the individual (i.e. years of professional life, marital status etc.) and the regulations of the pension fund in question.

Part of the social security contributions described above is intended by the Greek State for payment of the lump sum in the nature of compensation due upon retirement and pensions of the currently working population; another part thereof is destined to cover needs of the working population in the area of medical care.

Employers are under the obligation to send electronically every month or other third month, as the case may be, a detailed list of all their employees and the amount of the respective social security contributions owed in respect of each one of them to the competent Social Security Fund. The list is called "Analytical Periodical Declaration". The amount of social security contributions owed by employers must be paid in full by the last day of the month following that for which they are due. The part of social security contributions which is a burden to the employee (i.e. 1/3 of the entire amount) is withheld from the monthly salary.

Professionals (i.e. self-employed) pay annual social security contributions either in full or in monthly installments, as the case may be, to the respective pension fund.

## **10. Stock Option, Profit Sharing and Savings Plans**

### **Is there taxation of stock option plans?**

Greek company law provides for stock option plans which may be scheduled in two alternative ways: either (a) by increase of the share capital of a AE and distribution of the new shares to the members of the company's Board of Directors (President, Managing Director etc.) and/or the company's personnel or (b) by purchase by the AE of its own shares in order to distribute them within the next twelve months to the members of its Board of Directors (President, Managing Director etc.) and/or its personnel. According to Greek administrative practice, such stock option plans under (a) above, are in principle, non-taxable whereas stock option plans under (b) may be considered as taxable salary income.

### **Is there taxation of profit sharing plans?**

Greek tax Law does not provide for any profit-sharing plans; furthermore, such plans are not frequent in the Greek business practice. Notwithstanding the above, the Income

Tax Code provides that profits that are distributed in cash to the employees constitute income from securities.

### **Is there taxation of savings plans?**

Greek Law does not currently provide for any savings plans; furthermore, such plans are not frequent in the Greek business practice.

## **11. Taxation of Benefits In Kind**

### **What is the rate of taxation on benefits in kind (e.g. automobile, housing and utilities, education, etc.)?**

Benefits in kind are treated as salary income and are therefore subject to Salary Tax and Social Security Contributions.

## **12. Taxes on Dividends**

### **Are dividends taxable regardless of their form?**

Domestic payments of dividends are only subject to tax at company level in the sense that distributions of profit are made after-tax. Further, no fiscal liability arises at shareholder level, which means that Greek law has created a situation free of economic double taxation features.

However, in the event that dividend income is paid to a Greek tax resident individual from abroad, Greek withholding tax at 20% applies upon remittance. The above amount, together with any tax withheld at source, is then deductible from the individual's annual income tax liability in Greece.

Greek source dividends, where declared on an individual's tax return, are commonly used to justify expenses, such as the purchase of immovable property, cars etc, irrespective of whether such expenses incur within the same year or in the future.

## **13. Tax on Income**

### **What are the federal or national tax rates on income for residents?**

Greek residents and EU tax residents who gain more than 90% of their total income in Greece are taxed on the basis of a progressive tax scale applicable to their worldwide net income from all schedules. The relevant scale applicable as of January 1<sup>st</sup>, 2005, is as follows (amounts are in Euro):

(i) Scale applicable to Employees & Pensioners:

<b>Bracket of income</b>	<b>Tax rate (%)</b>	<b>Tax of bracket</b>	<b>Total income</b>	<b>Total tax</b>
11,000	0	0	11,000	0
2,000	15	300	13,000	300
10,000	30	3,000	23,000	3,300
Excess	40			

(ii) Scale applicable to Self-employed persons:

<b>Bracket of income</b>	<b>Tax rate (%)</b>	<b>Tax of bracket</b>	<b>Total income</b>	<b>Total tax</b>
9,500	0	0	9,500	0
3,500	15	525	13,000	525
10,000	30	3,000	23,000	3,525
Excess	40			

The first bracket of income is tax-free to allow the taxpayer to attain a minimum standard of living. As it becomes obvious from the above tables, salaried persons are entitled to an additional Euro 1,500 of tax relief, while their second bracket is reduced accordingly. Moreover, the volume of the first bracket is increased by Euro 1,000 in favor of taxpayers having one child, Euro 2,000 in favor of taxpayers having two children, Euro 10,000 in favor of taxpayers having three children and Euro 1,000 for the fourth child and beyond.

An additional tax at 1.5% is imposed on the gross income from real estate. Said tax is increased to 3% in cases of gross revenue generated from real estate that exceed 300 sqm and are used as dwellings.

#### **What are the federal or national tax rates on income for non-residents?**

Foreign tax residents who generate income in Greece are taxed on the basis of the abovementioned progressive tax scale; however, they receive no relief in the first bracket of income, which is taxed at 5%.

#### **What are the municipal or local tax rates on income for residents?**

One of the sources of revenue for municipalities is the cleaning and lightening fees payable by the owners or users of buildings for the collection of litter and waste and the lightening of streets; the amount is based on the size of the building at issue and is incorporated in the electricity bill.

**What are the municipal or local tax rates on income for non-residents?**

As regards municipal taxes, there is no different treatment between resident and non-resident individuals (please refer to the answer just above).

**14. Tax Treaties**

Please refer to *Chapter XII, Section 11*.

**15. Territoriality Rules**

The individual is in principle subject to tax at the place of his/her residence. If he/she qualifies as a Greek tax resident, tax liability in Greece is calculated on the basis of worldwide income. Residence is acquired through physical presence in a place and demonstration of intent to have this place as the center of social, economic or professional activity.

Moreover, Greek tax liability of foreign tax residents arises only with regard to their Greek-source revenue.

**16. Wealth Tax**

Except for the Property Tax described above (see analysis under Section 7 above), there is no other wealth tax applicable to individuals.

**17. Withholding Tax****Is salary subject to a withholding tax at the source?**

Salary is subject to a withholding tax at source and is calculated separately for each employee on the basis of certain parameters (i.e. years of employment, current amount of salary, family members etc.).

**What is the treatment of residents as compared to non-residents?**

Strictly for Payroll Tax purposes, there is no different treatment between resident and non-resident individuals (provided the latter are employed by an employer being a Greek tax resident).

**XIV. TAX ON OTHER LEGAL BODIES****1. Allowances****What are the major allowances (e.g. capital cost depreciation)?**

Greek tax law, in principle, allows for deduction of all expenses pertaining to the business activity (Schedule d) of general, limited or silent partnerships, civil law societies and joint ventures (i.e. contribute to their financial results). In addition thereto, an allowance is also granted to account for depreciation of fixed assets of said legal bodies (for more details, see just below under (i) & (ii)).

Special rules apply to the taxation of rentals (Schedule a) derived from Greek real estate. Partnerships are entitled to limited and restrictively named in the Greek Income Tax Code deductions and depreciation (for more details, see just below under (ii)).

### **What are the major deductible items?**

(i) Items deductible under Schedule d (business income excluding rentals):

There is no exhaustive listing of deductible business expenses in Greek tax law. In principle, all business expenses are deductible to the extent they fulfill the criteria set by the law; please refer to **Chapter XII, Section 1**. However, it should be stressed that salaries and/or other remunerations paid to the partners of general, limited or silent partnerships and members of civil law societies and joint ventures are not regarded as deductible expenses.

(ii) Items deductible under Schedule a (rental income):

Partnerships are entitled to deduct repair and maintenance expenditure up to a specific amount between 5% and 15% of the gross rental income earned depending on the use of the building. In the event the building is used as dwelling, school, cinema, theatre, clinic and/or hotel, such expenditure is deductible up to 15% of the gross rental income. A depreciation of 10% is also allowed. In the event of other uses, the percentage of deductions allowable is reduced to 5% of rental income. Allowable depreciation is then 5%. Where buildings have been characterized by Presidential Decree as of historical importance, the 15% rate of allowable deductions is increased to 30%. The above mentioned thresholds of allowable deductions also include other expenses such as insurance premiums and legal fees paid to lawyers with respect to law suits regarding dispossession of the tenant and fixing of the rent. No further expenses (e.g. interest payments, acquisition costs, etc.) can be deducted for tax purposes.

### **What are the major expenses that are excluded from deductibility?**

As regards legal bodies carrying on business activities (Schedule d), please refer to **Chapter XII, Section 1**. As regards legal bodies generating rental income (Schedule a), please refer above under ii.

## **2. Calculation of Taxes**

### **How is the taxable base determined?**

Greek general, limited or silent partnerships, civil law societies and joint ventures are subject to income tax on their worldwide annual income.

General, limited or silent partnerships, civil law societies and joint ventures' gross income is reduced by their allowable expenses for the purpose of arriving at their net income (the conditions for deduction are set out above under 1(c)). The tax rate applies to general, limited or silent partnerships, civil law societies and joint ventures' net income.

It must be stressed that in the case of general or limited partnerships, in lieu of director fees, a specific amount, deemed to correspond to fees paid to a maximum of three partners acting as administrators, which equals to 50% of the said legal bodies' profits according to the ratio of such partners' partnership share, is being taxed at the level of those partners/administrators (please refer to the tax scale applicable to individuals discussed in *Chapter XIII, Section 13*).

### **3. Capital Gains**

#### **What are the federal or national tax rates on capital gains?**

Please refer to *Chapter XII, Section 3*.

Please note that, unlike what applies to corporations, the 20% income tax on the gain arising from transfers of goodwill, intellectual property rights, parts in partnerships and parts in Limited Liability Companies exhausts any further tax liability of the transferors where they qualify as any of the legal bodies of this chapter.

### **4. Filing and Payment Requirements**

If said legal bodies are not under the obligation to keep books or keep books of the first or second category of the Code of Books and Records, they must file their tax return by April 1<sup>st</sup> of the year following each respective year of assessment. Where third category (double-entry) books are kept, the tax return must be filed within forty-five (45) days from the end of the respective year of assessment.

The arising income tax liability must be paid in five (5) equal monthly installments; the first one thereof must be settled upon filing of the tax return. The other four installments must be remitted by the last working day of the four (4) months following that in the course of which the tax return was filed. If said legal bodies pay their income tax in full upon filing of the tax return, they are entitled to a 1.5 % discount thereon.

### **5. Miscellaneous Taxes**

Please refer to *Chapter XII, Section 5*.

## 6. Registration Duties

### **Are there registration duties or fees due upon the setting up of the legal body?**

Law 1676/1986, implementing Directive 69/335/EEC, introduced a special tax of 1% on capital accumulation (i.e. establishment, conversion or merger of a legal entity, capital increase or capital contribution).

### **Are there registration duties due upon the transfer of capital?**

Transfers of shares held by legal bodies of this section in AEs listed on the Athens Stock Exchange are subject to 0.15% tax on the transfer value, which exhausts any further tax liability of the transferor. The tax due is borne by the seller and is withheld by the Central Securities Depository upon liquidation. The transfers of shares listed in foreign Stock Exchanges are subject again to 0.15% on the transfer value. Said tax is paid to the tax authority within the first 15 days of the month of the transfer of the share.

Transfers of shares held by legal bodies of this section in non-listed AEs are subject to 5% tax applicable to the relevant transfer value. The taxable value per share cannot be lower than the result of a calculation performed pursuant to a Decision issued by the Ministry of Finance. It follows, if a higher purchase price is concluded by the parties, then this higher amount must be taken into consideration in calculating the 5% tax. No further tax liability of the transferor may arise in the future in relation to the transfer.

This 5% tax on the transfer of non listed shares has been extended also to include situations where shares are contributed in kind upon the formation or increase of the share capital of Greek or foreign companies. In order to determine the value upon which the share transfer tax will be levied, the tax authorities will take under consideration the value determined by the Committee of Experts designated in the Law on Corporations, which is competent for evaluating in kind contributions.

### **Are there registration duties due upon a transfer of assets?**

#### (i) Real estate transfer tax

Where property rights of a legal body on real estate are transferred for a consideration in Greece, transfer tax is due. However, such tax is normally not a burden to the seller; the relevant tax is borne by the purchaser and is also deductible for tax purposes.

Real estate transfer tax will be gradually abolished following the imposition of VAT on transfer of new buildings and of the real estate transaction duty.

Notwithstanding the above, the acquisition of real estate which qualifies as first residence for its purchaser will remain subject to real estate transfer tax, being considered as a VAT exempt transaction. Furthermore, real estate acquired before

1/01/2006 is still subject to transfer tax. The tax base is either the “objective value” of real estate property (i.e. such value is calculated pursuant to official tables prepared on the basis of certain parameters such as location, place, floor, age etc.) or the “market value” thereof (i.e. such value is based on the comparative system assessing the value of real estate property located in areas where the “objective system” does not apply yet). For a value of up to Euro 15,000, the applicable rate is 7%; 9% is applicable to any excess thereof. A surtax of 2% is levied in both cases if the real property transferred is located in an area served by a fire station, which practically comprises the entire urban area of the country. In addition, a municipal tax of 3% is levied on the relevant amount of transfer tax. Reduced rates apply to certain cases, such as mergers and distributions. However, it must be stressed that if the transfer price is higher than the “objective” or the “market value”, as the case may be, then this higher transfer price is to be taken into consideration for the calculation of transfer tax.

#### (ii) VAT

The sale of buildings or part of buildings that have not been occupied yet and the land on which they are erected is in principle subject to VAT at the rate of 19%. VAT replaced the real estate transfer tax applicable until now. The taxable basis for the calculation of VAT is based on the real estate sale price taking into account any supply of services connected with the taxable transfer of the real estate.

The prerequisite for the imposition of VAT is that the relevant building permit has been issued after January 1<sup>st</sup> 2006

#### (iii) Real estate transaction duty

Any further transfer for consideration of real estate after 1/01/2006, in case where the seller has acquired the property after 1/01/2006 is subject to the real estate transaction duty. The said duty is computed at 1% of the real estate’s value and burdens the purchaser. Thus, property buyers who until now paid up to 11% of the property’s value as transfer tax will henceforth pay a 1% real estate transaction duty.

### **7. Sales Tax or Other Turnover Tax**

Please refer to *Chapter XII, Section 7*.

#### **Filing and payment requirements:**

Legal bodies that keep books of the first or second category of the Code of Books and Records must file their periodical VAT return statement on a quarterly basis, namely by the twentieth (20<sup>th</sup>) day of the month that follows the period under assessment. The obligation to file VAT returns applies irrespective of whether the corporation is in a debit or credit VAT position or it has not effected any transactions at all in the period for which the VAT is filed.

The above rules for filing also apply to legal bodies that keep books of the third category of the Code of Books and Records, with the sole exception that they have to file their periodical VAT return statement electronically on a monthly basis, namely by the twenty-sixth (26<sup>th</sup>) day of the month that follows the period under assessment.

Moreover, a final VAT return statement must be filed once a year. Legal bodies that keep books of the first or second category must proceed therewith by the twenty-fifth (25<sup>th</sup>) day of the second (2<sup>nd</sup>) month that follows the end of the fiscal period under assessment. The deadline applying to those that keep books of the third category is set for the tenth (10<sup>th</sup>) day of the fifth (5<sup>th</sup>) month that follows the end of the fiscal period under assessment.

VAT must be paid in full upon filing of both the periodical and final tax returns.

## **8. Social Security and Welfare System Contributions**

Please refer to our relevant answer with regard to Corporations under *Chapter XII, Section 8*.

## **9. Special Tax Themes**

### **Are there particular tax consequences of doing business in Greece under the form of the particular legal body?**

The participation of a foreign investor/company in a general or limited partnerships and/or a Greek EPE creates a permanent establishment for the foreign investor unless a Double Taxation Convention applies that provides otherwise.

## **10. Tax on Profits**

### **What are the national income tax rates on profits?**

Greek General or Limited Partnerships and Civil Law Societies are taxable at a flat rate of 22% for profits earned in 2006 to be reduced to 20% for profits earned in 2007 onwards.

Greek Silent Partnerships and Joint Ventures are taxable at a flat rate of 29% for 2006 to be reduced to 25% for profits earned in 2007 onwards).

## **11. Tax Treaties**

Please refer to *Chapter XII, Section 11*.

## 12. Territoriality Rules

Please refer *Chapter XII, Section 12*.

## 13. Treatment of Tax Losses

### How are tax losses treated?

Tax losses may be carried forward for five (5) years provided that the legal body keeps books of the third or second category of the Code of Books and Records and it maintains accurate Books. Losses are transferred for the purpose of being set off against income to be generated in the course of the aforementioned time. Tax losses generated in another country may be set off only against income derived abroad.

## 14. Wealth Tax

### Is there an applicable wealth tax?

An annual property tax is due where the value of real estate owned by any of the legal bodies examined in this Section exceeds the amount of Euro 243,600. For more details on the respective tax, please refer to *Chapter XII, Section 5(a)*.

## 15. Withholding Taxes

### What are the rates of withholding tax on the legal body's activities?

Please refer to *Chapter XII, Section 15*. It applies by analogy to this case with the exception of interest, accruing to any of the legal bodies examined in this Section, from any deposit made with a bank located in Greece and from repos. In this case, unlike what happens in corporations, payment of the 10% withholding tax exhausts any further tax liability. In addition, where the payer has the form of a Greek partnership, 20% (instead of 29% applying to corporations) is withheld from the amount payable to the foreign lender, unless a Double Taxation Treaty applies that provides for a lower tax rate.

## XV. GENERAL TAX CONSIDERATIONS

### Is there a generally accepted way of structuring the company or other entity so as to insure the desired tax consequences?

Domestic companies and branches having their exclusive business purpose qualifying services to associated companies head offices/ branches may be taxed on a pre-

determined cost-plus margin subject to the issuance of a special license by the Ministry of Finance and National Economy and provided they fulfill specific requirements (minimum number of employees, minimum costs, etc.).

**Is there an advance tax ruling that can be used to validate or invalidate the chosen form of doing business?**

There is no official administrative mechanism in place that provides for advance rulings. Queries are commonly addressed to the Greek Ministry of Finance but any answer possibly given in that regard is not binding to the Authorities.

**Is there a general anti tax avoidance system?**

There is no comprehensive tax avoidance legislation in Greece. As Greek case law and administrative practice follow the principle that *form prevails over substance*, there has so far been no line of cases or legislative framework that treats specific tax avoidance schemes as sham.

**Can the chosen form of business be treated as a deferent form for tax purposes?**

As mentioned above, the applicable principle that *form prevails over substance* does not leave much space for treating a specific business form as deferent for tax purposes. Sparse moves have been made in the front against tax avoidance; the 3% special tax on Greek real estate held by legal entities is one of them (please refer to **Chapter XII, Section 5**).

## **XVI. IMMIGRATION REQUIREMENTS**

### **1. Immigration Controls-Visas**

Restrictions exist with respect to the movement of persons originating from outside the EU. Law 3386/2005, in force as of 1<sup>st</sup> January 2006, has introduced a new legal framework, according to which foreigners originating from non-EU countries may visit Greece as tourists for a period up to three months or for the duration specified in the attestation of entrance/visa issued by the Greek consulate of their place of residence. By way of exception and on the grounds of serious professional, personal or humanitarian reasons this period may be extended for up to six months.

When, however, foreigners wish to work in Greece either as employees or as investors and independent entrepreneurs they must enter Greece with a special (non-tourist) attestation of entrance/visa issued by the Greek consulate of their place of residence stating that purpose.

In case the foreigner is an executive of a foreign company or executive of a subsidiary or of a branch of a foreign company, the foreigner may easily obtain such attestation of entrance/visa and subsequently, after his/her entrance in the country, a work permit.

On the contrary, if the foreigner is an employee, the acquisition of an attestation of entrance/visa is subject to the "invitation procedure" which is considerably more elaborate. In this case, the relevant application must be accompanied by proof of a job offer in Greece and, if approved, it results in the acquisition of an attestation of entrance/visa and of a residence and work permit.

Finally, when the foreigner wishes to enter the country as an investor or an independent entrepreneur, he/she must submit an application declaring the financial resources and presenting the relevant business plan. If approved, the application results also to the acquisition of an attestation of entrance/visa and a residence permit, valid for three years and subject to renewals. Please also see below under section 10 of **Chapter XVII**.

Immigrants count for 10% of the total population (which is between 900,000 and 1,200,000 immigrants) and make up 15-20% of the country's workforce, although many are in unskilled jobs.

## **2. Immigration Requirements/Formalities**

As far as work and residence permits are concerned, a distinction must be made between EU and non-EU citizens. In order for the former to obtain a residence and work permit, the submission to a competent police department of documents evidencing their identity, their residence in Greece and the fact that they will be professionally employed in Greece is required. The fees involved are minimal and the permits are prepared within one working day provided that the submitted file is complete. Such permits are valid for 5 years.

Restrictions however exist with respect to citizens of non-EU Member States. After entering the country by virtue of a valid attestation of entrance/visa, a foreigner wishing to work in Greece under an employment contract may apply for a residence permit. For the issuance of the residence permit the foreigner must also provide documents certifying medical and health insurance as well as coverage for work accident, a certificate attesting that the employee does not suffer of a disease which may be dangerous to public health, and a statement certifying his/her address in Greece. The fees involved may amount from Euro 150 up to Euro 900 depending on the duration of the stay. The residence permit for working reasons lasts one year but it may be renewed as long as the working position is secured.

The procedure for acquiring a residence permit is, in most cases, rather elaborate and time-consuming and may take as much as up to one year.

In addition to the above, the foreigner must acquire a tax registration number in Greece, following a relatively simple procedure.

## **XVII. EXPATRIATE EMPLOYEES**

### **1. Cost of Living and Immigration**

The cost of living in Greece is equivalent to the average cost of living in any western European country. The rate of inflation is currently approximately 3.5% (subject to minor fluctuations).

### **2. Drivers' Licenses**

All EU and the vast majority of other countries' validly issued driver's license entitle the investor to legally drive in Greece. As a general rule, however, the issuance of a driver's license involves an examination, both practical and written. The cost involves fees for lessons and moderate examination fees.

### **3. Education**

The investor has a choice between Greek state schools, which are free of charge or Greek or international private schools for which tuition fees are charged. Without prejudice of the minimum age limit there are no other restrictions concerning the enrollment.

#### **Can the investor or company receive a tax benefit with regard to tuition fees of investor's children?**

Tuition fees can by no means be treated as an allowable expense if shown as incurred by a Greek-incorporated company. Expenses in general are eligible for deduction only to the extent that they are **certain** (i.e. provisions and contingencies are not deductible) and in general contribute to the financial results of such taxpayer company ("**productive**" character of the expenses). In that sense, tuition fees may be deductible only if they constitute part of the salary of the employees of the foreign investor and only if the corresponding social security contributions have been paid.

An investor/individual, being a foreign tax resident, is not entitled to any allowance for Greek income tax purposes. If such investor/individual qualifies under the relevant rules as a Greek tax resident, then he/she may receive a deduction from his/her overall Greek income liability amounting to 20% of the allowable part of the expense which cannot however exceed the amount of Euro 1,100 per year. Please note that only such part of the expense that relates to foreign language courses, private lessons at home and afternoon classes in private institutes shall be allowed.

It should also be noted that the criteria according to which it can be determined whether a certain expatriate qualifies as a Greek tax resident normally boil down to a requirement for twelve months minimum duration of residence in Greece and the existence of vital interests in the country.

In light of the above, the actually allowable amount is, if not nil, severely reduced.

#### **4. Housing**

A foreign investor may acquire and own property at any time before or after entering the country, with exception to real property situated at border areas.

#### **5. Importing Personal Possessions**

If the investor has been residing in an EU Member-State before moving into Greece, no import duties are due on the Greek frontier, as movement takes place within the Customs Union.

Where the investor originates in a third country, personal belongings shall bear customs duties except if he/she furnishes a *Certificate of Immigration*, issued by the Greek Consulate of his country of residence, to the Greek Customs Authorities.

#### **6. Medical Care**

Greece has a national health care system but a person may also choose to obtain additional private medical care insurance. In most cases the investor will be obligated to obtain medical care insurance or prove that he/she and his/her family members are adequately insured by another state or private health care insurance carrier in order to obtain a visa or a work and residence permit.

#### **7. Moving Costs**

No tax allowance is provided by Greek law in relation to moving costs.

#### **8. Tax Liability**

Expatriates, being non-Greek tax residents, are taxable in Greece only on their Greek-source income and receive no relief in their first bracket of income, which bears tax at 5%. In addition, they are not entitled to any allowance, normally granted to Greek tax residents for income tax purposes.

Expatriates that become Greek tax residents are subject to tax on their worldwide income in Greece and enjoy full relief entitlement (for more details on the major allowances, please refer to *Chapter XIII, Section 1*). For the criteria according to which an

expatriate may be treated as a Greek tax resident, please see under *Chapter XIII, Section 2*.

### **Are there any applicable tax treaties?**

Tax treaties concluded by Greece in principle contain a provision on Income from Employment, which is scheduled pursuant to article 15 of the OECD Model. Such provision sets out three criteria pursuant to which employees receiving employment remuneration in a country other than that of their residence are taxed on the respective revenues **only at residence**. The aforementioned criteria are as follows:

- i) employees shall be present in the country of source for less than 183 days, and
- ii) the employer that pays the remuneration shall not be resident in the State of source, and
- iii) the remuneration shall not be borne by a permanent establishment which the employer maintains at source.

### **9. Work Contracts**

First, a distinction has to be drawn between EU and non-EU investors. The former, must comply with the conditions specified in the first paragraph of section 2 of *Chapter XVI* above, which cover all EU citizens. As far as non-EU investors are concerned, a work contract is not a prerequisite in order to conduct business and reside in Greece. For their entrance in the country, the acquisition of a residence permit and the development of their activities, the requirements specified in question 10 below must be fulfilled.

### **10. Work Permits**

It is stipulated by Law 3386/2005 that non-EU investors, in order to be granted a permit to reside in Greece and conduct business, must invest an amount higher than Euro 300,000 (three hundred thousand) and that their investment must be bound to have positive effects on Greek economy.

As far as procedural issues are concerned, a non-EU investor has first to obtain an attestation of entrance/visa, granted after an application to the Greek consulate of his place of residence. This application must be accompanied by a number of other documents, evidencing his/her identity and providing further information on the activity the investor wishes to pursue, and will be forwarded to the competent department of the Ministry of Finance. After the assessment of the application and the supporting documents, the attestation will be granted by the Minister of Internal Affairs. In the event the investor is permitted to enter Greece, he/she will subsequently be obliged to apply to the competent department of the Ministry of Internal Affairs for a residence permit, by virtue of the attestation of entrance already granted. This second application will be accompanied by a number of other documents, evidencing his/her

identity, health insurance, tax compliance in the home country etc. The fees involved are as described in section 2 of **Chapter XVI**. The residence permit is valid for three years and can be renewed provided the activity pursued by the investor is ongoing, has not been altered and all tax obligations involved are fulfilled.

The amount of time it takes the authorities to grant said permits and attestations as well as the exact nature of the supporting documents required for the attestation application are yet to be defined by Ministerial Decisions not yet issued, since the enactment of relevant legislation is, as mentioned above, fairly recent.

Nothing in this publication shall be treated as legal advice. The publication is necessarily of a general nature. Professional advice should therefore be sought before any action is undertaken based on this publication.

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