

Greece is a member of the European Union located in the Mediterranean.

However there are a number of issues which you must consider when you are looking to set up your business in Greece.

This document takes you through some of the common questions we come across and gives you practical information about the issues you need to consider.

### **What type of Business Structure should we use?**

There are advantages and disadvantages to all of them, and there is no one correct answer, it's all dependent on your specific business circumstances and needs. A brief overview of the main structures is below:

#### **Establishment (a branch of your overseas business)**

- Not a separate legal entity but an extension of the overseas parent company
- No limited liability or ring-fencing of the Greek operations
- If have a permanent establishment in Greece then profits from this PE are liable to Greek Corporation tax
- Must file **parent company accounts** and those for the branch at the Ministry of Commerce.

#### **Societe Anonyme (SA):**

- A limited liability company with either bearer or registered shares.
- Minimum capital requirements of € 30,000. Incorporation expenses about € 3,000.
- The accounts must be published and filed with the Ministry of Commerce. Statutory audit requirements as per EU directives. (Any two of the following three factors: Turnover over € 8.00 m, total assets over €4.00m and over 50 people staff).
- A one person company can be formed.

#### **Limited liability company (EPE):**

- A limited partnership with the capital consisting of share parts.
- Minimum capital requirements is € 4,500.
- There is an administrator instead of the board of directors and incorporation expenses are about €1,500.
- EPE is governed by its articles and memorandum of association and its accounts must

- be published.
- Statutory audit requirements as per EU directives.
- A single partner can control this form of incorporation. Members (partners) have limited liability

**Private Capitalised Company(IKE):**

- A form of limited partnership and the capital consists of share parts.
- Minimum capital requirements is € 1.00.
- There is an administrator instead of the board of directors and incorporation expenses are about € 1.000.
- IKE is governed by its articles and memorandum of association and its accounts must be published.
- Statutory audit requirements as per EU directives.
- A single partner can control this form of incorporation.
- It is very similar to EPE with the difference that is not obliged to the formalities governing the EPE, it is a more flexible to administer form of company.

**Partnerships (OE or EE):**

- The agreement between the partners must be filed with the court of first instance.
- Set up expenses about €1,000.
- The partners can be either equally liable as per their capital contribution (OE) or one partner can have unlimited liability and the rest of the partners no liability (EE).

**How much Corporation Tax will the business pay?**

Current Corporation Tax rates in Greece are:

Tax rate (%)		Taxable profit (Euro)
Societe Anonyme SA; EPE; IKE, branches	29% (Additional 3% on gross real estate income)	
Other corporations OE; EE	26%	€0-€50,000
(	33%	€50,000 -

(NB: rates are for the tax year 2015)

### What if we use Greece to set up our holding company?

There is no tax withholding if a double treaty provides so and also if tax relief is available under the EU Parent - Subsidiary Directive (90/435/EEC – EU holding company has more than 10% participation in the Greek subsidiary for at least two consecutive years). Dividends received by Greek parent companies from subsidiaries established in other EU member states (has more than 10% participation in the EU subsidiary for at least two consecutive years) are exempt from tax at the shareholder level to the extent that they are registered under a tax free reserve account. If these dividends are subsequently distributed or capitalized a 15% tax is applicable.

### What if we make cross-border transactions between group companies?

Greece follows internationally recognised **Transfer Pricing (TP)** rules where cross-border trading and financial transactions between affiliated entities have to be conducted on an arm's length basis. The price and terms should be the same as if the transactions had been between completely independent parties.

The arms length principle applies to all transactions made between a Greek company / branch and its foreign affiliates. It is wise to be ready at all times to satisfy the tax authorities on pricing policies involving both ways of trading. For management fees and royalties above the rates accepted by the tax authorities special approval by the Ministry of Finance is required. Companies with inter group transactions, over and above the limits of the transactions as specified by the ministry of finance, are required to file a return for all intergroup transactions and also the method used to account for these transactions. They are also obliged to have a documentary file proving the method used.

### What Employment Taxes and Social Security will need to be paid?

If an individual is resident in Greece then they are subject to Greek tax laws. An individual is resident in Greece if they reside in Greece or has a habitual abode in the country. An abode will be regarded as 'habitual' if the taxpayer stays in Greece more than 183 days within a calendar year.

We would advise any new entrant to Greece or person who spends time working in Greece to take professional advice to determine whether they are Greece tax resident.

### Current Personal Income Tax rates in Greece are:

Band of income (Euro)	Tax rate (%)
0-20,000	22%
20,001-30,000	29%

# Setting up your Business in Greece

## Issues to consider



30,001-40,000	37%
40,001-	45%

(NB: rates are for the tax year 2017)

Employers and employees also have to pay Greek social security, which is called National Insurance rates are currently about 25% for the employer and 16% for the employee on their gross salary.

It is the employers' legal responsibility to pay over employee's tax and social security deductions to the Greek tax authorities.

For other EU nationals exceptions may be given for a limited period of time provided they can prove they are registered at home.

### Real property taxes

Real property tax is levied annually on property located in Greece at 1<sup>st</sup> January each year. The tax consists of the main tax and the additional tax. The main tax is calculated according to the size, location, zone, price, surface, age, use etc of the property. The additional tax is calculated at the rate of 0.55% on the total value of all of the company's property. Flat tax rate of 0.1% on self-used property and 0.6% on other real property apply to companies. (for corporations owning property in Greece and seated at tax heavens the rate is 15%). A special real estate duty is payable to the municipal authorities at rates ranging between 0.025% and 0.035%.

### What is Value Added Tax (VAT) and should the business be registered?

VAT is a "goods and services tax" on supplies made, the standard rate of which is 24%. Some goods and services are subject to 13% or 6% rates. If a business makes taxable supplies in Greece then it MUST be registered for VAT.

There are three types of supply

- Taxable – must charge VAT on supplies, can reclaim input VAT
- Exempt – cannot charge VAT nor reclaim input VAT
- Outside the scope – not in the Greek VAT system

The supply of most types of goods and services in Greece would be classed as Taxable supplies. However when these supplies are made to companies which are outside of Greece advice needs to be sought as to what rate of VAT, if any, to use.

### Can we provide Share option plans to our staff?

Many companies see Share Option plans as being an important way of attracting, motivating and retaining key staff.

## Setting up your Business in Greece Issues to consider



However this is a very technically complex area and careful planning needs to be undertaken as soon as share option plans are being considered for implementation in Greece.

**To discuss your requirements please contact the International Office on +44 (0) 1245 449266 or [email](#) us directly.**

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