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DOING BUSINESS IN GREECE



COMPANY FORMATION IN GREECE

MAIN FORMS OF COMPANY/BUSINESS IN GREECE

The main forms of business are:

Companies

A company may be either a corporation (Anonymos Eteria, or A.E. for short, equivalent to the Société Anonyme, S.A.) which is limited by shares or it may be a limited liability company (Eteria Periorismenis Efthinis, or E.P.E. for short) which is limited by share parts. A third form of company is a private capital company (IKE or PCC), which is also of limited liability, according to the contributions made by the partners which can be in the form paid capital, or in kind, or the supply of services etc. The main difference between shares and share parts is that shares can be more readily transferred, assigned, given as guarantee and traded on a Stock Exchange.

Partnerships

There are two forms of partnerships:

- Omorythmos Eteria (O.E.) where the partners' liability is unlimited
- Eterorythmos Eteria (E.E.) where at least one partner has unlimited liability

Sole proprietorships

This is the simplest form of business entity that can be set up and owned by one individual for carrying out any type of activity e.g. manufacturing, trading, professional etc., without going through the formation requirements which are obligatory for the other forms of business entities, such as articles of incorporation, share capital etc. The owner has unlimited liability.

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

Corporate bodies are taxed for their profit and capital at the company level and owners are only taxed for dividends or any other form of distribution of profits.

Company profits are taxed at a rate of 29%.

Company dividends are subject to a withholding tax at a rate of 15%, which is final.

VAT is independent of the legal form of the business. The main VAT rate is 24% for all goods not belonging to any special category. For Category 1 goods the VAT is 13%, and for Category 2 goods 6%. Some items are exempt from VAT, such as medical services and education. On some islands there is a VAT reduction of 30% on all three categories and the respective rates are 17%, 9% and 4%. This reduction will be lifted on 31 December, 2016.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

Only individuals over the age of 18 have the right to participate in the formation of companies. The participation of minors is allowed only following Court permission. Prior to the formation of the company, the interested party must obtain a clearance regarding the company and trade name from the competent Company Chamber. The clearance is valid for two months during which the registration formalities should be completed.

The minimum share capital of an A.E. is € 24.000. There are no minimum capital requirements for either an E.P.E. or an I.K.E. The statutes of both an A.E. and an E.P.E. must be signed before a notary. There is no such a requirement for an I.K.E.

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

Greece is strategically situated on the cross roads of Europe, Africa and the Middle East.

Greece is a developed country with an open economy that has a heavy reliance on the service sector at 85%. The remaining national economic output comes from the industry sector (12.0%) and the agricultural sector (3.0%). Although Greece is a significant agricultural and fisheries producer within the European Union, the tourist industry forms the basis of the economy. Greek-owned merchant shipping represents 16.2% of the world's total capacity.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

The main language is Greek. English is widely spoken, especially among professionals and the young, followed by German and French.

PERMANENT ESTABLISHMENT IN GREECE: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

The term “**permanent establishment**” includes especially:

- a) a place of management
- b) a branch
- c) an office
- d) a factory
- e) a workshop
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources

Specifically, in order for a construction site in Greece to constitute a permanent establishment, a time period of at least three months is required, instead of the time period of twelve months provided in the OECD Model Convention on the Double Tax Treaties for the Avoidance of Double Taxation.

The explicit provision that shops, agencies, annexes and warehouses constitute a permanent establishment ceases to apply.

Moreover, the provision that explicitly provided that facilities of enterprises carrying out the manufacturing of raw materials or the processing of agricultural products constitute a permanent establishment is abolished.

The keeping a stock of goods from which orders are executed on behalf of a foreign enterprise does no longer constitute a permanent establishment, and conversely, is included in the cases that do not constitute a permanent establishment.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

A **subsidiary** is an entity controlled directly or indirectly by a parent company. It is legally autonomous and this distinguishes it from a branch.

A **branch** is an office or establishment through which a foreign company engages in business in Greece and it is not an entity which is independent and separate from its parent. From a legal and organisational aspect it is subject to the laws that govern the parent company.

Apart from the above, the main differences between a branch and a subsidiary can be summarised as follows:

1. A branch has no minimum capital requirements as opposed to a subsidiary.
2. A branch has a representative acting in its name and on behalf of the parent company. A subsidiary is managed by a Board of Directors elected by the Shareholders’ meeting.
3. The liability of the shareholders of a subsidiary formed as an A.E. or E.P.E. for the debts of the subsidiary is limited to the amount of their capital contributions, while in the case of a branch there is no limit to the parent company’s liability.

TAX AND ACCOUNTING OBLIGATIONS

As from 1 January, 2015, all entities, irrespective of their form, must keep books according to the Greek Accounting Standards and all transactions must be recorded within a calendar month regarding entities that are obliged to compile a balance sheet and within 3 calendar months for those entities that do not have this obligation.

A Greek branch of a foreign company is liable to tax as a permanent establishment. Standard corporate tax rates apply. An advance tax is also payable based on the current year's tax, which is set off against the tax of the following year.

Greek VAT is independent of the legal form of a business. The main VAT rate is 24% for all goods not belonging to any special category. For Category 1 goods the VAT is 13%, and for Category 2 goods 6%. Some items are exempt from VAT, such as medical services and education. On some islands there is a VAT reduction of 30% on all three categories and the respective rates are 17%, 9% and 4%. This reduction will be lifted on 31 December, 2016.

REGISTRATION FORMALITIES

The consent of the Local Chamber of Commerce is required to form a branch of a foreign company in Greece. In the case of a branch of a non-EU company, the foreign company's share capital must conform to the requirements imposed on Greek companies.

An application to form a branch must include, amongst others:

- (i) Articles of association of the parent company.
- (ii) A certificate with the names of directors or officials with power to bind the parent company.
- (iii) The appointment by Notary deed or Consular legalisation of a legal representative in Greece with the power to act in its name.
- (iv) A certification regarding the amount of the paid in capital and the year of formation provided by the parent company's local chamber of commerce or any other competent authority.

STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

A branch has the same obligations as any other similar local entity established in Greece regarding bookkeeping, the compilation and submission of tax and other returns, income tax and VAT.

More specifically, a branch is required to file annual accounts with the Registrar of Companies, together with a statement reporting local operations. A branch must maintain the same accounting records as a company, which must be written up within a specified number of days, but there is no audit requirement. It may also have the same financial year end as that of the parent company.

HOW TO HIRE MY FIRST EMPLOYEE IN GREECE

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

Employer registration with the Social Security Institution

- Every employer must register with the competent local branch of the Social Security Institution, where the business has its legal seat.
- The registration form containing all the details of the employer is submitted either by the entity's legal representative or its legal nominee.
- The form is accompanied by a number of documents, which vary, according to the entity's legal form and inter alia include a certificate with the date of the entity's commencement of business, a photocopy of the legal representative's identity card or passport, a photocopy of the entity's statutes and a standard contract of employment.

Following this, the business obtains an Employer's Registration Code.

Notification of the Hiring of Employees

The hiring is effected electronically within 3 working days from hiring. Every subsequent hiring must be notified within the same day and in any case before the employee commences work.

Changes Regarding the Employer's Details

Any changes regarding the employer e.g. the ceasing of activities, the change of legal seat, the change of the responsible company officials etc, must be notified to the Social Security Institution.

Social Security Contributions

The employer is responsible for paying his share of the security contributions as well as those of the employees.

Other Obligations

The employer must submit electronically a monthly analytical periodic form which contains, amongst others, the duration of the employee's employment being reported, the relevant salary, the social security covers and the social security amounts.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

There are two types of employment contracts, those with an indefinite duration and those with a specific one. The employment can be for either on a full time basis (40 hours a week) or on a part time basis (less than 40 hours a week).

An employment contract must contain:

1. Identification details of both parties
2. The place where the work is to be provided
3. The employee's position and the type of work to be provided
4. The date of commencement (and where applicable) the date of termination
5. Paid leave
6. Compensation in case of redundancy
7. All kinds of pay
8. The salary payment date
9. Working hours
10. The applicable collective working agreement

CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

This is possible, in two ways:

1. As a free professional/contractor, issuing a related invoice for the services rendered. Such a person must be registered with the competent tax office and is responsible for his/her social security contributions.
2. By means of a work voucher which is valid for specific occupations, such as for house servants, cleaning and gardening personnel, farm labour etc. The work voucher is a specific document issued by the employer and is equivalent to a cheque. It bears a unique number and is cashed by the employee with a bank, which retains the social security contribution of 25%.

HOW TO READ FINANCIAL STATEMENTS IN GREECE

The basic Greek Financial Statements always consist of:

- The Balance Sheet
- The Profit and Loss Account
- The Notes

Following you will find a translation of a Balance Sheet and Profit and Loss Account.

Balance Sheet and Profit and Loss Account

Ισολογισμός

Μη κυκλοφορούντα στοιχεία

Ενσώματα πάγια

- Ακίνητα
- Μηχανολογικός εξοπλισμός
- Λοιπός εξοπλισμός
- Επενδύσεις σε ακίνητα
- Βιολογικά περιουσιακά στοιχεία

Σύνολο

Άυλα πάγια στοιχεία

- Δαπάνες ανάπτυξης
- Υπεραξία
- Λοιπά άυλα

Σύνολο

Προκαταβολές - μη κυκλοφορούντα στοιχεία υπό ανάπτυξη

Χρηματοοικονομικά περιουσιακά στοιχεία

- Δάνεια και απαιτήσεις
- Διακρατούμενες έως τη λήξη επενδύσεις
- Συμμετοχές σε θυγατρικές, συγγενείς και κοινοπραξίες
- Διαθέσιμα για πώληση
- Στοιχεία προοριζόμενα για αντιστάθμιση

Σύνολο

Αναβαλλόμενοι φόροι

Σύνολο μη κυκλοφορούντων

Κυκλοφορούντα περιουσιακά στοιχεία

Αποθέματα

- Έτοιμα και ημιτελή προϊόντα
- Εμπορεύματα
- Πρώτες ύλες και υλικά
- Βιολογικά περιουσιακά στοιχεία
- Προκαταβολές για κυκλοφορούντα στοιχεία και υπηρεσίες
- Λοιπά

Balance Sheet

Non-current assets

Tangible fixed assets

- Land and buildings
- Machinery
- Other equipment
- Investment in land & buildings
- Biological assets

Total

Intangible fixed assets

- Research and development costs
- Goodwill
- Other intangible assets

Total

Prepayments - non-current assets in progress

Financial assets

- Loans and other receivables
- Held to maturity investments
- Participation in subsidiaries and associated
- Available-for-sale financial assets
- Hedge assets

Total

Deferred tax

Total non-current assets

Current assets

Inventories

- Finished and semi-finished products
- Goods for sale
- Raw materials
- Biological assets
- Prepayments for current assets and services
- Other inventories

20X1

20X0

Σύνολο	Total		
<i>Χρηματοοικονομικά στοιχεία</i>	Financial assets		
<i>Εμπορικές απαιτήσεις</i>	Trade receivables		
<i>Δουλεωμένα έσοδα περιόδου</i>	Accrued income		
<i>Λοιπές απαιτήσεις</i>	Other receivables		
<i>Ταμιακά διαθέσιμα και ισοδύναμα</i>	Cash and cash equivalents	_____	_____
Σύνολο	Total		
Σύνολο κυκλοφορούντων	Total current assets	_____	_____
Σύνολο ενεργητικού	Total assets	_____	_____
		<u>20X1</u>	<u>20X0</u>
Καθαρή θέση	Equity		
<i>Καταβλημένα κεφάλαια</i>	Share capital fully paid up		
<i>Κεφάλαιο</i>	Share capital		
<i>Υπέρ το άρτιο</i>	Premium on share capital		
<i>Καταθέσεις ιδιοκτητών</i>	Contributions from owners		
<i>Ίδιοι τίτλοι</i>	Own shares repurchased	_____	_____
Σύνολο	Total		
<i>Διαφορές εύλογης αξίας / αναπροσαρμογής</i>	Revaluation reserves		
<i>Διαφορές αξίας ενσωμάτων παγίων</i>	Revaluation reserve for fixed assets		
<i>Διαφορές αξίας διαθέσιμων για πώληση</i>	Revaluation reserve for AFS financial assets		
<i>Διαφορές αξίας στοιχείων αντιστάθμισης ταμειακών ροών</i>	Revaluation reserve for cash flow hedge	_____	_____
Σύνολο	Total		
<i>Αποθεματικά και αποτελέσματα εις νέο</i>	Reserves and retained earnings		
<i>Αποθεματικά καταστατικού ή νόμων</i>	Statutory reserves		
<i>Αφορολόγητα αποθεματικά</i>	Tax free reserves		
<i>Αποτελέσματα εις νέο</i>	Retained earnings	_____	_____
Σύνολο	Total		
Σύνολο καθαρής θέσης	Total equity		
Προβλέψεις	Provisions		
<i>Προβλέψεις για παροχές σε εργαζομένους</i>	Provisions for employee benefits		
<i>Λοιπές προβλέψεις</i>	Other provisions	_____	_____
Σύνολο			
Υποχρεώσεις	Liabilities		
<i>Μακροπρόθεσμες υποχρεώσεις</i>	Non-current liabilities		
<i>Δάνεια</i>	Loans		
<i>Λοιπές μακροπρόθεσμες υποχρεώσεις</i>	Other non-current liabilities		
<i>Κρατικές επιχορηγήσεις</i>	Government grants		
<i>Αναβαλλόμενοι φόροι</i>	Deferred tax liabilities	_____	_____
Σύνολο	Total		

Βραχυπρόθεσμες υποχρεώσεις	Current liabilities		
Δάνεια	Loans		
Βραχυπρόθεσμο μέρος μακροπροθέσμων δανείων	Long-term debt, current portion		
Εμπορικές υποχρεώσεις	Trade payables		
Φόροι	Taxes		
Οργανισμοί κοινωνικής ασφάλισης	Social Security Institutions		
Λοιπές υποχρεώσεις	Other payables		
Έξοδα χρήσεως δουλευμένα	Accrued expenses		
Έσοδα επόμενων χρήσεων	Income received in advance	_____	_____
Σύνολο	Total		
Σύνολο υποχρεώσεων	Total liabilities	_____	_____
Σύνολο καθαρής θέσης, προβλέψεων και υποχρεώσεων	Total equity, provisions & liabilities	=====	=====

Κατάσταση Αποτελεσμάτων

Profit & Loss Account

		<u>20X1</u>	<u>20X0</u>
Κύκλος εργασιών	Sales	_____	_____
Κόστος πωλήσεων	Cost of sales	_____	_____
Μικτό αποτέλεσμα	Gross profit/loss	_____	_____
Άλλα έσοδα	Other income	_____	_____
Έξοδα διάθεσης	Marketing/sales expenses		
Έξοδα διοίκησης	Administrative expenses		
Άλλα έξοδα και ζημιές	Other expenses and losses		
Απομειώσεις περιουσιακών στοιχείων (καθαρό ποσό)	Depreciation		
Κέρδη & ζημιές από διάθεση παγίων στοιχείων	Gain/losses on sale of fixed assets		
Κέρδη & ζημιές από επιμέτρηση στην εύλογη αξία	Gain/losses on revaluation of assets		
Άλλα έξοδα και ζημιές	Other expenses and losses		
Άλλα κέρδη	Other gains	_____	_____
Αποτελέσματα προ τόκων και φόρων	Profit/loss before interest and taxes	_____	_____
Πιστωτικοί τόκοι	Interest earned		
Χρεωστικοί τόκοι	Interest paid	_____	_____
Αποτέλεσμα προ φόρων	Net profit/loss before tax	_____	_____
Φόροι εισοδήματος	Corporation tax	_____	_____
Αποτέλεσμα περιόδου μετά από φόρους	Net profit/loss after tax	=====	=====