

DOING BUSINESS

IN GREECE



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business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Greece has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at December 2011.

We look forward to helping you do business in Greece.

2 – BUSINESS ENVIRONMENT

BACKGROUND

Greek (Hellenic) civilisation, as is well known, dates back to ancient times and Greece is famous for giving birth to democracy.



Throughout its long history, Greece's borders have expanded and contracted continuously. At various times, Greece had been under foreign rule (Roman, Ottoman) but from the 1800s emerged as an independent nation.

Greece joined the European Community in 1981 and became a member of the Economic and Monetary Union (EMU) at the beginning of 2001.

POPULATION

At present, Greece's population is approximately 11 million and growing slowly. The working population numbers about 4 million.

Approximately 40% of the population lives in the Attica area, which is primarily Athens and Piraeus, where more than 50% of Greek industry and commerce is located.

Thessaloniki, in northern Greece, has a population of over 1 million. Patras, which lies in the northwest of The Peloponnese, has a population of 320,000. And Larissa, which lies on the central mainland, has a population of 280,000.

Greece has a number of islands located in the Ionian Sea and the Cyclades islands, which are located in the Aegean Sea. The population of these islands is currently expanding. The major island is Crete, which has two major cities, Heraklion with a population of 290,000 and Chania with a population of 130,000.

The population is homogeneous, but the Athens area, and to a lesser extent other major cities, host an international community.

Retired non-Greek residents prefer to reside in the numerous islands of Greece, especially in Corfu, Rodos, Mykonos and Paros where the cost of living is low and the weather conditions are excellent for their age and health.

VISA REQUIREMENTS, RESIDENCE AND WORK PERMITS

Citizens of European Union (EU) member states must apply for a residence permit should they wish to work in or take up residence in Greece. A visit of up to three months does not require a permit.

Non-EU citizens must apply for a work permit before arriving in Greece if they wish to work in Greece and apply for a residence permit immediately upon arrival.

The application procedure for work permits is lengthy and therefore those wishing to acquire work permits are advised to commence this procedure well in advance of the planned date of arrival. Some Non-EU citizens may require visas to enter the country, even for vacations or short business trips.

LANGUAGE

The official language is Greek, but English is widely spoken amongst the younger generation, whilst French is spoken by the older generation. In addition, Spanish, Italian and Chinese are popular languages to the younger working generation.

WORKING HOURS

Banking hours are 8am to 2:30pm Monday to Thursday and 8am to 2pm on Friday. The public sector's hours for serving the public are generally the same as banking hours.

Private sector office hours may vary but are generally 9am to 5pm Monday to Friday. Stores are open generally from 8:30am to 3pm. on Mondays, Wednesdays and Saturdays and from 8:30am to 2pm and 5pm to 8:30pm on Tuesdays, Thursdays and Fridays, although department stores and hypermarkets have continuous hours, from 8:30am to as late as 8:30pm Monday to Saturday.

Currently a number of entities are extending the hours that they remain open to the public and a chain of small stores remains open throughout the night, seven days a week.

COST OF LIVING

The cost of living in Greece has generally converged to EU levels but currently tends to be reducing.

HOUSING

Good quality housing built to high and modern standards is available, particularly as demand has reduced. Most expatriates choose to rent housing although there are generally no restrictions on foreign citizens from purchasing real estate.

CURRENCY AND FOREIGN EXCHANGE REGULATIONS

As of 1st January 2002, Greece implemented the Euro as its monetary unit for all economic functions.

There are no foreign exchange control restrictions. However, all monetary transfers abroad must be effected through commercial banks in Greece. When approving such transfers, commercial banks are obliged to ensure that the payment has been subject to or is exempt from withholding tax.

Payments and other transfers relating to current transactions between residents and non-residents must also be made through the same channel.

POLITICAL STRUCTURE

Greece is a parliamentary republic. The Prime minister and the government hold executive powers. The President is elected by the 300-member parliament to serve a five-year term.

Five political parties are currently represented in parliament with the socialists (PASOK) frequently representing the majority of the voting body. The Conservative Party (Nea Dimokratia) is the major opposition party.

A Coalition Government has been formed consisting of three parties, namely Nea Dimokratia, PASOK and DEMAR. Mr. A. Samaras has been appointed to lead the Coalition as Prime Minister.

CULTURE & VALUE SYSTEMS

Greeks are open to discussion on most topics but they process information more from an associative perspective than an abstract one. Interpersonal relationships and family ties are of major importance in decisions. Family ties and friendships are deep and carry obligations. A person's role in society, the extended family and in friendships gives structure and security to the individual.

Greeks are excellent bargainers and therefore to do business with them, one must be patient, yet use quick judgement.

Business is conducted by all modern means but traditionally is often done over a cup of coffee or a working lunch or dinner in a restaurant (taverna). Accepting more food as part of the meal is a compliment to your host.

Greetings can take many forms: a hand shake, an embrace or a kiss can all be encountered at first meetings or among friends and acquaintances.

INFRASTRUCTURE

The city of Athens went through substantial infrastructure developments when preparing for the 2004 Olympic and Paralympic Games. New freeways, extensions to the Metro system, a new suburban rail line and a rail link from the international airport to the city were among the major developments.

ECONOMY

Due to its public sector debt and trade deficit, Greece is currently facing a financial crisis and is dependent on the Community Support Framework (CSF) funding.

Prior to 2009, the country had enjoyed high growth rates on supportive fiscal policies, entry into the Eurozone and successfully undertook the Athens 2004 Olympic Games.

Its Growth Domestic Product (GDP) currently runs at a negative rate of -4.4. A new economic stability program is presently being implemented. This aims to reduce the country's budget deficit below 3% of GDP and restore the competitiveness of the economy by creating a more investor-friendly business environment which will foster a climate of confidence and trust based on entrepreneurship, international orientation and competitiveness.

Greece's main economic sectors are agriculture, construction, tourism and shipping, with most activities centred in the major cities of Athens, Piraeus and Thessaloniki, where most of the country's population resides.

PRIVATISATIONS

Government policy has recently been directed towards the privatisation of government-owned property and companies, including the old airport, the Water Boards of Athens and Thessaloniki and The Telecommunications Authority.

The Hellenic Tourist Properties SA manages a considerable number of state-owned tourism properties, amongst which are the old airport, hotels, marinas, casinos, beaches and golf courses on the islands and in Crete, which are of considerable value.

A strategic target of 50 billion euro in privatisations has been announced in compliance to Greece commitments to the member states of EU and the International Monetary Fund (IMF). These include, amongst others, the old airport, the Water Board and a portion of shares in the new airport.

To boost the privatisation and real estate development process, the Hellenic Republic Development Assets Fund (HRDAF) has been set up.

In the past, the rate of privatisations was less ambitious than the present target and included, amongst others, the privatisation of the air carrier Olympiaki and a partial sale of the port of Piraeus.

MACROECONOMIC ENVIRONMENT

The Greek economy in yearly numbers, expressed in deviation percentages or as otherwise defined, is depicted in the table set out below:

TABLE 1
Economic statistics

USD MILLION	2004	2005	2006	2007	2008	2009	2010 EST.
GDP (fixed prices)	4.9	2.9	4.5	4.5	1.3	-2.3	-4.4
Private consumption	3.7	4.3	4.8	3.1	3.2	-1.6	-4.6
Public consumption	2.9	1.2	0.0	9.2	1.0	7.6	-9.0
Housing Gross investments	-1.9	0.0	29.1	-6.8	-29.1	-19.5	-18.6
Equip. Gross investments	12.7	-1.0	14.2	8.6	6.2	-12.2	-31.6
Unemployment (%)	10.2	9.5	8.6	8.0	7.4	9.5	14.8
Total employment	0.9	1.5	2.5	1.3	1.2	-1.1	-2.1
Aver. Consumers' Price Index	2.9	3.5	3.2	2.9	4.2	1.2	4.7
Goods' Cost of Labour - per unit	1.8	3.7	4.6	3.5	3.9	5.8	1.4
Credit expansion (private sector)	19.5	21.8	19.7	20.0	15.9	3.3	-1.5
Deficit General Govt. (% GDP)	-7.4	-5.1	-2.6	-3.6	-7.8	-13.6	-9.0
Current Balance of payments (capital transfers % of GDP)	-4.5	-6.3	-9.6	-12.4	-12.6	-9.9	-8.0

In spite of the present financial crisis, the new environment of macroeconomic stability, combined with the envisaged use of green energy, gradual deregulation of the telecommunications and energy sectors, the construction of new roads connecting major cities of Greece, as well as improving the transportation facilities with the Greek islands, are creating a number of business opportunities in many areas of economic and entrepreneurial activity.

Within this context, conditions are being created for the development and financing of new ventures focusing on green technologies. These types of investments are given more favourable tax treatment if they are related to research/technology, venture capital or any other form of innovative entrepreneurial initiative. They are also supported financially by new mechanisms for timely development and implementation.

FISCAL POLICY ISSUES

Greece has a mixed capitalist economy with the public sector accounting for about half of GDP. The primary focus of the government today is to reduce government spending, restore Greek economic competitiveness and, at the same time, tackle unemployment, which is currently a major social problem.

Interest rates have been declining since 1995 and stabilised after the converging of EU standards in 2001. Bank lending rates have also dropped but are presently fluctuating from 5.75% to 16.8%, depending on the type of lending facility.

MARKET ISSUES

MARKET ENTRY STRATEGY

Investors considering investing in Greece are advised to review the relevant regulations with legal, tax and other business experts in order to avoid potential start-up problems because the Greek market has its peculiarities, particularly when it comes to procurement for government tenders.

In December 2010, the government enacted an 'Acceleration and transparency of implementation of Strategic Investments Law 3894/2.12.2010' which is referred to as the 'Fast Track Investment Law' for short. And on 1 February 2011, the Greek Parliament passed a new 'Investment Incentive Law 3908'. Other legislative changes are in the pipeline to avoid frustrations of the past. The Hellenic Center for Investment (ELKE), the Greek national investment agency, is able to provide initial assistance in dealing with government institutions.

MARKET ACCESS

Greece is Europe's strategic link to the sizeable emerging markets of the Balkans, the Black Sea, Eastern Europe and the Eastern Mediterranean. Major factors in Greece's favour are as follows:

- It is an EU member state with a stable political environment since the mid-1970s and acts as a suitable base for investment into the Balkans

- Thessaloniki, with a continuously improving infrastructure and a well-educated population, is on the doorstep of the Balkans. It has become the financial and trading centre for the emerging markets of the entire Balkan Peninsula. It is the seat for the Black Sea Trade and Development Bank (comprising 11 countries of the wider Balkan and Black Sea regions), the Balkan Trade Centre and the Thessaloniki Stock Exchange Centre, which has an online connection with the Athens Stock Exchange (ASE) and is expected to develop into a source of capital for the wider region
- Within a 500km radius there is a market of 35 million inhabitants spread over a major part of Bulgaria, the Former Yugoslav Republic of Macedonia (FYROM), Albania, Serbia, Kosovo and Bosnia
- Within a 1,000km radius, there are an additional 146 million people. This market includes Turkey, Romania and southern Italy
- In a 1,500km radius, there is direct access to the markets of Hungary, Croatia, Slovenia, Libya, Egypt and Cyprus.

MAIN MARKET OPPORTUNITIES



Services represent the largest and fastest growing sector of the Greek economy. Shipping and transportation, banking, insurance, tourism, trade, and healthcare, education, communications and professional services, are currently the largest sectors.

Greece's food industry is expanding rapidly to support new markets in neighbouring countries. The country's largest export items include fresh and processed fruits and vegetables, olive oil, wheat and tobacco. Agriculture is of major socio-economic importance, employing approximately 1.5 million people.

Other sectors of importance to an investor, due to their market liberalisation are:

- Energy
- Telecommunications
- Defence
- Electronic Commerce
- Information Services and Information Technology
- Medical Equipment
- Drugs/Pharmaceuticals
- Environmental Engineering Services
- Franchising
- Tourism Infrastructure
- Safety and Security.

The mining sector, in spite of its stated reserves, remains unexplored and small.

Greek firms enjoy good commercial ties to Central and Eastern European markets, as well as other countries in the Black Sea region. Foreign firms may wish to target these markets from a base in Greece or to explore three-way arrangements with Greek companies or partners.

UNEMPLOYMENT

The unemployment rate as currently reported is at a level over 12.5%, compared with previous years' lower levels which averaged below 10%.

FOREIGN TRADE

Principal export destinations are Germany, Italy, UK, Turkey and the Balkan countries, while the main import sources are Germany, Italy, France and Turkey.

As substantial discrepancies exist between settlements and customs-based data, considerable uncertainty surrounds balance-of-payments figures. Recent noted trends suggest an increase of exports and a reduction of imports.

PRICING

Greece has no price controls, except those which apply to pharmaceutical and agricultural products.

When pricing a product, firms should consider payment and credit terms. Greek importers generally expect a cost, insurance, freight (C.I.F) quotation, except when the purchasing company does a large amount of direct buying and provides its own insurance.

The VAT higher rate has been increased to 23% as of 1st July 2010.

THE BANKING SYSTEM

Greece's banking system consists of both state and private banks. A number of foreign banks are also operating in Greece offering a full range of services for corporate and consumers business, including venture capital, finance and advice for newly formed companies.

The Greek banking sector has expanded rapidly in recent years as a result of deregulation, modernisation and a series of mergers and acquisitions. Private banks may offer greater flexibility than those in the state sector.

Greek banks currently represent one of the most sophisticated and modern sectors of the Greek economy. 'Transformation' is often used when referring to the Greek banking system because of a change in consumer attitudes and behaviour. Currently this trend is showing material signs of changing due to the financial crisis which exists.

The present government has indicated its desire to merge state-controlled banks or privatise them. Both domestic and foreign investors are seen as potential players in this market. Today, many Greek banks have alliances with non-Greek institutions and this trend is expected to continue.

Greek banks have led the way to establishing a presence throughout south-east Europe, providing foreign banks with a spearhead into new markets. Already they are well-established in Bulgaria, Romania, Serbia, Montenegro, Albania and FYROM, representing at least 20% of the banking system according to asset holdings.

The Greek Banking System operates in a deregulated environment, although limited control is still exercised by the government through the Bank of Greece.

The Bank of Greece is the central bank and the monetary authority in Greece. It is responsible for the authorisation and supervision of credit institutions, including subsidiaries of EU and non-EU banks and financial institutions operating in Greece in accordance with the criteria set down by relevant EU directives. The Bank of Greece issues regulations and guidelines relating to the establishment of credit institutions in Greece, capital requirement, risk exposure and investment activities. It participates in the European Central Banks System, along with the European Central Bank and the Central Banks of the other 24 countries.

The European System of Central Banks for the whole of the EU plans monetary policy and the Bank of Greece is in charge of its implementation in Greece.

The principal objective of regulation is the protection of depositors. All the main directives of the EU Council concerning prudential regulation of credit institutions have been implemented into Greek law. As a result of the implementation of the main directives of the EU Council, a degree of deregulation has become possible for the banking industry in Greece, which has also adopted EU directives with regard to money-laundering.

In the past, the lack of a developed capital market has led industry to rely largely on bank loans for a high proportion of its funding. Although the capital market's activities have increased in recent years, commercial banks still remain the primary source of finance for Greek industry and commerce. The low interest rates should lead to even more competition in the banking sector.

CAPITAL MARKETS - ATHENS STOCK EXCHANGE (ASE)

The Athens Stock Exchange (ASE) was established in 1876. It is the main securities market of Greece. Companies with registered offices and business activity outside of Greece may list their shares on the ASE. More specifically, the Presidential Decree 350/1985 sets the listing requirements for shares to be listed on the ASE, as well as the obligations of the listed companies towards the ASE and provides the listing on the ASE of shares issued by companies, either Greek or foreign.

Many companies in Greece tend to be closely owned by a small number of shareholders, usually members of the same family. Due to the administrative burden of obtaining a listing and thereafter complying with the existing regulations, plus the difficulties arising from the present financial crisis, only a limited number of medium to large-sized companies remain listed in the Athens Stock Exchange and their number is reducing.

Currently, the ASE has been impacted by the crisis, but traditional investors are still investing in opportunities arising out of this crisis.

In the past, various factors have contributed to the development of the stock exchange in line with worldwide trends for small developing exchanges, especially in the late 1980s.

Among the factors that have contributed to the past expansion of the ASE are:

- Good performance of certain listed companies
- Tax-free income of profits distributed by Portfolio Investment Holding
- Companies
- Higher banking interests.

Foreign companies may request some deviation from the existing listing requirements which apply to shares of Greek companies, as well as from the relevant obligations towards the stock exchange authorities after they have been listed on one of the ASE markets.

EN.A

An alternative market, under the terms of The Markets in Financial Instruments Directive (MiFID), has been created in place of the New Market (NEXA).

ATHENS DERIVATIVES EXCHANGE (ADEX)

Law 2533/97 provided the necessary legal framework for the establishment of the formal and organised derivatives market in Greece.

The Athens Derivatives Exchange SA and the Athens Derivatives Exchange Clearing House SA have been established for the organisation, operation, and development of the market. The main purpose of ADEX was the organisation and support of trading in the derivatives market and the organisation of the trading system, as well as any similar activity. At the same time, the clearing house is to organise the clearing and settlement of transactions concluded on derivative products and generally support such procedures.

THE CORPORATE GOVERNANCE CODE

With the recent Law 3873/2010, the provisions of the Greek Company Law and the Corporate Governance Law 3016/2002 have been updated with the provisions set out in Directive 2006/46/EU and 2007/63/EU.

Under the new provisions collectively, the Board of Directors of a company in drawing up and publishing annual accounts and consolidated accounts as well as annual reports and consolidated annual reports, are obligated to provide a Statement of Corporate Governance. This gives a description of the existing risk management systems and internal controls in relation to the financial reporting process, an analysis of the environmental and social aspects necessary for the understanding of the company's development, performance and position, the composition and operation of the administrative management and supervisory bodies and their committees.

The provisions Law 3016, applicable on corporations whose shares are quoted or listed on a recognised stock market, remain in effect. These dictate the duties and responsibilities of the company's Board of Directors intended to enhance the long term financial value of the company and to promote the company's interests. The members of the Board of Directors are prohibited from pursuing any self-interest which may produce a conflict of interest with the company.

3 – FOREIGN INVESTMENT

FOREIGN INVESTMENT

Foreign investments in Greece are currently regulated by two major laws:

- Fast track Investments Strategy Law 3894/2.12.2010
- New Investment Incentive and Development Law 3908/1.2.2011.

The main provisions of the above laws are set out below.

FAST TRACK INVESTMENTS STRATEGY LAW 3894/2.12.201

This Law aims at speeding up the procedures relevant to large-sized investments. Falling under the provisions of the Law 3894/2010 are investments of construction, reconstruction, expansion or the modernisation of infrastructure and networks for (a) industry (b) energy (c) tourism (d) transportation and communication (e) medical services (f) management of garbage (g) technology and innovation projects.

Such investments should fulfil one of the following conditions:

- The total cost of the investment must exceed EUR 200 million
- The total cost of the investment must exceed EUR 75 million and also create 200 new job positions
- An investment commitment in technology or innovation projects for which an amount of EUR 3 million will be invested every three years
- An investment commitment in projects for the promotion and creation of goodwill for the environmental protection of Greece, for which an amount of EUR 3 million will be invested every three years
- An investment commitment in projects that will create goodwill in education, research and technology giving qualitative and quantitative knowledge for which an amount of EUR 3 million will be invested every three years
- Investment projects where, in a feasible manner, at least 250 new jobs are to be created.

The strategic investments may be materialised either by Public, Legal entities or Individuals or by Joint ventures of the Public and Private sectors, in accordance with Law 3389/2005 which relates to Public and Private Investments or contracts of mixed type.

Strategic investments, falling under this law, are approved by a Bilateral Committee of Strategic Investments (BCSI), the constitution of which is defined by article 2 of the Fast Track Investments Strategy Law 3894/2.12.2010.

The BCSI is responsible for considering the eligibility of the proposed strategic investments based on the criteria of:

- a) Feasibility of the project
- b) The investors' solvency
- c) The transfer of knowledge and technology
- d) The forecasted increase of employment
- e) The peripheral or local development of the country
- f) The subsidies for the enterprise
- g) Competitiveness in the national economy

- h) The protection of the environment
- i) The saving of energy.

A company has been formed under the name Invest in Greece S.A which operates for the public interest in accordance with rules of the private economy and is subject to common supervision by the Minister of Council of State with responsibilities for strategic investments and by the Minister of Finance, Competition and Shipping. Invest in Greece S.A is subject to the provision of the New Investment Incentive and Development Law 3908/1.2.2011 (or the previous Law 3429/2005 except for the provisions of paragraphs 4 and 8, article 3, and articles 13 and 14) and supplementary to the provisions of the Company Law 2190/1920.

The main scope of the company Invest in Greece S.A is the attraction of foreign investments, the promotion and support of strategic and other investments in Greece and making a contribution to the continuous improvement of the regulatory environment, as well as multinational cooperation of Greek companies.

In order to fulfil its scope, Invest in Greece S.A will:

- a) Communicate and inform interested investors as to the prevailing regulatory, legal, tax and financial framework which apply to investments in Greece
- b) Promotes to foreign capital markets the business environment and the business opportunities per sector and branch
- c) Undertakes the initial procedures concerning the acquiring of licenses or the provision of other approvals which are necessary for the starting of investments over the amount EUR 15 million, or whenever 50% of the investments funds originate from foreign capital in cases of EUR 3 million projects of investment. It is obliged to follow the progress of such investments and proceeds to be involved in any necessary actions for their speeding up. (The above stated amounts may be revised with decisions of the supervising Ministries of Finance, Competition and Shipping.) For this purpose, it shall take delivery of the investment file, check its completeness, look after the completion of the necessary documents by the investor and dispatch them to the respective authorities which are obliged to speedily execute the necessary procedures. These authorities are also obliged to provide the company their written notification each month as to the stage where these procedures are, as well as to the reasons for any delay or inability to provide the necessary licence or their approval
- d) At the stage when the investment falls under the Investments law, prospective investors should compile an explanatory feasibility report. This is communicated together with the relevant documentation to the authorities which co-operate in the granting procedures of licences and the qualification of the investment or the business plan to the investments laws as effective at the date of submission. As regards the application of investments or business plans which are submitted by the above stated investors and delivery is accepted by the Company, the relevant time limitations of submission and their examination is not in force, as provided by verse a) of paragraph 6 of Law N.1892/1920, in article 23a and in the case of 4a of article 23b of the same Law, that has been added by article 2 of Law 2234/1994.

INVESTMENT INCENTIVE AND DEVELOPMENT LAW 3908/1.2.2011

INTRODUCTION

The Investment Incentive and Development Law has been enacted by the Greek Parliament with effect from 1 February 2011 (8 Part 1 – Government Gazette), when it was published in the Gazette. A Presidential Degree (No. 33) was also issued on 14 April 2011 which set out the provisions for the evaluation and checking of submitted investment projects falling under the provisions of the headed law.

The new investment law aims at assisting private investments in order to:

- a) Reinforce competitive and viable investment schemes with documented forecasts of profit
- b) Support investments in technological development and innovation
- c) Promote regional cohesion and green development.

In comparison with the previous Investment law (3299/2004), the new law places emphasis on tax incentives and its main provisions are summarised in the following sections.

QUALIFYING INVESTMENT PROJECTS

Investment projects falling under the provisions of the new investment law are divided into two schemes.

The General Investment Projects scheme (article 6) covers three categories of investments set out below:

- General Business: tax relief is only provided on profits, for six years for existing entities and eight years for new entities
- Technological Development: a cash grant and/or a leasing subsidy is provided. However, these are restricted to 80% of the total amount of subsidies in the case of existing entities or 90% in the case of new entities
 - The balance of the corresponding 20% or 10% is covered by the tax relief incentive
- Regional Cohesion: a cash grant and/or a leasing subsidy are provided. However, these are restricted to 70% of the total amount of subsidies in the case of existing entities and 80% in the case of new entities. The balance of the corresponding 30% or 20% is covered by the tax relief incentive.

The Special Investment Projects scheme (article 13) covers four categories of investment which are:

- Youth entrepreneurship: this includes investment projects for the establishment and operation of small and very small enterprises. These types of enterprises are those in which 50% of their capital is held by individuals under the age of 40 years old and who are exclusively managing the enterprise
 - These investment projects are subsidised with a cash grant and/or a leasing subsidy for the first five years after the formation of an enterprise, for specific types of expenses (listed in article 14 par.2) and up to an amount of EUR 1,000,000 for equipment and installation done on a leasing basis, otherwise the grant is restricted to EUR 500,000. The yearly amount of the grant cannot exceed 33% of the total amount granted
- Major investments projects: these are investments projects (falling under article 14 par. 3) of at least EUR 50 million

- Such projects can receive one or a combination of all types of incentives, conditional that the cash or the leasing subsidy does not exceed 60% of the total amount of investment
- Integrated Long term Business Projects: these are long term (two to five years) plans of integration within a business (defined in article 13 par. 4) which have been in operation for at least five years
 - Tax relief is provided for these projects conditional that the investment project is for a minimum total amount of EUR 2 million relating to technological, administration, organisational and business modernisation development costs, including training of staff for advancing the competitive position, improving production and promotion of products etc.
- Investment in synergies and clusters: these are submitted plans aimed at implementing synergy and clusters schemes (falling under article 13 par.5). Such plans must either develop competitive business advantages, or best utilise the infrastructure created with the aid of European and National financing, or activities and services towards a modern and technological environment
 - All types of incentives are available for this category of investment projects.

TYPES OF INCENTIVES (ARTICLE 4)

The offered incentives for the qualifying investment projects previously listed, consist of the following:

- a) Tax Relief: this is calculated on the profits, prior to taxes, derived from all activities of the exempted concern, as determined on the basis of tax legislation. The equivalent amount of the tax exemption, however, must be set as a non-distributable reserve
- b) Investment Grants: these constitute State free cash capital assistance to cover part of the costs of the investment
- c) Leasing Subsidy: this is received from the State on leases for new machinery and other equipment. The period of subsidy is restricted up to seven years.

DESIGNATED ZONES (ARTICLE 5.1.A)

In implementing the new investment Law, Greece has been divided into three zones (A, B and C), which have been designated based on their respective growth rate in comparison to the country's average growth rate of development.

The designated zones are:

- Zone A: consists of the prefectures of Attica and Viotia
- Zone B: consists of all prefectures where GDP growth is greater than 75% of the country's average
- Zone C: consists of all prefectures where growth of GDP is less than 75% of the country's average. These are: the Eastern Macedonia and Thrace, the islands of the South and North Aegean and the Ionian islands, as well as those islands whose administration falls in the prefectures of the region of Epirus and the frontier regions of the border prefectures

CLASSIFICATION OF ENTERPRISES (ARTICLE 5.1.B)

Enterprises are classified in accordance to the EU Regulation 800 of 6 August 2008 into three categories of size. These are: a) Large b) Medium and c) Small.

The amount of subsidy provided to each investment project depends on the size of the qualifying enterprise (investment vehicle) and on the prefecture where the investment plan is to be implemented. In any case, the subsidy cannot exceed 50% of the qualifying amount of costs of the investment project.

PERCENTAGES OF SUBSIDIES OFFERED (ARTICLE 5.3)

Both the defined zones and classification of enterprises differ to those provided for in Law 3299/2004. The subsidies under the current law are as follows:

- Subsidies provided in Zone A (as defined above) vary from 15% for Large, 20% for Medium and 25% for Small-sized enterprises
- Subsidies provided in Zone B (as defined above) vary from 30% for Large, 35% for Medium and 40% for Small-sized enterprises
- Subsidies provided in Zone C (as defined above) vary from 40% for Large, 45% for Medium and 50% for Small-sized enterprises.

4 – SETTING UP A BUSINESS

BUSINESSES IN GREECE

Commercial legislation has recently been supplemented (by Ministerial Decision 802/23.3.2011) and entrepreneurs may now easily, in a ‘one stop shop’, form any one of the following types of entities in Greece.

ESTABLISHMENT OF A ‘LIMITED BY SHARES’ COMPANY

A ‘limited by shares’ company, known as ‘Anonymous Etairia’ (AE), can be established by one or more persons or become a single shareholder company by the concentration of shares to only one person in accordance with the provision of the Greek Law 2190/20 as amended and currently in force by various Presidential Decrees.

The formation of a ‘limited by shares’ company is usually put into effect by at least two or more physical persons or legal entities and involves four stages:

- Adoption of the Articles
- Subscription of share capital
- Administrative authorisation
- Publication

The formation of a ‘Single Shareholder Company limited by shares’ has been enacted by article 47, Law 3604/2007. Below is a summary of the necessary steps for the formed company to operate in Greece.

ADOPTION OF THE ARTICLES

The law provides the minimum content of the statutes: the name and the object of the company, the registered office, the duration, the amount and the way of paying in the subscribed capital, the kind, number, nominal value and the issue of the shares, the appointed auditors, the rights of the shareholders, etc.

When forming an AE, the founders of the company must adopt the statutes of the company and sign the articles of incorporation before a public notary.

SUBSCRIPTION OF SHARE CAPITAL

The share capital of an AE is subscribed according to the provisions of its articles of association by one or more founders and is paid up in full or partially upon incorporation of the company. The minimum of the share capital is set at the amount of EUR 60,000.

ADMINISTRATIVE AUTHORISATION

The statutes must be approved by the responsible prefecture-department of commerce in Athens or, depending on where the corporation is to be established, elsewhere in Greece.

PUBLICATION AND REGISTRATION

After the signing of the notary deed containing the statutes, the company is registered in the Companies’ Registry of the local court (where the company’s registered office is located).

Upon establishment, the company is required to register with the Tax Office and procure accounting and company books authenticated by the Tax Authorities and also to register with the Local Chamber of Commerce.

The company acquires legal status only after completion of this procedure and the publication date of the Government Gazette is deemed as the date of incorporation of the company.

A summary of the deed containing the names of the founders, the company name, the registered office, the object of the company and the capital, the way of representation of the company etc. must be published, under the supervision of the board of directors, in the Government Gazette, Bulletin of Limited By Shares and Limited Liability Companies.

ORGANISATIONAL STRUCTURE

The general meeting of shareholders is the supreme governing body of an AE and has the right to decide on all matters concerning the company. The board of directors holds the executive powers of the company.

SHAREHOLDERS' GENERAL MEETING

The general meeting of shareholders has the sole authority to decide on:

- Amendments to the statutes, including capital increases or reductions
- Election of directors and statutory auditors
- Approval of the company's balance sheet
- Appropriation of annual profits and directors' fees
- Issuance of bonds
- Amalgamation, extension of duration, or dissolution of the company
- Appointment of liquidators.

An annual (ordinary) general meeting of the shareholders must be held within six months of the end of each fiscal year. Extraordinary general meetings may be held at any time. General meetings are held at the registered office of the company.

BOARD OF DIRECTORS

The management of an AE is the responsibility of the board of directors. The directors are elected by the general meeting of the shareholders. A director does not need to be a shareholder. The statutes may delegate certain authority to one or more directors or executive directors of the company.

COST OF ESTABLISHING AN AE

Currently, the cost is determined by the following factors:

- Capital concentration fee: 1% of the share capital
- Attorney's fees: 1% of capital up to EUR 15,000, plus 0.5% of capital in excess of EUR 15,000
- Competition Committee fee: 1%
- Other minor expenses (Government Gazette fees, Tax Office dues for the registration of the company, registration with the Chamber of Commerce, notary's fees, dues, stamp duties).

ESTABLISHMENT OF A LIMITED LIABILITY COMPANY

A limited liability company, which is known under Greek Law as 'Etairia Periorismenis Efthinis' (EPE), has features of a partnership and a corporation. It constitutes a convenient form of organisation for both small and medium-size enterprises. The liability of the participants is limited to the amount of their contribution (Law 3190/55).

An EPE may be formed by one or more physical persons or legal entities. The structure and operation of the EPE is regulated by the Articles of Association (Statute) which must be executed before a public notary. The Statute constitutes a registered public document and must state the following:

- Founders/shareholders: full name, profession, domicile and nationality
- The company name: the company name of the EPE must either be formed by the name of one or more of its shareholders or by the business object, and in all cases must include the additional designation 'Limited Liability Company'
- The objectives of the company: the kind of business that it will conduct. An EPE may not carry on a business which, according to the law, is compulsorily required by law to be conducted only by another type of company. For example, banking and insurance businesses must be companies in the form of an AE only
- The registered office: must be established within the area of a Greek municipality or community
- The equity capital: the minimum required equity capital has been reduced (by Law 3661/2008) to an amount of EUR 4,500 paid in full, either in cash or other assets, However, at least 50% of the capital must be paid in cash. If assets are contributed, their value must be officially appraised by a special committee according to the provision of article 9 of Law 2190/1920. The company's capital is represented by company shares of a nominal value of EUR 30 or multiples thereof. The shares of an EPE are not negotiable instruments; in principle they are freely transferable and inheritable. The company's capital should be fully paid upon the signing of the Articles of Association. If the partners are not Greek nationals, physical persons or legal entities, then it must be certified with a 'pink slip' issued by a bank, that the amount corresponding to the contribution of the partners has been officially imported into Greece, prior to the deed of formation of the company
- The duration of the company: the company is formed for a fixed period, as stipulated in the statute.

COST OF THE ESTABLISHMENT OF AN EPE

Currently, the cost is determined by the following factors:

- Capital concentration fee: 1% of the equity capital
- Notary's fees, dues, stamp duties
- Contributions to the Lawyer's Fund: 1.5% of the total equity capital
- Attorney's fees: 1% of capital up to EUR 15,000, plus 0.5% of capital in excess of EUR 15,000
- Other minor expenses (Government Gazette fees, Tax Office dues for the registration of the company, registration with the Chamber of Commerce, notary's fees, dues, stamp duties)

ESTABLISHMENT OF A BRANCH (OR FOREIGN COMPANY'S AGENCY)

A branch agency of a foreign company limited by shares (AE) according to article 50 of codified law 2190/20 has the following main characteristics:

- It does not have its own legal status, but its activity is performed in the name of the foreign corporation (AE) which, as a legal entity, is governed by the laws of the country where it has its registered office
- The incorporation of the company requires:
 - approval from the Minister of Commerce
 - registration in the Registrar of companies limited by shares
 - publication formalities
- It is a branch of a foreign AE with permanent representation in Greece
- The branch can carry out any act envisaged at the Articles of Incorporation of the foreign AE, except in the case where there is a respective limitation of the Power of Attorney for the appointment of the legal representative in Greece.

AUDITORS

'Limited by shares' (AE) companies must be audited by at least two auditors holding a university degree from a Commercial University in Greece registered with the Economic Chamber of Commerce.

Limited liability (EPE) companies are exempt from audit provided they do not fulfil two of the three thresholds set out below.

Companies which exceed two of the three thresholds set out below must appoint a statutory auditor (nomiko elegkti) who is a member of the Institute of Public Accountants of Greece (SOEL):

- Total assets EUR 2,500,000
- Turnover EUR 5,000,000
- Over 50 employees.

OTHER ENTITIES USEFUL TO FOREIGN INVESTORS

OFFSHORE COMPANIES

Foreign commercial or industrial entities of any legal form which exclusively engage in commercial activities outside of Greece may establish offshore branches in Greece according to Law 89/1967. The same right is granted to foreign shipping companies under the provisions of Law 378/1968.

To establish an offshore office the following prerequisites apply:

- The business must be exclusively engaged in activities outside of Greece
- A bank letter guarantee for USD 50,000 must be deposited with the Ministry of Economy and Finance (article 22 Law 1262/1982)
- With reference to branches of foreign shipping companies, it is required that they cover with foreign currency their annual expenses for operating in Greece with an amount at least equal to USD 50,000 and all payments in Greece for themselves or on behalf of third parties
- An offshore branch must keep a receipts and expenses book but it has no obligation to publish any financial statements.

TAXATION

Commercial and industrial companies establishing offshore offices in Greece are subject to taxes on a plus cost basis which is determined by the Ministry of Development. Offshore offices of foreign shipping companies operating in Greece are, however, exempt from tax.

5 – LABOUR

LABOUR-RELATED ISSUES AND INVESTMENT INCENTIVES

COMPETITIVE LABOUR

The Labour law has recently being amended making it easier for employers to reduce their labour force when needs arise or to increase the labour force under favourable conditions, or with support from Government schemes.

According to the latest data from the National Statistical Service, the number of people in the Greek labour force is 4.3 million. Although Greece has a relatively small labour force, there are certain quality factors which make the country competitive and more attractive in this field than most European counterparts.

Under the current Investment schemes, employment is a factor taken into account for the amount of investment incentives offered.

EDUCATION

The educational structure of the Greek labour force has improved impressively over the last few years. The number of annual students enrolled in universities average around 42,000 students in Greek universities and more than 40,000 students who apply to foreign universities abroad (mainly in the UK and USA).

Other factors are:

- Most small and medium-sized enterprises doing business in Greece will not need to hire staff as this will be taken care of by an appointed representative
- In general terms, staff recruitment is not a problem. Unemployment is over 14.8%. The labour force is highly educated and most Greek businessmen speak at least some English. Greece has the second lowest labour costs in the EU
- Local agencies offer office support services to companies setting up in Greece.

LABOUR COST

Greece combines a reasonable pool of skilled workers with a good supply of unskilled labour and has one of the lowest labour costs in the EU.

PRODUCTIVITY

In recent years, labour productivity has increased significantly with growth rates above the EU average. Due to the present crisis, the tendency is for a more favourable labour climate that can fruitfully be put to use.

WORKING HOURS

Greek employees work more hours than most of their European counterparts. The country's working hours are above the EU average and put Greece in second position with 1,810 hours annually.

SOCIAL SECURITY

Companies must insure all workers through the Social Security Fund (IKA), which provides sickness and pension benefits. Radical re-organisations have been taking place, aiming at reducing the number of major and subsidiary funds and to increase the pension age, as well to unify the present pension age of 65 for both sexes. The IKA contributions are calculated on the gross earnings with a 28.56% contribution by the employer(s) and 16.5% by the salaried employee(s).

Special additional contributions apply to workers in hazardous employment (e.g. miners, linemen and deep-sea divers). Workers in these industries are entitled to early retirement, generally between the ages of 50 and 55.

WAGE REGULATIONS

Contracts of Enterprises' have recently being introduced in addition to the existing collective contracts that are negotiated between workers and employers. In certain cases, minimum wages are set according to a national collective labour agreement negotiated between the Greek General Confederation of Labour (GSEE) and the private sector associations; the Federation of Greek Industries (SEB), the National Confederation of Greek Traders' Associations (ESEE), and the General Confederation of Professionals, Craftsmen and Tradesmen (GSEBEE).

In spite of the recent changes, workers are still organised by trade (such as electricians) or by their sector of economic activity (banking, retail trade and branches of manufacturing, such as textiles). Labour law in Greece complies with EU Employer Directives, such as: 75/117 on equal pay.

In the private sector, fringe benefits are extensive and along with mandatory benefits add to the labour costs. Mandatory bonuses include one month's salary or 25 days' wages at year-end, plus half a month's salary or 13 days' wages, both at Easter and during the summer vacation period. At the managerial level, the value of benefits over and above the statutory which are paid include: productivity bonuses, packages in kind such as insurance, cars and continuous university and professional training.

VACATION

The legal vacation requirement is 20 days at the onset of employment for those employees who work a five-day week. This rises to 22 days with three years or more of employment. For those employees who work a six-day week, the annual legal vacation for the first year of employment is 24 working days. In addition, there are seven customary and five legal holidays. In practice, vacation leave is usually longer.

WAGE LEVELS

Enterprises' and collective agreements provide for Minimum wage levels. Some occupations have set up their own agreements, which prevail over the general one and usually include terms that are more favourable to the employee.

Progressively, the above mentioned agreements are now being replaced by businesses' contracts (*epihirisiakes symvasis*).

The national collective labour agreement is negotiated between the General Confederation of Workers of Greece, on behalf of employees and the employers' organisations, headed by the Association of Greek Industrialists, whilst businesses' contracts (*epihirisiakes symvasis*) are being negotiated directly by the employers and representatives of employees.

It is stipulated that men and women are paid the same pay for the same work.

WORKING HOURS

Legal working hours stipulated by current legislation are usually set at 40 hours per week for businesses which employ their staff on a six-day or a five-day per week working schedule.

Normal working hours stipulated in collective agreements or arbitrary decisions and in private agreements between the employer and the employee are set at 40 hours a week except in specific cases.

The employer reserves the right to employ the employee upon his judgment for three more hours beyond the conventional 40 hours a week.

The additional three hours are considered a particular type of extra work and they are paid at the hourly rate increased by 50%.

With businesses' contracts, part-time employment is allowed and if the employment is for less than four hours the agreed remuneration is increased by 7.5%.

SOCIAL BENEFITS

According to the range of benefits provided by a social security fund, there are allowances such as unemployment and sickness benefits, retirement pension, maternity allowance etc.

HOLIDAY PAY

Holidays can be granted after ten months of continuous employment in the same business. The employee can take a holiday upon completion of one year of service. He/she should take their holidays by 31 December of the year following the period of ten months subsequent to the first day of employment. For calculating days off, only working days count.

Part-timers are also entitled to holiday pay.

EMPLOYMENT LEVELS

Employment levels in Greece are relatively low, compared to the other member countries of the EU. At the end of 2011, the rate of unemployment reached 17.7% and is moving to higher rates.

Most of the unemployed are women and young males and their proportion with regards to total unemployment reaches 60% for women and 50% for the male population under the age of 29.

6 – TAXATION

TAXABLE STATUS

The most common way to establish a business in Greece is either to register a corporation (AE), a limited liability company (EPE) or a branch. Foreign shipping companies can also establish an offshore office under Law 89/67. Under the provisions of this Law, income from activities outside Greece is tax free.

In accordance with domestic Greek legislation, an entity (legal person) acquires permanent establishment if it:

- a) Maintains in Greece one or more branches, agencies, offices, warehouses, factories or workshops and facilities for exploiting natural resources
- b) Manufactures raw materials or processes agricultural products at its own facilities or third parties facilities in Greece, operating under its own instructions or without its own instructions
- c) Carries out work or providing services in Greece through an authorised representative, who may negotiate and conclude contracts on behalf of the legal person, or where work or services are offered without a representative, to the extent that the work relates either to training projects or studies or surveys in general or the work and services are generally technical or scientific
- d) Maintains a stock of goods with which it executes orders on behalf of third parties
- e) Participates in a personal or a limited liability company based in Greece.

Nevertheless, even if it is not formally registered in Greece, a foreign enterprise can acquire a 'permanent establishment' (normally the maintenance of a branch, factory or other fixed place of business) in Greece, giving rise to corporate tax on income arising in Greece as well as other tax and accounting obligations. The double taxation treaties between Greece and other countries which have signed mutual agreements, clearly define the situation when a permanent establishment arises, as well as the provisions for double taxation avoidance.

To control the present financial crisis, numerous tax changes have been taking place on a continual basis and it is expected that these changes will continue to happen as a new taxation bill is presently under consideration.

CORPORATE TAXATION

Net profits of legal entities are taxed at the rate of 24% for the tax year 2011 (for financial reporting periods which end at 31 July 2011, for example 1 January to 31 December 2011, 1 July 2010 to 30 June 2011 etc.).

The rate will be reduced to 20% for the Tax Year 2012 (for financial reporting periods commencing from 1 August 2011 and thereafter).

In cases where the income of the legal person includes income from letting or sub-letting of properties, this income will be subject to a supplementary tax of 3%.

Distributed dividends or profits by Greek AE within 2011 are subject to a withholding tax at the rate of 21%. Dividends or profits that are distributed by Greek AE and approved by General Meetings of shareholders from 1 January 2012 and thereafter will be subject to a withholding tax of 25%.

Tax withheld on Dividends received by Greek AE and EPE companies from other Greek AE and EPE shall be set off against the tax on future distributions by the above mentioned recipient companies. Furthermore, the withholding tax will apply to profits which are credited or distributed by a branch to its head office abroad. The said provision is not in accordance with EU law and Double Tax Treaties.

An exemption from corporate income tax applies on profits received by Greek AE and EPE companies from their EU subsidiaries, provided that such profits are not distributed and are transferred to a tax free reserve account and on condition that the Greek company should have a participation of 10% in the foreign company for at least two consecutive years.

TAXATION OF INDIVIDUALS

Any individual (natural person) who obtains income arising in Greece, regardless of nationality and place of residence (domicile), is subject to tax.

Equally, regardless of nationality, any individual is subject to tax on income arising abroad provided his residence (domicile) is in Greece.

Gross income of natural persons is classified for tax purposes into the following schedules.

Schedule A-B: Includes income from real estate which arises each year, either by renting or indirectly by owner-occupancy or own use or by concession of use by third party without return, one or more houses or lease of land. Income of immovable property is also considered and the right which is obtained from the person entitled to the land with respect to properties which have been constructed on land belonging to a third party.

Schedule C: Includes income from moveable property derived from:

- a) Dividends and interest of founders titles or shares and shares of local limited liability companies, national bonds and government securities of the Greek State or local public legal persons or local enterprises of any kind, as well as fees or percentages of boards of directors and emoluments other than salaries and fees and percentages of directors and administrators of limited liability companies
- b) Dividends and interest derived from foreign companies referred to in the preceding case
- c) Interest from any interest-bearing deposits in cash or guarantees, as well as from any mortgage debt title with lien, with or without mortgage, which are not included in cases of A and B above
- d) Profits of mutual funds, as well as additional value gained by the title holders of mutual funds from the purchase of title in higher value from the acquisition value
- e) From distributed profits of limited liabilities companies which have been distributed in cash to employees etc.

Schedule D: Includes income of commercial enterprises which is defined as the profit gained from an individual or corporate, commercial, industrial or handicraft company and through the exercise of any gainful occupation from the liberal professions mentioned below.

Schedule E: Includes income of agricultural enterprises. Income of agricultural enterprises is the gain arising each financial or agricultural year, as the case may be, and is derived from the exploitation through holding one or more enterprises of all kinds, such as farming, livestock, poultry, beekeepers, sericulture, forest, fisheries etc.

Schedule F: Includes income from salaried employment. Salaried employment income is the income which occurs each financial year from salaries, wages, bonuses, pensions and generally every benefit which is granted periodically in any form, either in cash or in kind or other values for present or previous service or for any other cause, which is earned by employees or pensioners.

Schedule Z: Includes income from liberal professions. Income from liberal professions are fees from the exercising of the freelance professions of doctor, dentist, veterinary surgeon, physiotherapist, midwife, psychologist, biologist, lawyer, pettifogger, notary, bailiff, architect, engineer, land surveyor, chemical, agronomist, geologist, oceanographer, designer, journalist, writer, interpreter, guide, professor or teacher, artist, sculptor or painter or sketcher or engraver, actor, music artist, choreographer, stage producer, dressmaker, decorator, economist, analyst, programmer, sociologist and expert. As income, services of freelance professionals are considered any type of income which cannot fall under categories A to F.

To determine total income, all above stated income earned by each individual from schedules A to Z are accumulated, either by the previous fiscal year or financial year or agricultural year that has ended in the previous to the tax year. In summation of this income, positive and negative is netted.

Negative income derived from foreign sources shall be set off only against positive foreign income.

DETERMINATION OF INCOME ON AN IMPUTED BASIS.

Exceptionally, the total income is determined on the basis of the living expenses of the taxpayer and any dependent persons with him, when such an estimated income is more than the total income of Schedules A to Z.

The difference between the income declared by the taxpayer or their spouse and dependant persons and the annual imputed income, as defined by the fiscal legislation, increments the income declared by the taxpayer or their spouse, whether the income is derived from commercial or professional activities.

In determining such a difference, the amounts appearing in the tax declaration are taken into consideration where these are proved by legitimate documents and with which documents the difference is covered or limited.

Some expenses types to be taken into consideration in determining the objective income have been established with provisions incorporated in Law 3842/2010.

Such expenses are:

- The annual objective costs based on the square meters of primary owner-occupied or leased or licensed residence provided free of charge
- The annual objective estimated costs based on square meters of one or more secondary owner-occupied or rented homes
- The annual objective cost of cars for private use
- The annual objective cost which is paid for private or secondary schools of education
- The annual objective cost based on yachts for private use, or ownership or possession bearing upon a taxpayer.

CALCULATION OF TAX

Net Taxable Income remaining after the deduction of the above mentioned expenses from the total income of a taxpayer, is subject to tax based on the following scale:

TABLE 2

Rates of income tax

INCOME SCALE (EUR)	TAX RATE %	TAX AMOUNT (EUR)	TOTAL INCOME (EUR)	TOTAL TAXES (EUR)
< 5,000				
7,000	10	700	12,000	700
4,000	18	720	16,000	1 420
10,000	25	2,500	26,000	3 920
14,000	35	4,900	40,000	8 820
20,000	38	7,600	60,000	16 420
40,000	40	16,000	100,000	32 420
Over 100,000	45			

DEDUCTIONS, TAX CREDITS AND EXTRA TAXATION

Taxable Income is arrived by deducting the following credits or allowances:

The tax-free bracket on income arising from 1 January 2011 is increased to EUR 9,000 for taxpayers under the age of 35 years old and for pensioners over the age of 65 years old or pensioners irrespective of age provided they have children with disability needs, provided however that their income does not exceed the sum of EUR 9,000.

The tax free bracket is effective on the submission for expenses' receipts for purchase of goods or services by the taxpayer, his wife or children that bear upon him. The percentage of expenses' receipts required to be submitted amount to 25% of the individual taxable income and up to an amount of EUR 60,000 taxable income. In case the amount of submitted expenses' receipts is less than the percentage required, a tax penalty of 10% on the difference is imposed upon the taxpayer.

The appropriate tax free bracket is increased by EUR 2,000 for each child if the individual has one or two children, and by EUR 3,000 if the individual has more than two children. This allowance is not required to be supported by expenses' receipts.

A disability allowance of EUR 2,000 is allowed to a taxpayer who is looking after disabled people and such allowance is not required to be supported by expenses' receipts.

The tax for each taxpayer which is derived from the above scale of taxes, subject to limitations, is further reduced by 10% on the amounts of the following expenses incurred:

- a) Medical expenses of the taxpayer or dependents living with him. The tax reduction cannot exceed EUR 3,000
- b) Rents paid by the taxpayer for his house where he is residing or his family
- c) Tuition fees paid for private lessons or to approved tutorial institutions
- d) Insurance fees for life, death, personal accidents or illness for the taxpayer or his family
- e) Contributions to Main Funds, provided such contributions are compulsory by law and contributions to Subsidiary Funds which have been established by law.

The above allowances relate to income derived as from 1 January 2011.

INDIRECT AND OTHER TAXES

The most important indirect tax is value added tax (VAT). The normal rate is 23%. Under certain conditions the appointment of a VAT representative is required where the supplier is not registered in Greece or in the EU. Other taxes include Capital concentration tax (1%).

REAL ESTATE TAX

A special annual tax at the rate of 3% on the value of real estate is imposed on companies that have ownership of real estate located in Greece.

EXTRAORDINARY TAX CONTRIBUTIONS

An extraordinary tax contribution of 1% to 5% has been imposed on individuals who the previous year declared income exceeding EUR 12,000. The higher rate applies to higher ranking officers namely the President, the Ministers, and General or Special secretaries.

A special tax contribution is imposed on car owners whose cars exceed 1929 horse power.

A professional tax duty of EUR 400 has been imposed to freelancers who offer their professional services in towns with a population up to 200,000 persons. This duty is increased to EUR 500 for those offering services in towns with populations over 200,000. For those freelancers who have established branches in other towns than the town where they are resident, an additional duty of EUR 300 is imposed. Exception to the above duty applies to those freelancers who are residents in towns with population less than 500 persons or are staying in islands with population of less than 3,100 persons. Exception to those duties also applies to those freelancers with less than five years professional activity and those with less than three years from their pension date.

7 – ACCOUNTING & REPORTING

REGULATORY BODY

The regulatory professional body for Accounting and Auditing principles in Greece is SOEL-Soma Orkoton Elegton Logiston (www.soel.gr).

STRUCTURE OF SOEL

The Institute of Certified Public Accountants (CPA) of Greece (SOEL) operates under the provisions of the Presidential Decree #226/1992 which was issued in compliance with Law #1969/1991.



The General Assembly (GA) of all Certified Public Accountants expresses the strategic intent of SOEL. SOEL is administered and supervised by a Supervisory Council (SC). The Scientific Board (SB) of SOEL carries out quality control over the performance of all CPAs and firms, while disciplinary action is taken by the Disciplinary Board (DB) of SOEL. The Ordinary General Assembly of the CPAs elect the members of the SC and the SB and their official representative to the three-member DB.

AUDIT PERFORMANCE

In Greece, only auditing firms which are officially registered in the corresponding registry of SOEL are eligible to perform financial audits. According to article 17 of PD#225/1992 as it was amended by PD#341/97, every CPA must be employed by an auditing firm. There is no limitation regarding the range of professional services offered by member firms unless there is a conflict in the scope of work, as explicitly dictated by the Law.

The necessary capital stock for an auditing firm is similar to that provided for all enterprises (société anonyme, limited liability co., etc). According to article 7 of #623/18.4.1997 of the Professional Ethics Regulation of SOEL members, an auditor or audit firm should not advertise or promote professional services offered or name and title in a way which degrades the audit profession as established and practised in Greece, or raises doubts about the professional efficiency of other auditors or audit firms.

AUDITING AND FINANCIAL REPORTING

The Greek government recently passed legislation which adopted International Accounting Standards for financial reporting in Greece. This legislation applies to financial statements that are corresponding to the reporting periods of 2004-2005 (that is, adoption from 2005 onwards) and is compulsory for all listed on the Athens Stock Exchange companies.

The new legislation applies to both firm level and consolidated financial statements and is optionally applicable to any other entity which is audited by the Institute of Certified Accountants Auditors of Greece.

A committee has been set up to supervise the detailed implementation of this legislation. Currently Greek companies are in the process of conversion of their financials to reporting under the International Accounting Standards provisions and principles. This will provide uniformity of financial reporting within the Eurozone, conformity with European legislation and comparative figures for any interested party willing to consider investment opportunities in Greece.

ACCOUNTING STANDARDS

The International Financial Reporting Standards (IFRS) were introduced in Greece, according to the Law 2992/2002, in relation to companies listed on the Athens Stock Exchange. These companies are obliged to present their annual or periodical financial statements (including consolidated statements) prepared for periods ending after 1 January 2005 according to the new accounting standards imposed by the new Law.

Non-listed companies can optionally apply IFRS after that date, on the condition that there is a relevant decision by the General Assembly of the Shareholders and a five-year application at least.

Taking into account that the accounting results will differ from the taxable results, reconciliation will be presented in the notes to the financial statements.

AUDIT REQUIREMENTS

Currently accounting audits of banks, insurance companies, government organisations, companies on the Athens Stock Exchange and companies which for two successive years fulfil two of the three criteria (assets at least EUR 1.5 million, turnover at least EUR 3 million and personnel at least 50 employees) may only be performed by a recognised auditing firm of certified auditors (i.e. a member of the Institute of Certified Auditors "SOE").

All major international accounting firms are certified auditors.

8 – UHY REPRESENTATION IN GREECE



UHY AXON CERTIFIED AUDITORS LTD.

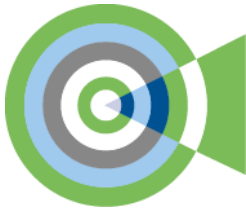
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