

# DOING BUSINESS IN GREECE

A COMPREHENSIVE GUIDE

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# Introduction



Greece, officially the Hellenic Republic, is a country in Southeast Europe. It is situated on the southern tip of the Balkan Peninsula and is located at the crossroads of Europe, Asia, and Africa. Greece shares land borders with Albania to the northwest, North Macedonia and Bulgaria to the north, and Turkey to the northeast. The Aegean Sea lies to the east of the mainland, the Ionian Sea to the west, and the Sea of Crete and the Mediterranean Sea to the south. Greece has the longest coastline in the Mediterranean Basin, featuring thousands of islands. The country consists of nine traditional geographic regions with a population of approximately 10.68 million. Athens is the nation's capital and largest city, followed by Thessaloniki and Patras spoken languages are Greek (official) and Turkish (predominantly spoken by a minority of Turks in Western Thrace). With an area of 131 957 km<sup>2</sup>, Greece is slightly larger than half the size of the United Kingdom, or somewhat smaller than the US state of Alabama.

The country is also famous for Greek food and wine; the Greek Islands; ancient oracle sites like Delphi and Dodona; the Acropolis of Athens; the Twelve Olympians, deities of the Greek pantheon; the nine Greek Muses, and Homer, the earliest poet of the West. According to World Bank statistics for the year 2013, the economy of Greece is the 43rd largest by nominal gross domestic product at \$242 billion and 53rd largest by purchasing power parity ("PPP") at \$284 billion.

Greece is a developed country with a high standard of living and a high ranking on the Human Development Index. Its economy mainly comprises the service sector (85.0%) and industry (12.0%), while agriculture makes up 3.0% of the national economic output. Critical Greek industries include tourism (with 14.9 million international tourists in 2009, it is ranked as the 7th most visited country in the European Union and 16th in the world by the United Nations World Tourism Organization) and merchant shipping (at 16.2% of the world's total capacity, the Greek merchant marine is the largest in the world), while the country is also a considerable agricultural producer (including fisheries) within the union.



# Economic overview



Greece has rebounded well from the COVID-19 crisis, generating strong employment growth. Increasing investments and exports, government support measures, implementation of the Greece 2.0 Recovery and Resilience Package, and the reforms of the past decade have been supporting the economy. However, headwinds from surging energy prices and uncertainty following Russia's war of aggression against Ukraine have slowed the recovery. Achieving and maintaining modest primary budget surpluses, better-targeting energy support measures, and maintaining public revenues while further broadening the tax base and improving its efficiency will further enhance Greece's prospects of achieving an investment-grade sovereign debt rating.

Maintaining the reform momentum, completing the restoration of banks' health and continuing efforts to improve the business climate can ensure that a sustainable recovery continues over the longer term. A well-chosen mix of carbon pricing, public infrastructure investments, raising buildings' energy efficiency, and moving transport onto low-emission modes can achieve emission cuts cost-effectively while making people better off with improved housing quality and mobility. Engaging all stakeholders, maintaining a consensus, and supporting vulnerable households affected by the green economy transition will help ensure progress continues into the longer term.

Economic activity is expected to grow by 2.4% in 2023. The output expansion is supported by a resilient labor market and the implementation of the Recovery and Resilience Plan ("RRP"). Headline inflation averaged 9.3% in 2022 but is set to moderate to 2.4% by 2024 due to easing energy prices. While remaining negative, the general government balance deficit keeps shrinking on the back of improved revenue collection. Public debt is set to decline further.

# Foreign direct investment policy

Foreign direct investment refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship.

Greece has no restrictions regarding the nationality of an investor and no requirement for a criminal record check. Nonetheless, for Greece-based companies, it is obligatory to have an EU citizen as a director or legal representative. An alternative solution is for the investor to obtain a Greek residence permit for investment activity. Moreover, Greece is a full member of the European Union and Eurozone, Therefore, all EU and Eurozone regulations referring to Anti-Money Laundering policies are applicable in Greece

Net inflows of Foreign Direct Investment to Greece in 2022, according to the latest available data from the Bank of Greece, exceeded €7.2 billion (€7,221 million), compared to €5.3 billion (€5,350 million) in 2021. The increase represents a 35% jump year-on-year, a 61% increase compared to pre-COVID 2019, and is the highest net FDI inflow since 2002.

The sharp increase in FDI reflects efforts in recent years to establish a business-friendly environment and a coordinated strategy for sustainable growth.

Greece's Foreign Direct Investment ("FDI") increased by 339.0 USD million in Feb 2023, compared with an increase of 227.6 USD million in the previous month. The data reached an all-time high of 4.1 USD bn in May 2008 and a record low of -651.2 USD million in Sep 2005.





# Key sectors

Here are some key sectors that have shown potential in Greece:

**Tourism industry:** Greece has long been a popular destination for tourists from all over the world, in part due to its ancient cultural history and many archaeological sites, such as those in the capital city of Athens. The country also contains the longest coastline in the Mediterranean region, and its many beach resorts on islands such as Santorini and Mykonos are an important driver of tourism.

**Shipping sector:** At present, approximately 90% of world commodities' trade (in terms of capacity) is seaborne, while the global fleet increased by 67% during the last decade. Specifically, Greece ranks 1st globally in ownership of merchandise vessels, presenting a 28% increase in owned capacity in the last five years, while the average vessel's size is almost double, which indicates that Greek ship-owners mostly operate in high volume markets.

**Food and beverage industry:** Food and beverage is the most dynamic and high-growth sector in Greek manufacturing, accounting for 25% of turnover, 24% of employment, 25% of total invested capital, and almost 25% of added value. Foreign companies have experienced high rates of success in this sector since the Greek market has shown robust growth for almost a decade.

**Tobacco industry:** The market for smoking tobacco is relatively small. Cigarettes in 2019 accounted for 83.1% of the market while smoking tobacco accounted for 15.2%. Cigars and cigarillos are credited with 1.7% of volumes in 2020 helped by the entry of pipe tobacco cigars into the market. Smokeless volumes are negligible.

**Textile industry:** The Greek textile market has focused on the production of high-quality textile products due to intensifying competition and the associated relocations to low-wage countries. Here, customers appreciate the high quality, manufacturing readiness, short transport routes, fair working conditions, a high degree of flexibility and technical expertise.



# Advantages of doing business



The following are the advantages of doing business in Greece:

1. Greece is home to 18 UNESCO World Heritage Sites, long coastlines, islands, and beaches and has an excellent sunny climate and thus attracts over 20 million tourists annually
2. Greece is rich in natural resources and thus acts as a major import-export hub of minerals. It is the largest European producer of tobacco and the fifth largest exporter of cotton in the world.
3. Contributing almost 8% to the GDP, shipping is one of the most important and rapidly expanding sectors of the Greek economy making Greece the largest European ship owner.
4. Establishing a business has become easy after the wave of digital processing paved the way in Greece. Legal procedures are primarily conducted online which saves both time and resources.
5. It has a high production of oil and petroleum products. The high abundance of aluminum and copper minerals. Fisheries flourish extraordinarily as it serves as a habitat for 476 fish species. Moreover, Greece is the largest tobacco producer in Europe and the 5th largest Cotton producing country across the globe.
6. After Greece, you can easily access South-East Europe and the countries surrounded by the Black Sea. This makes the export game more efficient. Moreover, the vast available area of 131,957 square feet invites more industry setup and development.
7. Many branches of the government are now accessible by the private sector.



# Types of business entities



In Greece, there are two major forms of business: companies (A.E - company limited by shares, E.P.E - limited liability company) and partnerships (O.E - general partnership, E.E - limited partnership, silent partnership). A company in Greece can also operate as a joint venture or as a branch office of a foreign company.

## **The Greek company limited by shares - "A.E"**

A company limited by shares is one of the legal entities that can be registered in Greece; it is known in Greek as Anonymous Etaireia, and it provides numerous advantages for almost all business activities; this is why it is a very common way to carry a business in this country. It requires a capital of EUR 25,000 and has to be paid up and the value of a share ranges from EUR 0,3 to EUR 100. The liability of the company's shareholders is limited to the amount that they have invested in the company. The characteristics of a Company limited by shares are:

- the procedure for company registration in Greece applicable to this company type is prescribed by Article 8, Law 2190/20;
- the company must be incorporated by at least 2 founders, who have an age of minimum 18 years old;
- the requirements regarding the founders are specified under the Article 127 of the Civil Code, which was later amended by Article 3 of Law 1329/83;
- those who want to open a company in Greece under this company type generally have in mind that the company will operate for a long period of time, approximately 50 years.



### **The Greek limited partnership - "E.E"**

The Greek limited partnership is incorporated by at least two investors, named partners; it also does not require any capital. In this type of partnership, a partner has to be a limited partner, who has limited liability against the debts of the company. He has no management responsibility. There has to be at least one general partner, and the respective person will be responsible for the company's management. The types of companies in Greece available for partnerships provide three options for investors and our team can explain the advantages of each type of partnership.

### **The Greek limited liability company – "E.P.E."**

The limited liability company in Greece is preferred by those interested in setting up small and medium size companies because of the low minimum share capital requirement (EUR 4,500) and fewer formalities asked for its incorporation. Just like in the case of the company limited by shares, the liability of the shareholders is influenced by the value that they have participated with at the company's capital.

The limited liability company is one of the types of companies in Greece that is founded based on the articles of association and memorandum. The articles of association represent the statutory document through which the company gains legal personality. The document has to be signed in front of a public notary in Greece and it should provide information on the following:

- personal information on the company's shareholders – address, names, nationality, etc.;
- a detailed presentation on the company's trading name, that will also include the company's legal entity;
- it should also mention the company's official registered address in Greece;
- the type of business activities that will be carried out through the company; and
- the minimum capital deposited by the investors and the shareholding structure of the company.

### **The Greek general partnership - "O.E"**

General partnerships consist of at least two partners whose responsibility is unrestricted. An important advantage of this type of partnership is that upon its incorporation, the investors do not have to submit any capital. If is stipulated in the agreement, the partners can decide who will be responsible for the management of the partnership and agree on how the losses will be covered and the profits will be shared.

# Minimum eligibility criteria for company registration



## 1. Capital Requirement-

- Public company limited by shares ("AE") with a minimum share capital of 24,000 EUR.
- Private limited liability company ("EPE") with a minimum share capital of 2,400 EUR.
- Greek general partnership which is established by at least two members. This general partnership has not met the requirements for a minimum share capital and the capital amount is based on the agreement signed by the partners.
- Another type of company is the Greek limited partnership which does not have any minimum share capital requirements as well.
- One more attractive option for a small company with limited funds is a private company ("IKE") with a minimum capital of 1 EUR. Foreign companies may also establish entities without legal personalities such as branches, representative offices, or subsidiaries.

2. The number of shareholders- Private Company can be established with one shareholder

3. The number of directors- Private Company can be established with one director.

4. Registered office address- A registered office address is essential to register a company in Greece as all the notices and mail would be sent to the registered address.

# How to set up a business?

When beginning the incorporation process to register a company in Greece, the entrepreneurs must realize that every one of the companies registered in Greece needs to follow these procedures for company registration in Greece.

## **Step 1: Business Name Registration**

The first step for Greece company registration is to choose a name for your business and later check the availability of the company name, which can be verified to check the authenticity of the business name through the Chamber of Commerce and Industry.

## **Step 2: Get the Tax Identification Number ("TIN") from the Tax Authority (for the founders)**

If the primary source of the shareholders is not a citizen of Greece, then a native person needs to be hired as a Tax representative to obtain the TIN.

## **Step 3: Registered office address for your brand-new business**

To register a company in Greece, it is necessary to have an established office within Greece, where all correspondence and notices are addressed.





**Step 4: Write the Statutes for the company**

A summary of the AOA should be given by the National Printing Office, for it to be published in the Greek National Gazette. You need to work with a skilled Tax Accounting to get your Articles of Association of the business.

**Step 5: Register the new business with General Commercial Registry ("GEMI")**

After the completion of all the documents required as well as in the case of the Statutes of the business, the next step is to register a company in Greece with the General Commercial Registry. It will take about 1- 5 working days following the gathering of all the necessary documents.

**Step 6: Sign up for "EFKA" (National Insurance Corporation)**

The director of IKE is legally bound to sign up at EFKA (National Insurance Organisation) and registration for the other IKE members is voluntary. Directors must be Greek citizens or EU citizens with valid working permits.

**Step 7: Create a seal for your business**

The seal of the company must include the tax registration number as well as an address for the office of taxation. Additionally, businesses are required to create a company seal as part of their routine.



# Taxation

Any business established in Greece is supposed to pay various business taxes in Greece. This section of the article will describe the numerous Greece corporate taxes.

## 1. Corporate income tax ("CIT") in Greece

Except credit organizations, the Greece corporate tax rate is assessed at a fixed rate of 22%, which was lowered from 24% in the year 2021. Additionally, credit institutions are subject to a 29% tax. Corporations that are residents have to pay taxes on their global profits, but non-resident companies pay taxes just on their Greek profits.

## 2. Value-Added tax in Greece

Value-added tax in Greece is another one of the crucial corporate taxes in Greece. All products and services in the nation are subject to VAT. The typical VAT rate is 24 percent. Healthy produced foods, non-alcoholic drinks, aerated drinks, regular food items, as well as hotel meal services, etc are all subject to a lower VAT rate of 13%.

## 3. Customs duties

Customs duties apply to a large number of items brought into Greece from outside the European Union. The Common Customs Tariff of the EU stipulates the tariff rates.

## 4. Excise duty

Power and electricity-related goods are subject to excise duties, as are produced tobacco, liquor drinks, coffee, liquids for e-cigarettes, and the tobacco used throughout electrical heating tobacco goods. Based on the type of goods, there are several tax rates.

## 5. Real estate transfer tax

Any real estate transaction that isn't subject to VAT requires the payment of real estate transfer tax. The assessed worth of the properties is levied to a real estate transfer tax at a rate of 3% (which is then enhanced by a local surcharge to a final rate of 3.09%).

## 6. Stamp duty

Non-residential property leases are liable to a 3.6% stamp duty.

Generally, there may be a 2.4% stamp duty on borrowing and interest.

There are a few exemptions, with the primary one being about financial institutions and bond financings.

## 7. Property ownership tax ("ENFIA")

ENFIA, or property ownership tax, is computed similarly to individual income tax. Companies must pay an additional tax of 0.55% of their land rights. The additional tax rate is 0.1% is applicable, if the property is utilized to produce goods or carry out any kind of commercial operation. A special real estate tax, or SRET, is imposed on some businesses that hold real estate. It is assessed yearly at a rate of 15% of the worth of the target property investment, but some types of enterprises are exempted from this tax.

## 8. Social Security contributions

Social security contributions are owed on wages and incentives paid out in cash or kind to workers by their employers, with the exemption of some unusual advantages of a social nature that are specifically listed. The social security organization with which the worker is enrolled determines whether social security contributions are required.

As of 1 June 2022, social security contributions are withheld at a rate of 13.87% at the level of the worker, and similarly, it is contributed at the rate of 22.29% at the owner's level. The EFKA's maximum monthly social security contribution is fixed at around EUR 6,500.

## 9. Withholding taxes

The withholding tax rates are 5% for dividends, 15% for interests, and 20% for royalties, which are the same as the levels for people. A firm might be excluded from paying withholding taxes if it meets specific criteria. Royalties, payments for consulting as well as other relevant services, and management costs obtained by legal companies tax residents in Greece are not liable to WHT unless they are given to general governmental agencies.

## 10. Income tax

Social security contributions are shared between employee and employer, the latter paying the bigger share. Following several reductions in 2020 and 2021, the contribution rates to Greek social security are currently (as of 2022) set at 22.54% for employers and 14.21% for employees.





# Accounting standards

## **Accounting standards:**

International Financial Reporting Standards ("IFRS") or Greek "GAAP". The application of IFRS is mandatory for corporations with listed shares or securities; and for corporations that are consolidated for accounting purposes with a company that uses IFRS if that company represents at least 5% of the consolidated turnover, consolidated assets, or consolidated results (after minority rights). IFRS is optional for other corporations and limited liability companies. New Greek GAAP, which has many similarities with IFRS, applies as of 1 January 2015 in all other cases.

Community accounting legislation is primarily based on two directives. The first (78/660/CEE) obliges all limited liability companies to draw up annual accounts; its aim is not to achieve complete harmonization of accounting rules but rather to ensure better comparison of financial information. The second (83/149/CEE) obliges parent companies to prepare consolidated accounts and a consolidated annual report, which details the financial situation of the group.

## **Accounting reports:**

The evaluation of accounts is focused on the principles of caution and invariability of methods of evaluation. The annual report must contain a faithful representation of the evolution of the business and the financial situation of the company. In addition, it must contain information about important events that have occurred within the fiscal year, the foreseeable evolution of the company, and the company's research and development activities.

## **Publication requirements:**

Every year companies are bound to publish a financial statement including a balance sheet, an annual report, a table of profit distribution, and notes. It must be audited, sent to the register of public limited companies, and published in the official government journal.

## **Certification and auditing:**

External control of accounts must be given to an auditing body chosen by the company. For more information, consult the Institute of Certified Public Accountants of Greece ("SOEL")

## **Accounting rules:**

- Tax Year

The accounting year has 12 months and ends on 31 December or 30 June. Subsidiaries of foreign groups may use other year-end dates

# Employment and Labour Laws



The main provisions of the new Greek employment law No. 4808/2021, as adopted on June 16th, 2021 by the Greek Parliament are the following:

## A. “Digital employment card”

- All employers shall implement an electronic system of registration of working hours of their employees, which shall be in real-time connected to the “ERGANI” platform.
- Specifically, by using the Digital Employment Card, the start and end of the daily work, the duration of the break, and any extra hours over the working schedule are, in real-time, registered in the ERGANI platform.

## B. Employment inspection authority

- The Employment Inspection Authority (“SEPE”) is established as an independent public authority, which is granted with operational, administrative, and financial independence and shall not be subject to audits or supervision by any governmental instruments, state bodies or other administrative authorities.

## C. Health and safety

- The new employment law ratifies the Convention No. 187 of the International Employment Organization concerning health and safety at the workplace, including provisions for the enhancement of the national system and policies on the health and safety of all employees following consultations with the most representative unions of employees and employers.

**D. Prevention of violence and harassment at the workplace**

- The new employment law ratifies the Convention No. 190 of the International Employment Organization regarding the elimination of violence and harassment at the workplace, which includes provisions concerning the establishment, by the Government, of all necessary procedures and strategies so as to prevent violence and discrimination incidents, also including incidents of gender-based violence, and to ensure employees' health and safety.
- New provisions for the prevention of violence and harassment are introduced, which shall apply not only to employees but also to independent contractors, individuals employed through agencies, trainees, volunteers, former employees, as well as candidate employees.

**E. Balance of work and family life**

- The new law incorporates Directive (EU) 2019/1158 concerning the balance of work and family life for parents and “caretakers” and includes provisions applicable to all employees of the private and of the public sector who are parents, including parents of adopted children and parents through the procedure of surrogacy, and/or “caretakers”.

**Other principal laws (as amended) include legislation on the following:**

Termination – Laws 2112/1920 and 3198/1955; and Law 1387/83 on group dismissals.

Annual paid leave – Law 539/1945.

Non-discrimination – including Law 4443/2016, which incorporates EU Directives 2000/43/EC and 2000/78/EC into national law; and Law 3896/2010 on the equal treatment of men and women (which replaced Law 3488/2006), which incorporates EU Directive 2006/54/EC into national law.

Health and safety at work – Law 1568/1985 and a number of more recent laws and presidential decrees, including Law 3850/2010, which codifies laws on health and safety and health at work.

Flexible forms of employment (part-time and rotation) – Article 38 of Law 1892/1990, as replaced by Article 2 of Law 3846/2010, as amended by Article 17(3) of Law 3899/2010.

Flexible work-time arrangements – Article 41 of Law 1892/1990, as replaced by Article 42 of Law 3986/2011.



# How we can help?

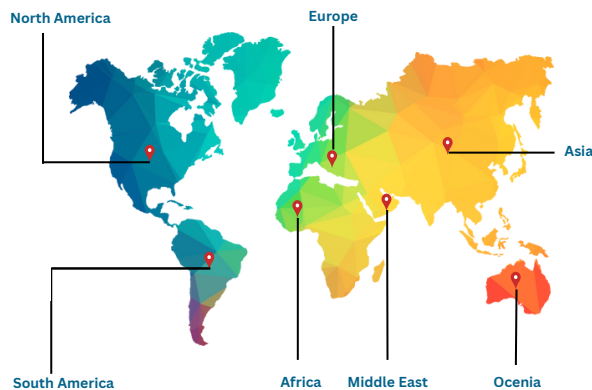
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