

Doing Business in GREECE

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Invest in Greece is the official Investment Promotion Agency of Greece that promotes and facilitates private investment.

Invest in Greece Agency provides investors with assistance, analysis, advice and aftercare support.

It is committed to helping businesspeople discover the many opportunities in Greece, the gateway to Southeast Europe and the Eastern Mediterranean.



This guide has been prepared by KPMG in cooperation with "C. Papacostopoulos and Associates Law Firm" (CPALaw)

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Chapter 1

Greece - Country outline

Geography and climate

Greece (Hellas) lies in the extreme southeast of Europe and covers an area of approximately 132 000 square kilometers (51 000 square miles). The country borders Albania, FYROM and Bulgaria to the north, Turkey in the east, the Mediterranean Sea to the south and the Ionian Sea to the west. Eighty percent of the country is mountainous and 27% of the total area is cultivated. Greece's islands account for 19% of the total area of the country and there are more than 15 000 kilometers of coastline.

With the European Union (EU) operating as a single market, Greece is well located as an entry point to the EU from the Middle East, North Africa and some Balkan countries. Greece enjoys a temperate Mediterranean climate with summer temperatures of 28°C to 35°C and winter temperatures of 5°C to 18°C.

History and government

Greek (Hellenic) civilization dates back to ancient times and Greece is famous for giving birth to democracy. Throughout its long history, Greece's borders expanded and retracted continuously. Despite the fact that, at various times, Greece had been under foreign rule (Roman, Ottoman) it has, since the 1800's, emerged as an independent nation. Notwithstanding the many years of foreign occupation Greece has retained its traditions, homogeneous population, and language.

Greece is a Presidential Parliamentary Democracy with the members of parliament being elected for four year terms. The head of the State is the President, who is elected for a five year period by the Parliament. The functions of the State are divided into three branches: the executive, the legislative and the judicial.

The executive branch, the Government, comprises the Prime Minister, who is normally the leader of the political party with the majority of Parliamentary seats, and the cabinet members who function as heads of the various Ministries. Since Greece became a republic in 1974 (following a 7-year dictatorship and the removal of the monarchy), the two main political parties, the liberal New Democracy party and the Socialist PASOK party, have been governing Greece, at alternate times, except for the period from June 1989 through April 1990, when coalition governments were temporarily in power.

For administrative purposes, Greece is divided into 13 regions (named “peripheries”) which are governed by persons appointed by the Government (named “peripheriarches”). Each region is divided into a number of districts (named “nomoi”) which are governed by local prefects (named “nomarches”) who are elected every four years.

The legislative authority is vested in the Parliament and the President of the Hellenic Republic. The Parliament is comprised of 300 members elected by popular vote. Laws are voted on by the Parliament and ratified by the President in order to be enacted.

The judicial branch is independent of the Parliament and the Government and is divided into civil, criminal and administrative divisions.

Greece is a member of a number of international bodies including the Council of Europe, the European Union, the International Monetary Fund (IMF), the North Atlantic Treaty Organization (NATO), the Organization of Economic Cooperation and Development (OECD), the United Nations. Effective 1 January 1981, Greece became a full member of the European Economic Community (now The European Union) after being an associate member since 1962. The Treaty of Accession provided for transitional periods of various lengths all of which ended on 31 December 1987. Effective 1 January 2001, Greece became a full member of the European Monetary Union.

Population and language

The population is presently approximately 11 million and is growing slowly. The working population numbers about 4 million. Approximately 40% of the population of Greece lives in the Attica area, which is primarily Athens and Piraeus, where also more than 50% of Greek industry and commerce is located. Thessaloniki, in north Greece, has a population of over 1 million and Patras (pop. 320 thousand, in the northwest Peloponnese), Heraklion (pop. 290 thousand, on the island of Crete) and Larissa (pop. 280 thousand, central mainland) are the other major cities. The population is homogeneous, although the Athens area, and to a lesser extent the other major cities, host an international community.

The officially published unemployment figures indicate that the average rate of unemployment for the second quarter of 2007 was 8.1%. In Greece a large portion of the working population is self-employed.

Greek is the language of the country; English is also widely spoken, followed by French and German.

Currency

Following its full membership of the European Monetary Union (EMU), Greece replaced its former monetary unit, the drachma (GRD), with the Euro (EUR) on 1 January 2002. The conversion rate was 1 EUR = 340.75 GRD.

Living and working conditions

Visa requirements / residence and work permits

Citizens of EU member states must apply for a residence permit if they wish to work in Greece or wish to take up residence in Greece (a visit of up to three months does not require a permit). Citizens of countries outside the EU 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. Because the application procedure for work permits is lengthy, the procedure should be commenced 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.

Foreign exchange regulations

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 commercial banks operating in Greece, which may ask for certain supporting documentation (related to the authenticity of the transaction) prior to making payments.

Working hours

Banking hours are 8:00 a.m. to 2:30 p.m. Monday to Thursday and 8:00 a.m. to 2:00 p.m. on Friday. Certain banks have started to adopt extended banking hours in certain branches. The public sector's hours for the public are generally the same as banking hours. Private sector office hours may vary but are generally 9:00 a.m. to 5:00 p.m. Monday to Friday. Stores are open generally from 8:30 a.m. to 3:00 p.m. on Mondays, Wednesdays and Saturdays and generally from 8:30 a.m. to 2:00 p.m. and 5:00 p.m. to 8:30 p.m. on Tuesdays, Thursdays and Fridays, although department stores and hypermarkets have continuous hours, generally from 8:30 a.m. to as late as 8:30 p.m. Monday to Saturday.

Cost of living

The cost of living in Greece has generally converged to EU levels.

Housing

Good quality housing built to high and modern standards is available in Greece. Most expatriates choose to rent housing although there are generally no restrictions on foreign citizens for purchasing real estate (see Chapter 8).

Education

Free public education, in the Greek language, is available through university level. In addition, there are many private schools operating in the major cities. A significant number of the private schools are foreign, offering education in English, French, German, Italian, Japanese and Arabic. Several foreign universities also have campuses located in Athens and other cities, although due to restrictions in the existing Constitution, their degrees cannot be officially recognized for service in the public sector (the situation may change in the near future). However, in March 2007, a revision to the constitution was discussed in parliament concerning the operation of private not-for-profit universities and the recognition of their degrees.

Athens 2004 Olympic Games

Greece is one of the smallest countries to organize and host the Summer Olympic Games in modern times. Athens hosted the 2004 Olympic Games. The holding of the games, for the second time, in the country which gave birth to the Olympic spirit more than 2000 years ago, took place 108 years after Greece staged the first modern Olympic Games in 1896. In the course of preparing for the Olympic Games, Athens' infrastructure underwent major changes: a new International Airport (Eleftherios Venizelos International Airport) officially commenced operations on 1 March 2001, new subway lines, improvement of existing and construction of new freeways, a ring road around the city, renovations of hotels and new landscaping to add millions of indigenous trees and shrubs to the region, and other similar

projects. The Athens 2004 Olympic Games added a significant chapter to the history of the city and provided a legacy of infrastructure and technology for Greece as well as a welcome injection to its economy and tourist industry.

Chapter 2

Opportunities for international investors

The economy

A new economic model is being implemented, aiming to create an investor-friendly business environment which will foster a climate of confidence and trust based on entrepreneurship, international orientation and competitiveness. Greece steadily enjoyed high growth rates throughout the past decade based on supportive fiscal policies, entry into the Eurozone, undertaking the Athens 2004 Olympic Games and EU Community Support Framework (CSF) funding. In the third quarter of 2007, real GDP growth rate was approximately 4.1%, among the highest in Europe. Greece's high rate of growth is expected to continue, providing a platform for the growing domestic market. The inflation rate in August 2007 was approximately 2.5%. Furthermore, interest rates on Government bonds were, in the beginning of 2007, approximately 3.42% (three month Government Treasury Bills), a change from approximately 11% in 1999.

Greece's revised Stability and Growth Program promotes important reforms in rationalizing public spending, increasing state revenues, implementing gradual fiscal adjustments, reducing the budget deficit, public spending and unemployment. In 2006 the deficit was reduced from 4.3% of GDP in 2005 to approximately 2.6% of GDP, in line with Greece's commitments to the EU. The unemployment rate was 8.1% in the second quarter of 2007 compared with 10.4% in 2005.

One of the national strategic targets is the establishment of Greece as an international center for education, tourism, shipping, banking, and commerce. Other strong economic sectors include agriculture, services, manufacturing, high tech, construction, and those related to natural resources.

Greece is also striving to serve as the region's energy hub within the framework of the Athens Memorandum, which aims to create institutions for the operation of an integrated electricity market in South East Europe. In 2005 Greece signed a series of agreements for the construction of oil and gas pipelines connecting the Black Sea with the Mediterranean Sea and Italy.

Although most economic activity is centered around Athens, as is most of the population, incentives are provided for relocation to and investment in "regional" Greece. Greece is relatively rich in lignite, bauxite and magnesium. Commercially exploitable oil has been found in the northern part of the country and in the Aegean Sea. Oil exploration and exploitation contracts covering other areas of Western Greece were concluded between the Greek State and a number of foreign companies.

The government has expressed its intention to privatize various public entities, such as utilities, public transportation, and banks. Infrastructure projects either have been completed, such as the new international airport at Spata, the Athens Metro and the major motorway that traverses Attica (Attiki Odos) or are underway, such as major national motorways, the expansion of the Athens Metro, the natural gas project, and the modernization of the public telephone and power corporation which are the most significant. There are still many opportunities available for investors interested in major infrastructure projects.

Government economic and fiscal policy

The major objective of government economic policy is to continue to reduce inflation, public sector debt and the trade deficit, as well as to complete the privatization of public entities. The Ministry of Economy and Finance has introduced a tax law that reduced, over a three-year period, from 2004 to 2007, the corporate income tax rate from 35% to 25% for Societes Anonymes and limited liability companies, and from 25% to 20% for partnerships.

Attitudes toward foreign investment

Greece is going through a period of economic and social reforms required to support its new and emerging economy. Conditions are being introduced to foster new investments, to create new jobs, and to boost healthy competition. In order to reduce bureaucracy, Greece has established local Investment Centers with the mandate to facilitate investors in acquiring the necessary licenses and permits required by Greek law.

Greece is also used by many multinational enterprises (MNEs) as the main business hub for their entry to Southeast Europe and the Middle East. This is mainly due to the fact that Greece is the most developed country, with the most advanced infrastructure and the most sophisticated workforce, in one of the fastest growing regions in Europe. Furthermore, it is the only country in the region that is both an EU and EMU member, thus providing monetary and exchange rate stability and offering a stable political and financial environment. Greece is one of the leading foreign investors in Southeast Europe with more than EUR 8 billion of foreign direct investment (FDI) in the last ten years.

Because of a realization within the Greek private and public industrial sectors that only large financially and technically strong companies will be able to withstand the increased competition of the single European market, many Greek enterprises have been forming affiliations or partnerships with foreign investors.

Incentives for international investors

In recent years, the Greek government has enacted various laws designed to foster growth in certain sectors of the economy, encourage investment in rural areas, and attract foreign investment.

A new law introducing Public-Private Partnerships (PPP) was enacted in September 2005. The law lays the foundation for the active development of state-owned real estate and the more efficient provision of public goods and services through partnerships with the private sector.

Investment incentives are in various forms and include cash grants, lease payment subsidies, and tax exemptions. The primary investment incentive law currently in force is Law 3299/2004. The scope of the law is aimed at increasing employment, improving the competitiveness of the economy, fostering technological change, and achieving regional convergence. The new incentive law was well received by the business community and 2 328 applications involving investments were approved by 15 December 2006 totaling more than EUR 3 billion and the creation of 10 338 new jobs. Certain benefits are also provided by Legislative Decree 2687/1953.

Incentives under Investment Law 3299/2004

Investment Law 3299/2004 replaced Law 2601/1998 and introduces substantial and procedural changes to the regime of state aid to corporations. The new law provides for the same type of incentives as the previous regime (cash grants, leasing subsidies, and tax relief) with the exception of interest subsidies (due to low interest rates), while it adds a new incentive, a cash grant for payroll expenses relating to employment created by an investment. The cash grant for payroll expenses covers a percentage of the total payroll cost of each new employment position, depending on the geographical area. Investment Law 3299/2004 was partially amended at the end of 2006 to be harmonized with the new Regional Aid Map that will apply to the EU for the period 2007-2013. The Map defines new regional aid guidelines as well as new maximum permissible limits of state aid. A new amendment has been recently voted in the Parliament.

All companies are entitled to select the type of incentive that best suits them, contrary to the regime of Law 2601/1998 where only new companies (companies operating for up to five years) were able to select certain incentives (cash grants, leasing subsidies). Incentives have been expanded also to include commercial companies. Specifically, the law provides for the creating and boosting of new business activities, such as the establishment of freight depots and transit centers, the provision of supply chain services,

the establishment by transportation companies of storage, packaging and standardization infrastructure, covered parking areas for trucks, the establishment of theme to expand tourism, the establishment of broadband network infrastructure, the materialization of innovative business plans and a host of other activities. Investment plans are assessed by the competent authority or by special external advisors.

The time for the assessment of investment plans is two months, and there is a deadline of two months for the drafting of an assessment report.

Incentives

There are four basic types of incentives offered under the terms and conditions set out in the new Investment Law:

- a. Cash grants, and/or
- b. Leasing subsidies, for the acquisition of new mechanical and other equipment or
- c. Tax relief in relation to the cost (acquisition or leasing) of the qualified investment or
- d. Payroll subsidies relating to employment positions created within the first three years from the completion of the investment. The subsidy is paid for a period of two years.

Qualifying investments

Prospective investors should first ensure that their investment qualifies. In general, qualifying investments involve primary industries (greenhouses, farms, fisheries), secondary (manufacturing, energy) and tertiary industries such as tourism (hotel units, conference centers, marinas, theme parks, golf courses, development of mineral springs, thalassotherapy centers, health tourism centers, sports tourism facilities) and other services (applied industrial research laboratories, commercial centers, software development, supply chain services, logistic centers).

The new investment law divides all qualifying investments into two categories which determine the level of incentive granted by the law. The list of qualifying investments is set out in Appendix 1 and the type of expenses that qualify under Appendix 2. Certain expenses are specifically excluded, such as the purchase of passenger vehicles of up to six seats and the purchase of office furniture and fixtures. The construction or extension of buildings or installations on land not owned by the investor does not, except in certain cases, constitute a “qualifying investment”.

For certain investments, business activities carried out abroad by legal entities falling in the Small-Medium Enterprises (SMEs) category, as these are defined in Regulation (EC) 70/2001 of the European Commission of 12 January 2001, and provided these entities maintain accounting books corresponding to Category B or C of the Greek Code of Books and Records, may qualify for aid only in the form of a cash grant. The percentage of such aid is defined pursuant to a decision of the Minister of Economy and Finance in accordance with EU law. Investments in the following areas do not qualify for assistance:

- a. Steel industry, synthetic fiber industry, ship building and ship repair industry.
- b. Public enterprises and organizations. This prohibition does not include their subsidiaries, in which the state has a minority participation.
- c. Enterprises operating in the form of a society, civil partnership or joint venture.
- d. Enterprises that do not maintain Category B and C books of the Greek Code of Accounting Books and Records.
- e. Investments initiated or carried out on behalf of the Greek State by persons in the private sector on the basis of an agreement for work, concession, or supply of services.
- f. Investments which are subject to revocation according to a prior decision of the Committee which held that the aid that had been provided was illegal and in violation of the EU.

Minimum level of investment

Investments which exceed the following minimum amounts qualify (these limits may be readjusted by decision of the Minister of Economy and Finance):

- For large enterprises, EUR 500 000.
- For medium-size enterprises, EUR 250 000.
- For small enterprises, EUR 150 000.
- For very small enterprises, EUR 100 000.

The size of the enterprise is defined in Commission Regulation (EC) no. 70/2001 of 12 January 2001, as amended.

An exception: the tax incentive is available for investments that are less than EUR 100 000 but over EUR 30 000 for the modernization of small industrial units implemented by very small enterprises.

According to the newly introduced law, the subsidies received on a given five year period cannot exceed the amount of EUR 10 million for a single company and 20 million for a group of companies (as defined by EU regulation 800/2001) for investments related to the same production activity and effected within the same zone. The aforementioned regulation does not apply to investments related to renewable energy resources and to investments which benefit from the tax exemption.

Enterprises whose investments involve amounts of more than EUR 200 000 that qualify for aid under this Law, are required, at the latest by the date of disbursement of the first installment of the aid, to operate in the form of a legal entity or cooperative.

The investor's participation in investments eligible for cash grants and/or leasing subsidies must be at least 25% of the aided expenditure. Investments eligible for tax exemptions or cash grants for wages require at least 25% of the cost to be covered by the investor, on condition that no other state subsidy has been received.

The investment can commence after the submission of the application for aid. According to the newly introduced law, the commencement of investment before the submission of the application entails the rejection of the investment.

Revision of the initial investment cost cannot exceed 5% of such initial cost. The decision will set a time limit for completion of the investment, which may be increased, under certain conditions, by two years.

Zones

The whole of Greece is divided into three major investment zones (A, B, and C). Benefits increase from zone A to zone C. Zone A is the most developed area, including the Attica and Thessaloniki areas (not including the Industrial Enterprise Zones and the islands of Attica and Thessaloniki that are included in zone B) and zone C is the least developed area, usually the border areas and the islands. More specifically:

- Zone A: Includes the Attica and Thessaloniki Prefectures, not including the Industrial Enterprise Zones (B.E.P.E) and the islands of these Prefectures, which fall under zone B.
- Zone B: Includes the Prefectures of Thessaly, South Aegean, Ionian islands, Crete, Central Macedonia, Western Macedonia, and the remainder of mainland Greece.
- Zone C: Includes the Prefectures of Eastern Macedonia, Thrace, Epirus, North Aegean, Peloponnese and Western Greece.

Types of incentives

The following incentives are available, based on zone and category of investment:

Cash grant and/or leasing subsidy, or tax benefit, or cash grants for wages:

Investment Category	Zone A	Zone B	Zone C
Category 1	20%	30%	40%
Category 2	15%	25%	35%

The law provides that the incentives cannot exceed those which are provided by the approved Regional Aid Map of the European Commission.

Employment positions qualifying as new employment positions under the law are those created within the first three years of completion of the investment and commencement of operation.

The cash grant is computed on the gross wages for each qualifying employment position and is paid for a period of two years.

The newly introduced law provides medium-size enterprises with additional aid of up to 10%, up to the amount of EUR 15 000 000 and small and very small enterprises with additional aid of up to 20%, up to the amount of EUR 10 000 000.

According to Investment Law 3299/2004, as amended, big investments are those for which aided expenditures exceed EUR 50 million. For investment projects exceeding EUR 50 million the maximum aid is calculated as follows:

- Up to EUR 50 million, 100% of the maximum allowed by the Regional Aid Map of the European Commission.
- For the amount from EUR 50 million to EUR 100 million, 50% of the maximum allowed by the Regional Aid Map of the European Commission.
- For the amount exceeding EUR 100 million, 34% of the maximum allowed by the Regional Aid Map of the European Commission.

Procedures and application of the investment incentives law

Applications for benefits (except those involving the tax exemption subsidy, for which no application is necessary) are submitted throughout the year, either to the General Directorate for Private Investments of the Ministry of Economy and Finance, to the Regional Directorates of Planning and Development, to the Hellenic Center for Investment (“ELKE Invest in Greece Agency”), or to the General Secretariat for Industry of the Ministry of Development.

The applications must be accompanied by a feasibility study, evidence of payment of the required dues, and any additional supporting documents as stipulated. Application may be submitted electronically.

The evaluation of each application is carried out by the competent authority and the competent consultative committee within two months from submission of the application. The decision approving the application is issued within one month following the opinion of the consultative committee. Within the same month a summary of the decision is published in the Government Gazette.

Payment of cash grants and subsidies

The payment of cash grants is made in installments, after verification by the competent monitoring authority for compliance with the terms of the decision approving the investment, as follows:

- 50% of the cash grant is made after completion of 50% of the investment.
- The remaining 50% of the cash grant is made upon completion and commencement of the productive operation.

There is a possibility of an advance (as part of the total subsidy), which cannot exceed 50% of the approved cash grant, provided a bank guar-

antee is submitted in an amount equal to 110% of the advance. Such guarantee must be issued by a bank which is established and duly operating in Greece.

The subsidy can be paid directly to the investor or to the bank which may have granted a short term loan to the investor.

Payment of the leasing subsidy is effected after the installation of the relevant asset and following verification of such installation. A payment of 50% is made up to the end of the completion period stated in the decision approving the investment. The remaining amount is paid after the lapse of the completion period, provided that the completion of the investment and the commencement of operation have been verified.

Cash grants for wages are paid every six months, following an application of the investor.

Special cases

By joint decisions of the Minister of Economy and Finance and the Minister of Development, and other ministers as the case may be, there may be deviations from stipulated regulations. These deviations may relate to the investor's level of participation, the procedure for the award of the grants, the percentages and the amounts of subsidies, the level of bank loans, the percentages of leasing subsidies, the cash grants for wages, tax exemptions and the conditions for transfer of shares. Furthermore, they may provide for the possibility of public corporations participating in investments of at least EUR 50 million that have a significant effect on the international competitiveness of the country and the creation of at least 125 permanent jobs, out of which a certain number may be created in satellite enterprises as a direct result of the proposed investment.

Similarly, such decisions may be made for the construction of special infrastructure works to be undertaken by the State in order to facilitate the investment in general.

The new law also supports the creation of very small and small enterprises by providing aid to cover costs of such enterprises that have been incorporated in the last five years. The aid cannot exceed the amount of EUR 2 million and EUR 1 million for very small or small enterprises, depending on the prefecture where the enterprises are established.

Incentives pursuant to Legislative Decree 2687/953

In the post Second World War era, Greece enacted various laws to promote investment. Most of these laws, although still in effect, have, from a practical point of view, become inactive. Nevertheless, they are mentioned herein only for reference purposes.

Legislative Decree 2687/1953 provides certain incentives and protection of foreign capital for projects which contribute to national production and to the economic progress of Greece. Because of its constitutional nature, the law provides a stable investment environment for long term investment projects, such as infrastructure projects.

Protection is provided for foreign exchange risks, equipment and materials, patents, technical processes, trademarks, and large vessels registered under the Greek flag in the following forms:

- Terms and conditions governing importation of foreign capital cannot be modified without the investor's consent.
- International arbitration applies for settlement of disputes between the investor and the Greek Government.
- Equal treatment of undertakings of a similar nature.
- Application of more favorable terms to previously approved projects where subsequent projects are awarded better terms.
- Protection of a project's assets from expropriation. The following incentives are provided:

- Reduced or fixed tax rates for a ten-year period, which can be further reduced to rates in effect from time to time, including the ability to fix a rate lower than the rate in force for a period of time; and
- exemptions from taxes, contributions, and duties imposed by local authorities and municipalities.

Additional benefits are also available, such as the employment of foreign managerial and technical personnel, ability to maintain books of account and to prepare financial statements in foreign currency, expeditious exportation of proceeds of liquidation even in the event of bankruptcy and application of favorable rules should currency exchange regulations be introduced.

Applications for approval under this law must be submitted to the Ministry of Economy and Finance together with a technical/financial study, completed questionnaire, Articles of Association, and financial statements for the two previous years in the case of existing enterprises.

Other incentives

Shipping industry

Profits derived by Greek companies from the operation of ships registered under the Greek flag are subject to a special tonnage tax which satisfies the income tax obligation of the ship owner and shareholder with respect to such income. The exemption applies to income from operating a ship, profit on the sale thereof and receipt of insurance claims. The tax is assessed on the basis of the capacity and the age of the vessel. Exemptions from, or a reduction in, the tax are granted in certain circumstances, such as when the ship is built or repaired in Greece.

Furthermore, the shipping industry enjoys more favorable terms of financing and certain incentives are anticipated for the modernization and development of shipyards.

Industrial loans in foreign currency

Long term loans by Greek or foreign banks in foreign currency (the proceeds of which are converted into Euro through the Bank of Greece) granted to industrial or mining enterprises for productive investments and the interest thereon, are exempt from stamp duties and other charges. Where such loans are granted by foreign entities without a permanent establishment in Greece any interest earned will be exempt from income tax in Greece.

Engineering and civil construction companies

Offshore engineering and civil construction activities of foreign technical companies established in Greece benefit from a complete tax exemption (with the exception of stamp duty), provided their personnel is composed of at least 80% Greek citizens in total and at least 60% in each personnel category. Furthermore, the companies must deposit a special guarantee with the Ministry from a recognized bank in Greece and import a minimum amount of US\$ 50 000 annually to cover expenses.

Scientific research enterprises

The tax exemptions applicable to Engineering and Civil Construction companies also apply, subject to certain conditions, to certain enterprises established for the purposes of carrying out scientific studies and which carry out such services outside Greece.

Construction and operation of airports, metros, bridges, highways

Companies involved in these activities are granted certain tax benefits by specific laws which ratify the relevant construction contract. The tax benefits range from exemption from capital concentration tax, stamp duty, income tax on interest from deposits until the year of commencement of operation of the project, special depreciation rules, to the exemption of foreign residents from any withholding tax in Greece on interest on loans granted to such companies.

Leasing companies

No stamp duty is levied on leasing contracts, assignments of leasing contracts and leasing rentals. Investment Incentives Law 3299/2004, as amended, provides incentives in the form of leasing subsidies, which cover part of the installments payable relating to a lease that has been entered into for the use of new mechanical and other equipment, under the condition that the duration of the lease does not exceed five years and that the ownership of the assets is transferred to the lessee at the expiry of the lease.

Venture capital companies

Companies established under Law 1775/1988, as amended, are eligible for subsidies of up to 30% of their investments in advanced technology or innovative enterprises. These companies may transfer to a tax free reserve an amount equal to 3% of the value at year-end of guarantees granted to, or securities held in, enterprises undertaking investments in high technology or innovative enterprises. Such tax-free reserve can be reduced without tax implications if the amounts by which it is reduced are recorded in accounts concerning further qualifying investments and guarantees. Interest earned from bonds issued by such companies is not subject to income tax. Any individual or corporation participating together with a Venture Capital company in effecting qualifying investments may deduct 50% of their investment from their turnover for tax purposes. However, only up to 25% of the investment may be deducted in any one year and the amount deducted may not exceed 50% of the total annual turnover.

Venture Capital companies can also be established under Law 2367/1995. These companies may invest in companies registered in Greece that are not listed on the Athens Stock Exchange (ATHEX) and that engage in agricultural, industrial, mining, handicraft, hotel or other commercial activities. These companies are subject to income tax at the rate of 20%. In addition, they are eligible for subsidies of up to 20% of their investments in advanced technology companies or innovative enterprises.

Portfolio investment companies

Portfolio Investment companies are established under Law 3371/2005 and are exempt from all tax, stamp duties and contributions to the state or any other third party, with the exception of capital concentration tax and VAT. Portfolio Investment companies are taxed at a rate equal to 10% of the intervention interest rate (Euribor rate) set by the European Central Bank increased by one (1) point. In the event the intervention rate changes, the new tax base applies from the first day of the month following the month in which the change was effected.

The tax is calculated on the fund's average semi-annual investments (including available funds at current values), and is payable in the first 15 days of July and January. This tax is final for both the fund and the investors.

Withholding tax on interest no longer applies with the exception of interest on bonds if the bonds are acquired up to 29 days prior to the day which is set for interest payment.

Mutual funds

Mutual funds are established under Law 3283/2004. The creation of a mutual fund, as well as the purchase and sale of units, are exempt from any kind of tax, duty, stamp duty, contribution, right or any other charge in favor of the State, public law entities, or any other third party. Mutual funds, however, are taxed at a rate equal to 10% of the Euribor rate increased by:

- 0.25 points for bond funds.
- 0.5 points for mixed funds.
- One (1) point for stock funds and real estate mutual funds.

In case either the intervention rate or the classification of the fund changes, the new tax base applies from the first day of the month following the month in which the change was effected. The tax is calculated daily on the semi-annual average net asset value of the fund and is payable in the first 15 days of July and January. This tax is final for both the fund and the investors.

Withholding tax on interest no longer applies, with the exception of interest on bonds if the bonds are acquired at least 30 days prior to the day which is set for interest payment. No other taxes or duties are applicable.

Portfolio investment companies and mutual funds investing in real estate
These entities are established under Law 2778/1999 as amended and they invest mainly in real estate.

Real estate mutual funds (mutual funds investing in real estate) are exempt from real estate tax and the transfer of real estate to the fund investing in real estate is also exempt from any tax, duty, stamp duty, contribution, or any other kind of charge in favor of the State, public law entities, or any third party. However, this exemption does not apply to tax on the gain, if any, arising when real estate is contributed as capital. The exemption may not apply to VAT upon sale of new buildings to the fund and to capital gains tax upon sale of real estate acquired after 1 January 2006.

If dividends on SA shares or capital gains from the sale of listed shares (which have been acquired after 1 January 2010) are received by real estate mutual funds in each financial year, the respective withholding tax of 10% is offset against the tax assessed in the income tax return filed by Mutual Fund Management Company (MFMC) in July. Any credit balance is transferred to be offset in income tax returns of the following periods.

Portfolio Investment companies investing in real estate are taxed at the same rate and on the same base as ordinary portfolio investment companies except that the tax is accounted for on a semi-annual basis and payable within 15 days following the end of the relevant six-month period.

If dividends on SA shares or capital gains from the sale of listed shares (which have been acquired after 1 January 2010) are received by portfolio investment companies investing in real estate in each financial year, the respective withholding tax of 10% is offset against the tax assessed in their income tax return filed in July. Any credit balance is transferred to be offset in income tax returns of the following periods.

Portfolio Investment companies investing in real estate are taxed at the same rate and on the same base as ordinary portfolio investment companies except that the tax is accounted for on a semi-annual basis and payable within 15 days following the end of the relevant six-month period.

Closed ended mutual funds investing in companies

Closed ended mutual funds investing in companies are governed by Law 2992/2002 which provides that close ended mutual funds investing in companies are not subject to any kind of taxation. Any income the unit holders realize in their capacity as co-owners of the fund's assets is subject to tax in their hands. The transfer or other transaction in the units is treated for tax purposes as a transfer/ transaction on the related ownership on the fund's assets. Participation of non- resident unit holders in a closed ended mutual fund investing in companies should not entail the creation of a permanent establishment (P.E.) in Greece.

Investment of foreign capital

Capital movements to and from Greece have been liberalized. Importation of foreign currency is unrestricted. Exportation of foreign currency is also unrestricted on condition that it must be effected through commercial banks, that will check the authenticity of the transaction. Under the provisions of Presidential Decrees 96/1993 and 104/1994 concerning the freedom of movement of capital between Greece and foreign countries, the repatriation of capital arising from the liquidation of an investment and the export of profits, dividends, interest. by persons residing outside of Greece is permitted.

There is no need to obtain prior approval regarding investments made in Greece by non-residents and there are few restrictions on foreign investment participation.

The following are areas where restrictions apply:

- Ownership of real estate in border areas by non-EU nationals.
- Ownership of shares in real estate companies investing in border areas by non-EU nationals.

There are also limitations for non-EU nationals participating in airline, shipping and mining companies.

Law 89 Offices

According to the revised provisions of Law 89/1967 that came into effect on 1 January 2006, foreign entities may establish a presence in Greece with the sole purpose to provide to their head office or any other affiliated company, not established in Greece, specific services such as consulting, centralized accounting support, quality control of production, processes and services, advertising and marketing, drafting of studies, plans and contracts, receiving and providing information, data processing and research and development. For more information refer to the Offshore Entities section in chapter 4.

Mergers

Legislative Decree 1297/1972 was enacted to encourage mergers and acquisitions of business entities for the purpose of creating larger and more efficient entities. This law expires on 31 December 2008. The incentives provided are exemptions from stamp duty, transfer tax on real estate and the deferral of income tax on gains arising from the revaluation of assets at the time of the merger until the dissolution of the company or the distribution of the gains. These benefits apply on condition that the company resulting from the merger will have a paid up capital of at least EUR 300 000 in the case of a Société Anonyme (S.A/AE) or at least EUR 146 735 in the case of a Limited Liability Company (EPE) and, in most cases, that 75% of the AE shares or the EPE parts will not be transferable during the five years following the merger. The restriction on the transferability does not apply to the merger of AE companies.

The incentives apply not only in cases where two or more entities are merged but also where an entity is converted from its existing legal form into an AE or EPE.

By virtue of Law 3220/2004, the scope of the application of the Legislative Decree 1297/1972 is extended to the merger of AE companies by absorption, when the absorbing company is mainly active in the construction or exploitation of any kind of real estate and under the condition that the absorbed company is not engaged in the same activities as the absorbing company.

Law 2166/1993 also provides benefits for the transformation of companies (conversions, absorptions, mergers, demergers, contributions).

The main benefits of Law 2166/1993 are:

- assets and liabilities are transferred to the new company at book value confirmed either by a certified auditor or by the tax authorities and thus no revaluation gain arises.
- exemption from real estate transfer tax, stamp duty and other taxes imposed on contracts.

This alternative procedure is shorter and simpler than that of L.D. 1297/1972 and does not include restrictions on the subsequent transfer of shares. However, it has the additional requirement that the businesses being transformed must have maintained double entry accounting books and must have published at least one set of financial statements for a period of at least 12 months.

Law 2578/1998, as amended by law 3517/2006, implemented the EU Mergers Tax Directive (Directive 90/434 and Directive 2005/19 amending Directive 90/434) into Greek law and applies to mergers, demergers, partial demergers (transfers of one or more branches of activity), contribution of assets and exchange of shares between companies established in different

EU member states, as well as to the transfer of the registered office of European Companies (*Societas Europaea* or SE) or European Cooperative Companies (*Societas Cooperativa Europaea* or SCE) from Greece to another EU member state. The conversion of a branch into a subsidiary falls within the meaning of contribution of a segment. Accordingly, any gains that arise from a merger, demerger, partial demerger or contribution of assets by a Greek corporation (AE) or a limited liability company (EPE) to a company resident in another EU member state is not subject to Greek income tax.

The same exemption applies to the contribution of a permanent establishment (branch) in Greece by a foreign company resident in an EU member state to a company resident in another EU member state including Greece. The exemption does not apply to a Greek company that contributes its permanent establishment (branch) situated in another member state to a company resident in another EU member state. When the transferred assets of a Greek AE or EPE company also include a permanent establishment (branch) situated in another EU member state, any gains arising from the transfer of the permanent establishment is subject to Greek income tax. However, the tax that would have been imposed in the other EU member state if the provisions of this law were not applicable will be offset. Tax losses of a Greek AE or EPE transferring company may be offset against the taxable income of the permanent establishment of the receiving company in Greece provided that such possibility also applies to reorganizations of domestic companies effected pursuant to Laws 2166/1993 and 2515/1997. Furthermore, the gain arising in favor of the receiving company due to the cancellation of its participation in the transferring company's capital is not subject to Greek income tax, provided that the receiving company holds a minimum participation in the capital of the transferring company of 15% from 1 January 2007 to 31 December 2008 and of 10% from 1 January 2009 onward.

Special provisions apply to foreign companies which are considered by the Greek tax authorities as fiscally transparent. The provisions of paragraph

1 of article 3 and paragraphs 2 and 3 of article 6 of L.D. 1297/1972, as in force, apply to the operations provided for in Law 2578/1998.

Although Greek company law has not been amended to accommodate cross-border mergers, with the exception of cross-border mergers for the formation of an SE and the exchange of shares, the tax benefits of Law 2578/1998 should be applied, especially following the relevant European Court of Justice jurisprudence.

Law 2515/1997 (article 16) regulates the mergers between Greek banks, the contribution of a Greek branch to a bank resident in an EU Member State and the transformation of a Greek branch of a foreign bank into a Greek bank. The incentives under Law 2515/1997 are similar to those provided under Law 2166/1993.

According to Law 3296/2004 (article 18), which was enacted to encourage mergers of medium-size enterprises of any legal form (excluding AE companies) into partnerships, EPE or AE companies, the profits of the newly established entity that arise in the first period following the completion of the transformation are subject to the applicable corporate income tax rate reduced by 10 percentage points, whereas the profits that arise from the second period are subject to the applicable corporate income tax rate reduced by 5 percentage points, provided that certain conditions apply. The provisions of Law 3296/2004 apply to mergers which will be completed by 31 December 2008.

The local banking system and sources of finance for commerce and industry

The major source of financing for commerce and industry are banks, followed by the Stock Exchange. Since 1988, legislation has promoted the establishment of Venture Capital Companies.

The banking system

The Greek banking system operates in a deregulated environment, although limited control is still exercised by the government through the Bank of Greece. This control is exercised directly through banking regulations which reflect the Government's short term goals of economic and monetary policy.

Current regulations cover:

- Reserve requirements/capital adequacy.
- Foreign exchange control.
- Loans (to a small degree).
- Deposits.

There are presently more than 40 Greek banks (including cooperative banks), and approximately 20 foreign banks operating through one or more branches in Greece. In addition, a number of foreign banks maintain representative offices. Greek banks account for a very high percentage of the total volume of loans and deposits. Foreign banks traditionally concentrated on internationally oriented business with shipping companies, multinational corporations and large Greek industrial and public sector corporations. However, with the liberalization of banking regulations, and the establishment of the Eurozone, foreign banks expanded their operations in the local market. Banking related activities, such as leasing, factoring and forfaiting have been in existence for many years. In the last few years, a derivatives market has also evolved.

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

The stock exchange

The Athens Stock Exchange S.A. (ATHEX), established in 1876, is the main securities market in Greece. Currently, there are three groupings of securities, the "Big Capitalization" category ("Big Cap"), the "Medium and Small Capitalization" category (Mid & Small Cap), and the "Special Stock Exchange Characteristics" category.

The role of the stock exchange in Greece as an avenue for investment and a source of funds for companies has been strengthened in recent years by modernizing and upgrading legislation, resulting in a significant increase in the volume of transactions in shares and bonds. There are 83 companies in the Big Cap category, 181 in the Mid & Small Cap category and 18 in the Special Stock Exchange Characteristics category. There are also several debt securities listed, primarily (tax-free interest) bonds of the Greek Government and state-controlled public utility enterprises. Most of these bonds are actively traded between banks in the interbank market.

Various factors contributed to the development of the stock exchange, especially in the late 1980s and during the 1990s, in line with the worldwide trend for small developing exchanges. Some of the factors that have contributed to a more favorable atmosphere for investing in the stock exchange are the listings of bonds and bond loans, the good performance of certain listed companies coupled with the quick capital appreciation that new listings offered, the listing of shipping companies, the tax-free income of profits distributed by Portfolio Investment Holding companies and Mutual Fund companies, the reduction of the transfer tax imposed on the sale of listed shares, the enactment of Law 3401/2005 which implemented into

Greek law the EC Directive 2003/71 and the close supervision of the capital market by the competent supervising authorities.

The laws and regulations governing the securities market and listing of shares were amended in compliance with EU directives and regulations. The requirements for companies seeking to list their shares on the ATHEX for the first time in the Big Cap category, as specified by Law 3371/2005 and the ATHEX Regulation, may be briefly summarized as follows:

- The company must be a Greek “Anonymos Eteria” or an equivalent foreign entity with a minimum equity of EUR 15 million on a consolidated basis.
- The cumulative pre-tax profits of the company of the previous three years must be at least EUR 12 million and not less than EUR 3 million in any one of the three years or its EBITDA of the last three years must be at least EUR 16 million and not less than EUR 4 million in any of the three years.
- Total capitalization must be at least EUR 100 million.
- The company must have published at least three annual financial statements audited by a certified auditor and have a satisfactory structure of assets in its last balance sheet. In case the company has published consolidated financial statements, these must be audited by a certified auditor as well as the financial statements of the companies included in the consolidated financial statements. The Capital Market Committee may allow, under certain conditions, the listing of companies which have been in existence for less than three years.
- All financial years for which financial statements have been published must have been audited by the tax authorities. In the case of a foreign entity the relevant audit should be carried out by an internationally recognized auditing firm which prepares a special tax report for tax liabilities.
- Before a decision for the listing of the shares is taken, the shares of the company must be dispersed over an adequate number of shareholders. Adequate dispersion exists when at least 25% of the shares are held by

a minimum of 2 000 people. Under certain conditions, the Capital Market Committee may allow the listing of the shares which have a lower dispersion but in any case not less than 5%.

- A number of documents, including financial statements for the last three years, articles of association and the like, must be submitted to the ATHEX together with the application for listing. Moreover, under Law 3401/2005, companies are required to publish a prospectus in line with Commission Regulation 809/2004, which shall be approved by the ATHEX and the Capital Market Committee. Securities already listed on other EU stock exchanges can use their existing prospectuses.

Listing requirements for the Mid & Small Cap category are less stringent, the most important of which are:

- A minimum equity of at least EUR 3 million on a consolidated basis.
- The publication of three annual financial statements audited by a certified auditor (the Capital Market Committee may grant an exception regarding the minimum period). In case the company has published consolidated financial statements, these must be audited by a certified auditor in addition to the financial statements of the companies included in the consolidated financial statements.
- All financial years for which financial statements have been published must have been audited by the tax authorities.
- An underwriter who will acquire a Market Maker license for the specific shares should be appointed as sponsor of the company for the two (2) years following the initial listing on the ATHEX.
- A prospectus must be published and approved by the Capital Market Committee with the exemption of securities already listed on EU stock exchanges that will use their existing prospectuses.
- A shareholder who holds more than 5% of the shares of the company prior to listing cannot transfer more than 25% of such shares in the first year following the listing.

Following the listing of the shares, the shares may be removed from the above two categories and placed in the Special Stock Exchange Characteristics category if any of the following criteria are met:

- There is inadequate dispersion of shares to less than 10% of the listed shares.
- There is trading of less than 5% or a spread greater than 6%.
- Listed price falls to less than EUR 0.30.
- Annual turnover is less than EUR 3 million.

In the case of a public offering, the total value of the shares to be offered to the public must be at least EUR 2 million. Holding companies whose capital is invested in other listed companies cannot be listed on the ATHEX with the exception of Portfolio Investment Holding companies.

Foreign companies whose shares are not listed on a foreign stock exchange may be listed on the ATHEX under the same conditions applying to Greek companies.

Corporate governance legislation was introduced in 2002 which regulates the structure of the Board of Directors, the introduction of non-executive and independent directors, the obligation to establish proper procedures and a system of internal control, and an internal audit department for all corporations listed on the ATHEX.

Restrictions on international investment (exchange controls)

The importation and exportation of foreign currency into and from Greece is unrestricted. However, all remittances of foreign exchange must still be effected through commercial banks, which will review the authenticity of the transactions and request supporting documentation. Receivables may be used to offset payables in foreign exchange.

Foreign currency earnings

Greek exporters of goods or services are permitted to maintain all their foreign currency receipts in foreign currency bank accounts with banks operating either in Greece or abroad. Similarly, all other profits, commissions, or other benefits in foreign currency earned by Greek residents from the provision of services in Greece, or rents from the leasing of immovable property in Greece, or the proceeds from the sale thereof to persons established abroad, may be deposited in foreign currency accounts.

Foreign currency accounts

Both residents and non-residents may maintain foreign currency accounts with banks in Greece. Such accounts may be credited with any foreign currency which arises from Greece or abroad, including foreign bank notes and foreign exchange which is purchased with Euros. The funds and interest thereon may be freely transferred abroad by residents and non-residents.

Residents

There are restrictions on the amount of foreign currency which residents may carry as traveling allowances for holidays or business. Currently the amount is the equivalent of EUR 12 500 for each trip without the need to provide supporting documentation.

Non-residents

Persons permanently residing abroad are permitted to freely re-export checks and letters of credit in foreign currency, which are issued directly in their name (not by endorsement) as well as travellers' checks in their name. Foreign banknotes up to a certain amount, not declared upon entry into Greece, may be carried by non-residents on leaving Greece, provided they have not remained in Greece for more than one year.

Current transactions

Payments to EU residents and non-EU residents for purchased goods and services including construction, engineering, information, services, remittances of profits and dividends are freely permitted. Prior permission of

the Bank of Greece is no longer required for purposes of monitoring such payments and transfers, and all payments are now effected through commercial banks that are responsible for reviewing the authenticity of such transactions.

Greek residents investing abroad

Greek residents are allowed to make business investments, investments in real estate and in securities abroad. Greek residents may deposit the proceeds of the liquidation of such investments in an account kept with a credit institution operating in Greece or abroad.

Business regulations

The use of company names is subject to prior approval from the local Chamber of Commerce. A license or authorization is required before companies can carry out business in certain sectors such as banking, insurance, defense and oil exploration. Also, securing licenses in certain sectors may require a minimum participation by EU residents.

Trade practices

As a means of protecting consumers and in an attempt to curb inflation, price controls have been imposed in the past on a wide range of essential products and services. Such controls have taken the form of setting either maximum selling prices or maximum profit margins. Progressively, price controls have been relaxed in Greece and today only a few products (mainly pharmaceuticals) are subject to price controls.

Other controls, over quality, product labeling, safety, and advertising are also exercised by the Government. The controls are primarily exercised by the Ministry of Development through its "Consumer Protection" and the "Price Control" departments and the "Public Health Office" as well as by the Ministry of Health through the "State Laboratory for Drug Control."

Anti-trust legislation

Greek legislation prohibits business agreements or practices that directly aim at or indirectly result in the hindrance of free competition, as well as monopolies, mergers and purchase of shares that result in the hindrance of free competition.

Prohibited monopolies, mergers, agreements and practices include those which restrain production, sales, prices, the allocation of supplies, resources or markets, obtaining or offering of additional uncontracted remuneration and the unjustifiable refusal to buy or sell goods and services.

Any concentration of business entities must be announced within 10 days to the Competition Committee if the annual turnover of the “concentrated” companies worldwide is at least EUR 150 million and at least 2 of the “concentrated” companies have an annual turnover of more than EUR 15 million each in the national market.

The Competition Committee must be notified within one month if a) the market share concerned represents at least 10% of the total turnover of products or services that are deemed similar by the consumers or b) the total turnover of all undertakings constituting market concentration amounts in aggregate to at least EUR 15 million.

The Competition Committee, an independent authority supervised by the Ministry of Development, monitors adherence to anti-trust regulations, violations of which can result in fines and imprisonment of the persons responsible.

Chapter 3

Exporting to/from Greece

Duties

Imports from EU Member States are exempt from all duties. Imports from non- EU countries are regulated by the Community Customs Code, the Common Customs Tariff and the Greek Customs Code, which has been harmonized with the Community customs legislation.

When applicable, import duties are calculated on the customs value of the imported goods, which is the transaction value plus all other expenses incidental to the sale and delivery of the goods to Greece (commissions and brokerage, cost of transport and insurance). The rates of import duties vary depending on the classification of the imported goods pursuant to the combined provisions of the Common Customs Tariff and the Integrated Tariff of the European Communities (Taric).

Special rules apply when goods are placed in customs controlled free zones and free warehouses, thus avoiding payment of any duties or taxes, or VAT. Special rules also apply for temporary importation or for processing.

Use of agents and representative offices

Duties and VAT must be paid at the time goods are cleared through customs. The use of agents and customs brokers is common. Although an import license is not required, terms of payment must normally be arranged through a commercial bank.

Even though acquisitions from EU countries are no longer considered imports, terms of payment for such transactions must also normally be settled through commercial banks.

Sales to EU VAT residents are not subject to VAT in Greece provided that the VAT registration numbers of the supplier and purchaser are shown on the invoice. Where goods are purchased from an EU resident supplier, VAT is not payable at the border but must be accounted for using the reverse charge mechanism.

As of 1 January 2006, companies subject to VAT which are not situated in Greece, but are situated in another EU Member State, do not have the obligation to appoint a tax representative, in order to comply with their Greek VAT obligations. Furthermore, such companies do not have the obligation to maintain books and records according to Greek law. However, they are obliged to obtain a Greek tax (different to VAT) registration number as they are subject to tax in Greece. The tax registration number issued to a specific taxable person remains the same even if a tax representative is appointed or changed or terminated.

Pursuant to the above, a Ministerial Decision is required to be issued, which will stipulate the procedural aspects and provide guidance on the implementation of the new VAT registration and compliance process following the abolishment of the VAT agent requirement. At the date of this publication the respective Ministerial Decision had not yet been issued.

Companies established in another EU Member State (with no establishment in Greece) may nevertheless choose to appoint a tax representative to carry out their obligation for the payment of VAT in Greece.

Import-export controls

Imports

Restrictions over imports are imposed only in limited cases, in compliance with quantitative quotas, agricultural and commercial policy measures, tariff quotas and tariff ceilings laid down at EU level. The import or export of products that are subject to quantitative quotas require the issuance of a license by the appropriate department of the Ministry of Economy and Finance. In addition, certain goods such as firearms and explosives are subject to special rules or require product clearance prior to importation.

Customs authorities are authorized to carry out all the controls they deem necessary to ensure that customs legislation is correctly applied (inspections of the imported goods and their accompanying documents and samples). Customs authorities are also empowered to carry out controls and investigations subsequent to the importation.

Anti-dumping measures are imposed in compliance with EU anti-dumping legislation. Similarly, countervailing duties are imposed in compliance with the anti-subsidy measures adopted at community level for the protection of the common market from subsidized imports from non-EU countries.

Chapter 4

Business entities

There is a variety of legal forms under which a foreign enterprise may establish and operate a business in Greece, such as forming a local company or partnership, a Greek branch, or entering into a joint venture with another enterprise. Foreign enterprises can also establish a presence in Greece with the sole scope of activity being to provide certain services (for example, consulting or processing to their head office or any other affiliate company not established in Greece).

An entity with its registered place of business in Greece is normally considered to be a Greek entity despite the fact that all of its members may be foreign. There are generally very few restrictions as to the participation of foreign individuals or entities in Greek entities.

Corporation – Anonymos Eteria (AE)

An Anonymos Eteria is a legal entity in which the liability of a shareholder is limited to the amount contributed to the share capital. This entity is the equivalent of the French “Société Anonyme” or the German “AG.” The formation, operation and dissolution of an AE is regulated by LD 2190/1920.

Formation of an AE

To form an Anonymos Eteria, the following steps are required:

- Temporary registration of the corporate name with the Chamber of Commerce.
- Preparation of Articles of Incorporation which must include provisions relating to the:
 - Corporate name: this must necessarily include the words “Anonymos Eteria”.
 - Duration of the corporation: the length is not prescribed but it usually

varies from 20 to 50 years but may be extended.

- Corporate purpose (objects of activity).
- Share capital and the number and nature (registered or bearer) of the shares to be issued.
- Composition, operation and authorities of the Board of Directors and of the General Meeting of the shareholders.
- Execution of the Articles of Incorporation by the founding shareholder(s) before a Notary Public.
- Filing of the Articles of Incorporation and registration of the corporation with the Corporations' Registry maintained with the Ministry of Development.
- Receiving establishment approval from the Ministry of Development (only for corporations whose capital exceeds EUR 3 million).
- Publication of a summary of the Articles of Incorporation (and where applicable, of the relevant ministerial approval) in the Government Gazette.

The Articles of Incorporation of an AE can be executed by one or more founding shareholder(s), either individuals or legal entities. If incorporated by more than one shareholders, all its shares may be subsequently held by one shareholder.

Share capital

The minimum share capital required for the establishment of an AE is currently EUR 60 000, which must be paid up in full within two months from the date of incorporation. Special laws prescribe higher minimum capital requirements for AEs with particular business activities, for example banking institutions, insurance companies and the like. Partial payment of share capital in excess of the legal minimum is permitted under certain conditions.

An AE wishing to raise capital through a public offering or a public bond issue must comply with the applicable provisions regulating public offerings of securities.

Capital may be contributed in cash or in kind. Partial payment of the company's capital through contributions in kind is not permitted. Contributions in kind can be valued either by a special committee appointed by the Ministry of Development or by two Certified Auditors-Accountants or two appraisers of the Body of Certified Appraisers.

The share capital of an AE is divided into either bearer or registered shares with a minimum nominal value of at least EUR 0.30 and a maximum of EUR 100 per share. Shares cannot be issued below their par value. Banking companies, insurance companies, railway and airline companies, educational and health institutions, casinos, real estate companies, licensed television and radio broadcasting companies, certain suppliers to the public sector, certified auditors, telecommunications companies, airports, and utilities are obliged to have nominative shares. Similarly, the shares of certain types of AEs must be listed on a regulated market, for example Portfolio Investment Holding companies, Shipping Investment companies.

In addition to common shares, an AE may issue preferred shares (with or without voting rights) and founders' shares. Preferred shares are entitled to total or partial distribution of dividend prior to common shares and to the return of capital contributions, in case of liquidation, before those of ordinary shareholders. Preferred shares may also confer a right to payment of cumulative dividends, or fixed dividends; they may also be issued as participating, that is, having the right to share in the profits of the company, or as interest-bearing, that is, having a right to fixed interest. Founders' shares are non-voting, no-par value shares conferring to their holders solely the right to participate in a percentage of the net profits of the AE. The number of the founders' shares issued cannot exceed 10% of the total number of shares and may be redeemed by the AE ten years after their issuance.

An AE may under certain circumstances acquire its own shares or the shares of its parent (for example, the nominal value of the shares acquired cannot exceed 10% of the paid up capital unless the shares acquired will be

distributed to employees etc.). The Articles of Incorporation may also provide for the increase of the capital through the issue of redeemable shares under certain circumstances.

Administration and annual meetings

The administration of an AE is carried out by the Board of Directors and by the shareholders at general meetings. The management of the AE is vested in the Board of Directors. The members of the board are elected by the shareholders for a period not exceeding six years, but they may be re-elected or removed from office at any time by a majority of shareholders at a general meeting.

The Board of Directors must consist of at least three members (there is no maximum number of board members stipulated by law), who can be individuals or even legal entities if so provided for in the Articles of Incorporation. Deputy members can also be appointed under certain circumstances. A valid meeting requires a quorum of half the board members plus one present or represented at the meeting, provided that at least three directors are physically present. The Board can also hold meetings by teleconference if provided for in the Articles of Incorporation or if all members agree. The Board must hold meetings at the registered office of the corporation. The Board may, however, meet elsewhere in Greece or abroad if permitted by the company's Articles or if all the members of the Board are present or represented at the meeting and so consent. Written minutes must be kept evidencing the adoption of all decisions of the Board. Furthermore written minutes signed by all directors or their representatives can replace meetings.

The Board of Directors of companies whose shares or other securities are listed on the ATHEX must consist of executive directors, who are entrusted with the running of the day-to-day business of the company and non-executive directors, who are entrusted with the promotion of all corporate issues. At least one third of the Board must consist of non-executive directors, while at least two of the non-executive directors must also be

independent. Each company is obliged to submit to the Hellenic Capital Market Committee the minutes of the General Meeting of Shareholders which elected the members of the Board and the minutes of the Board of Directors meeting in which the Board was constituted as a body, within twenty days from the day of the respective meetings, in order for the Capital Market Committee to monitor the company's compliance with laws.

Furthermore, such companies are obliged to maintain an Internal Operation Regulation which is prepared by the Board of Directors and includes as a minimum a description of the internal structure of the company, the scope of work and the interrelation between the company's departments/service lines and management, as well as the duties of the executive and the non-executive directors, the procedures for the hiring and performance evaluation of senior executives and for the monitoring of transactions of senior management and employees and all other issues required by law.

Listed companies must also have an Internal Audit Department, the members of which are appointed by the Board of Directors and supervised by one to three non-executive members of the Board. The main responsibilities of the Internal Audit Department are to monitor the company's compliance with the Internal Operation Regulation, the Articles of Incorporation and the corporate and capital market legislation and to report to the Board of Directors any case of conflict between the company's interests and the interests of the members of the board and senior managers.

Failure of the company to comply with the relevant provisions of the law on Corporate Governance will result in penalties being imposed by the Hellenic Capital Market Committee.

The General Meeting of Shareholders is the supreme governing body of the company which, apart from electing the Board of Directors, has the exclusive authority to decide on important issues affecting the company, such as:

- Amendments to the Articles of Incorporation.
- Increases/decreases of share capital.
- Change of the company's nationality.
- Mergers and other company transformations.
- Extension of the duration or voluntary dissolution of the company.
- Appointment of independent external auditors.

The annual General Meeting of Shareholders must be held within six months from the end of the fiscal year. Extraordinary Meetings of Shareholders may be called by the Board, whenever the Board deems it necessary. The Board is obliged to convene an extra-ordinary meeting of shareholders at the request of the company's auditors or of shareholders representing at least one-twentieth (one-tenth if the AE is audited by a certified auditor) of the paid up share capital of the AE. Any shareholder(s) or third person(s) having a legal interest may apply to the courts to annul a decision of the general meeting. Additional rights exist for minority shareholders representing at least one-fifth of the fully paid-up share capital.

Management liability

Any member of the Board of Directors is personally liable for his willful or negligent acts or omissions, which have caused damage to the AE. A Director is especially liable toward the AE if the financial statements of the AE do not present a true and fair view of its affairs. The extent of liability depends on the position and duties of the Director. The Managing Director and the Chairman of the Board of Directors are personally liable for the payment of taxes and social security contributions.

The members of the Board of Directors under certain conditions are subject to fines and imprisonment, if it can be proven that they have violated company law. They are also liable towards third parties for any violation of the law.

Additionally, members of the Board of Directors who have been appointed by the Board to manage the AE are liable to imprisonment if it is proved

that they have committed or co-operated in tax evasion, or if social security contributions have not been paid.

Accounting books and records

For Greek tax purposes the accounting period consists of twelve months. However, on the commencement of operations the first accounting period may be shorter or longer than twelve months but not exceeding 24 months. The accounting year must end on 30 June or 31 December. A foreign controlled AE may have the same year-end as its parent company, provided that the parent company has a holding of at least 50% of the AE's capital or the foreign parent has at least 50% participation in another Greek AE which in turn has a holding of at least 50% in the second Greek AE. The provisions of the First, Second, Third, Fourth, Sixth, Seventh, Eighth, Eleventh and Twelfth EU Directives have been transposed into Greek company law.

Companies are required by the Books and Records Code to keep double entry books of account and the accounts and account structure to be used must be the same as that prescribed in the Greek General Chart of Accounts or, if the entity is a bank, the Banking Chart of Accounts. Use of these Charts of Accounts is mandatory. Both company law and the Chart of Accounts prescribe the form of presentation of financial statements, which is in line with the EU Fourth Company Law Directive.

Companies listed on the ATHEX must prepare their financial statements in accordance with the International Financial Reporting Standards (IFRS). The IFRS apply to annual or interim financial statements (including consolidated statements) prepared for accounting periods commencing on or after 1 January 2005. Non-listed companies can optionally adopt IFRS, provided that the General Meeting of Shareholders has approved such adoption. Once IFRS are adopted they must be used for at least five years. Companies applying IFRS, either compulsorily or voluntarily, must have their financial statements audited by certified auditors. Furthermore, such companies may bypass, if necessary, the provisions referred to above for full

compliance with the relative Chart of Accounts. Taxable results are determined based on tax rules which are different from those of IFRS.

Audit requirements

The annual financial statements of a non-listed AE must be audited by two auditors or a firm of certified auditors appointed by the General Meeting of Shareholders.

The auditors must be independent of management. Entities which satisfy two of the following three criteria in two previous consecutive accounting years must appoint a recognized auditing firm of certified auditors (a member of the Institute of Certified Auditors and Accountants "SOEL").

- Total assets exceeding EUR 2.5 million.
- Net turnover exceeding EUR 5 million.
- Average number of employees exceeding 50.

KPMG is a certified firm of auditors and therefore qualifies for appointment as statutory auditor to any corporation in Greece.

Compulsory publication

Documents concerning amendments to the Articles of Incorporation and changes to the composition or to the authorities of the Board of Directors must be filed with the Prefecture of the company's registered office and published in the Government Gazette.

Copies of the financial statements, Director's Report, and the Auditors Report must also be filed with the Prefecture.

The balance sheet and the profit and loss account together with the auditors' report (required only when the audited company is obligatorily audited by a certified auditor), must be published in the Government Gazette, in one daily financial newspaper and one daily political newspaper, at least 20 days prior to the day on which the general meeting of the shareholders is to be held.

Companies listed on the ATHEX are obliged to publish in the local press and on their web site (as well as file with the Ministry of Development and the Hellenic Capital Market Committee) unaudited quarterly financial information in the form of abridged financial statements. They must also publish semi-annual information in the same format which must have been reviewed by a certified auditor. The auditor's limited scope report must also be published.

Distribution of profits

A minimum amount equal to 5% of the annual net profits must be transferred to a statutory reserve until it reaches one-third of the share capital. This reserve is not available for distribution, except in case of liquidation, but it can be used to offset a deficit.

After deduction for the statutory reserve, a minimum amount equal to 35% of the annual net profits must be distributed to the shareholders as a first dividend, unless waived by the General Meeting of Shareholders by the majority of votes prescribed by law.

An interim dividend may be distributed provided an interim balance sheet and profit and loss account are published in a daily newspaper and the Government Gazette at least 20 days before distribution and filed with the competent authorities of the Ministry of Development. The interim dividends distributed should not exceed 50% of the net profits appearing in the interim profit and loss account.

Liquidation

The AE is dissolved in case of bankruptcy or upon expiration of its duration as specified in the Articles of Incorporation or upon a resolution of the General Meeting of the Shareholders, taken by a qualified majority or by virtue of a court decision following a relevant application filed under certain circumstances by either shareholder(s) representing at least one-third of the company's capital or by any third party having a legal interest including the company's supervising authority.

If the net assets of the AE fall below one-half of its paid-up share capital, the Board of Directors is obliged to convene a shareholders meeting to decide either the dissolution of the AE or the adoption of other measures.

Except in the case of bankruptcy, the dissolution of the AE is followed by the liquidation of its assets. The company continues to exist as a legal entity for the purposes of the liquidation and the General Meeting of Shareholders retains its powers; however, the Board of Directors becomes inoperative and is replaced by the liquidators who are appointed by the shareholders meeting.

Government supervision

Government supervision has been delegated by the Ministry of Development to local prefectures (Nomarchies) with the exception of certain categories of AEs (banking institutions, insurance companies, listed companies), where the supervision remains centralized and exercised by the Ministry. Some aspects of the government supervision exercised over corporations include the following:

- Actual payment of share capital is certified by the Ministry's or Prefect's officials.
- Increases and decreases of share capital, as well as any amendment to the Articles of Incorporation, must be registered with the Prefecture. For companies whose capital is higher than EUR 3 million or for certain categories (banking institutions, insurance companies etc.) amendments to the Articles of Incorporation need approval of the Ministry or Prefecture.
- The Ministry or Prefect may apply to the courts to arrange for a special audit of the corporation under the conditions prescribed by law.

Financial institutions

Enterprises wishing to establish operations in the following industries are subject to special requirements.

- Banking.
- Insurance.
- Venture Capital.
- Portfolio Investment.
- Mutual Fund Management.
- Leasing.
- Factoring and Forfaiting.
- Consumer Credit.

All such enterprises, except banks, insurance and leasing companies, must be established as an AE. Banks, insurance and leasing companies may be established either as AEs or branches of their foreign parent corporation. The minimum capital requirements are set at levels higher than those applicable for a regular AE or branch. Depending on the industry, the special requirements may include the need to obtain approval/permit from the appropriate authority (Bank of Greece, Capital Market Committee) to have registered shares, to be listed on the stock exchange within a specified period of time and to regularly report and disclose to the appropriate supervising authority.

Limited Liability Company - Eteria Periorismenis Efthynis (EPE)

An EPE is a hybrid of an Anonymos Eteria and a partnership and is similar to the French Sarl or German GmbH. An EPE resembles an AE in that it is regarded as a legal entity separate from the partners and it has limited liability. An EPE resembles a partnership in the manner decisions are made. In particular, the majority of both the number of partners and of the capital is required. The profits of an EPE are taxed in a manner similar to that of an AE.

This form of establishment may be convenient for small- and medium-size operations.

Formation of an EPE

An EPE is formed by executing the Articles of Incorporation before a Notary Public and then filing those Articles with the Court of First Instance with a summary thereof published in the Government Gazette.

An EPE may be established by one or more partners. However, if upon establishment or at any time thereafter, the entire capital of the EPE is concentrated in the hands of one partner, the company's name must include the words "Sole Partner EPE." The partners of an EPE may be either individuals or legal entities.

Capital

The minimum capital required for the formation of an EPE is currently EUR 4 500 divided into equal parts or units ("meridia"), which must be fully paid-up at the time of incorporation. At least 50% of the minimum capital must be paid in cash. The par value of the parts must be at least EUR 30 or multiples thereof.

The owners of the company are known as participants, unit holders or partners and are liable only to the extent of their contributed capital. Participation in the capital of an EPE and extent thereof is evidenced by the Articles of Incorporation.

Administration

An EPE is administered and represented by one or more persons (administrators), who need not necessarily be partners of the EPE, and are appointed by the Articles of Incorporation or by the partners in general meeting. The appointment of administrators, the extent of their powers and their removal must be published in the Government Gazette.

If no administrators are appointed either in the EPE's Articles or by the meeting of partners, the representation of the EPE and the administration of its affairs rest with the partners acting collectively.

The supreme authority for the administration of an EPE lies with the meeting of partners. Resolutions are adopted only if they secure the support of the majority of the partners both in numbers and capital. Certain resolutions, such as the amendment of the Articles of Incorporation, require a qualified majority.

An annual Meeting of Partners must be held within three months from the end of the fiscal year. Extraordinary Meetings of Partners may be called by the administrators at the request of partners representing at least 5% of the EPE's capital.

Management liability

The administrators are generally subject to fines and imprisonment if they violate company law. They are also liable to third parties for any violation of the law.

The administrators are personally liable if the financial statements of the company do not conform with the applicable legal requirements.

Additionally, the administrators are subject to imprisonment if it can be proven that they have committed or cooperated in tax evasion or if tax liabilities or social security contributions have not been paid.

Accounting books and records

The accounting period and requirements for accounting books are the same as that previously described for corporations (AEs).

Audit requirements

EPEs that do not exceed the limits set by law in order for an AE to qualify to have its financial statements audited by a certified auditor are exempt from a statutory audit altogether. EPEs which exceed such limits ("large EPEs") are subject to an audit by a certified auditor.

Compulsory publication

The documents concerning amendments of the Articles of Incorporation and the administrators must be filed with the local Court of First Instance and published in the Government Gazette.

Copies of the financial statements, the administrators' report and the auditors' report (where applicable) must also be filed with the local Court of First Instance. The financial statements of an EPE (with the exception of the Notes to the financial statements) and the auditors' report (where applicable) are published in the Government Gazette and in selected newspapers.

Distribution of profits

A minimum amount equal to 5% of the annual net profits is deducted for the formation of a statutory reserve. Such deduction ceases to be mandatory when the statutory reserve reaches one-third of the paid-up capital. The balance of the net profits is distributed to the partners in proportion to their capital contributions, unless otherwise provided in the Articles of Incorporation.

Liquidation

The dissolution of an EPE is compulsory in the case of bankruptcy and upon expiration of its duration as specified in the Articles of Incorporation. A 75% majority of the capital and the number of partners may also resolve to dissolve the company and liquidate its assets at any time. When the net assets of an EPE fall below one-half of its capital, the administrators must convene a general meeting to determine the future of the company.

European Company - Société Européenne (SE)

Law 3412/2005 regulates the establishment and operation of the European Company (SE) in Greece. An SE having its registered office in Greece acquires legal personality upon registration in the special section of the Companies Register, held with the supervising authority of Greek Sociétés Anonymes. SEs registered in Greece are governed by Council Regulation 2157/2001, Law 3412/2005, the national legislation applying to Greek Sociétés Anonymes and the provisions of their Articles of Incorporation. The subscribed share capital of an SE may not be less than EUR 120 000, subject to provisions of Greek law requiring a higher subscribed capital for legal entities engaged in certain business activities.

Branch

A branch of a foreign company may be established in Greece through registration with the Ministry of Development. For this purpose, certain documents must be filed with the Ministry, including the Articles of Incorporation of the foreign company, a certificate of good standing issued by the competent supervising authority, a resolution of the Board of Directors approving the opening of a branch in Greece, a Power of Attorney appointing the branch's legal representative, and the person authorized to receive correspondence.

A branch may be registered, under Law 2190/1920 as a branch of a foreign corporation limited by shares (AE) or, under Law 3190/1955, as a branch of a foreign limited liability company (EPE).

The branch is administered by an individual (representative) appointed by the foreign company by virtue of a Power of Attorney. The legal representative's personal data and documents detailing responsibilities must be filed with the Ministry of Development. If the individual appointed as the legal representative of the branch is not an EU national, he must secure a residence and work permit before arrival to Greece.

Normally, the accounting year end of the branch would be the same as that of its parent.

The representative of the branch is generally under the same management liability as the member of a Board of Directors of an AE or the administrators of an EPE.

In particular, the representative of a branch is subject to imprisonment if it is proved that he has committed or co-operated in tax evasion activities or if tax liabilities or social security contributions have not been paid.

A branch must file a copy of its financial statements annually and those of its parent with the Ministry of Development. Depending on size criteria and on industry (for example banking and finance institutions, insurance), branches are subject to certified audit and certain publication requirements.

Offshore Entities (Law 89) – Grafio/Etairia Nomou 89

Based on Law 3427/2005, amending Law 89/1967, foreign entities may establish an office or a company in Greece under the provisions of Law 89/1967, for the sole purpose of providing to their head offices or to their foreign affiliates (companies not established in Greece) advisory services, centralized accounting support, quality control services, project planning services, advertising and marketing services and data processing services. The personnel of Law 89 entities must consist of at least four people and the company's annual operating expenses must amount to at least EUR 100 000, to be covered via bank remittances.

Greek companies may also operate under Law 89/967, provided that their activities are exclusively limited to providing the above-mentioned services to their foreign branch offices or affiliates. The gross earnings of Law 89 entities will be determined according to a cost-plus method. The taxable profit applicable to each company – which may not be less than 5% of gross revenues – will be determined by the Decision of the Minister of

Economy and Finance, approving the establishment of the Law 89 Entity.

Law 89 entities are not required to keep double-entry accounting books but only a receipts and expenses book.

Law 89 entities are not subject to any statutory audit requirements or to the compulsory publication of any financial information.

Foreign shipping companies may establish a branch or an office in Greece under Law 27/1975. Under this regime foreign shipping companies enjoy substantial tax benefits, including exemption from Greek income taxation. The provisions of Law 89/967 no longer apply to this kind of enterprises.

Joint Venture - Kinopraxia

The term joint venture (“kinopraxia”) is used in commercial practice to indicate the cooperation of individuals or legal entities for the purpose of pursuing and carrying out a specific project. A joint venture is not recognized by law as a separate legal entity; however it can be recognized as a fiscal entity for tax purposes, provided that certain conditions are met, including the filing of the joint venture agreement with the tax authorities prior to the commencement of its activities. A 25% tax is imposed on any profits realized by the joint venture, each participant being jointly and severally liable for tax liabilities of the joint venture. Special rules apply also for the maintenance of the accounting records of a joint venture.

Professionals such as lawyers, architects, civil engineers and generally all “freelance” professionals cannot establish a joint venture. Certified auditors, on the other hand, can form a joint venture.

Foreign companies may participate in a kinopraxia provided they acquire a Greek tax identification number.

General Partnership - Omorythmos Eteria (OE)

A general partnership (Omorythmos Eteria) is an entity in which all the partners are jointly and severally liable for the debts of the partnership without limitation in liability.

The Articles of Association of a partnership need not be signed before a Notary Public and may take the form of a private agreement. However, the articles must be filed with the Court of First Instance of the district in which the partnership has its registered office. Under particular circumstances publication of a summary of OE articles may need to be published in the Government Gazette.

There is no minimum capital requirement. The capital may be contributed in cash or in kind, or in the form of personal services to the firm.

The affairs of the partnership are administered by one or more administrators and the accounting period is the same as that previously described for corporations (AEs).

Limited Partnership - Eterorythmos Eteria (EE)

In all respects, a Limited Partnership (Eterorythmos Eteria) is similar to a General Partnership, except that the liability of the limited partner (eterorythmos eteros) is limited to his contributed capital. At least one partner must have unlimited liability (omorythmos eteros). If a limited liability partner is engaged in the management of the partnership he loses his limited liability status.

European Economic Interest Grouping (EEIG)

Presidential Decree 38/1992 introduced measures required for the application of Council Regulation 2137/85/EEC on the European Economic Interest Grouping (EEIG). Accordingly, an EEIG may be registered in Greece. The appointment of a representative is required.

Chapter 5

Business taxation

Taxation of legal entities

The profits of all Greek entities, irrespective of their legal form or where the profits are earned, are subject to corporate tax. Taxed profits distributed by such entities are not subject to further taxation in the hands of the recipients. By exception, in the case of a partnership, up to three individual general partners having the largest participation in the capital must have up to 50% of their share of the profits taxed in their hands as “business remuneration”. The amount of “business remuneration” is deducted from the partnership’s profits in arriving at taxable profits. If a general partner participates in more than one partnership, “business remuneration” is deducted only from one of the partnerships in which he/she declares the highest profits.

A foreign enterprise operating in Greece through a branch or a subsidiary company, or indeed having acquired a “permanent establishment” in Greece, is subject to corporate tax as well.

Residence - “Permanent Establishment” test

Entities established in Greece are resident in Greece for tax purposes and are taxable on their world-wide income. A foreign entity is subject to Greek corporate tax on income arising in Greece if it has, or is deemed to have, a “permanent establishment” in Greece.

Foreign enterprises are generally regarded as having a permanent establishment in Greece if they:

- Maintain one or more branches, agencies, offices, warehouses, plants,

laboratories or other facilities in Greece for the purpose of exploiting natural resources.

- Are engaged in manufacturing activities or the processing of agricultural products.
- Transact business or offer services through a representative in Greece who is authorized to negotiate and conclude contracts on behalf of the foreign enterprise.
- Render services of a technical or scientific nature in Greece, even without a representative.
- Keep inventories of merchandise for their own account out of which they fill orders.
- Participate in a personal or limited liability company (partnership or EPE).

These criteria are superseded by the provisions of the Double Taxation Treaties concluded by Greece with other countries which include a narrower definition of a permanent establishment.

Basic principles - corporate tax

Greek companies are taxed on their profits before distribution. Dividends are distributed from after tax profits and are not subject to further taxation in the hands of the recipient. Branches of foreign companies are similarly taxed on their profits. Any profit remittances to their head offices are deemed to be made from after-tax profits without any further taxation imposed.

The concept of a “group” for tax purposes does not exist in Greece. All entities are subject to corporate tax individually. Income from their participation in other companies in Greece is exempt from tax. On the other hand, income from their participation in other companies outside Greece is subject to Greek income tax, however, entities have the right to deduct from the amount of Greek income tax the foreign income tax paid abroad on such income, but only up to the limit of the amount of the corresponding Greek income tax.

Taxable profits

The taxable profits (or losses) of each year are the profits (losses) shown in the financial statements, derived from the official books kept in accordance with the Code of Books and Records after adjusting for non-deductible expenses and non-taxable income.

Where the net profits of sociétés anonymes (“AEs”) and limited liability companies (“EPEs”) also include (apart from dividends and profits from participations in other companies) income taxed pursuant to special provisions whereby the tax obligation is either fixed or eliminated, if such profits are distributed in the year in which such profits arose, it is deemed that part of the distributed profits arises, proportionally, from the profits taxed or exempted by the special legislation. The difference between corporate tax and the amount of reduced tax paid on those profits is then paid upon distribution.

Especially for Banks, from the fiscal year 2008 (i.e. filing of tax returns in 2008 for years ended 2007) onward, taxation at the normal rate of 25% is imposed on any untaxed profits of banks and branches of foreign banks operating in Greece, which were recorded in tax-free reserves in previous years.

Banks must submit a special income tax return by the end of the ninth month following the end of the respective financial year and must pay the tax in three equal monthly installments. The first installment is paid upon submission of the tax return and the other two on the last working day of the following two months. This is a final tax which extinguishes any further tax liability for the legal entity and the shareholders.

Deductible expenses

Expenses qualify for tax deductibility only if:

- They are stipulated in Greek income tax law and other special tax provisions.
- They are properly recorded in the official books and records.

- They are properly supported by adequate documentation as specified in the Code of Books and Records.
- They are actual expenses incurred for the purpose of earning taxable income (this is the concept of “productive” expenses).
- They have been recorded in the period to which they relate.

A ministerial decision is issued every year listing the deductible and non deductible expenses. The list of deductible expenses is binding on the tax auditors but it is not treated as an exhaustive list.

When a company’s gross income includes tax-free income or income that is taxed at source pursuant to special tax laws with the extinguishment of tax obligation or income from dividends or income from participation in Greek entities, a portion of the expenses is deemed to have been incurred in the earning of this income and consequently such portion is not deductible for tax purposes. Such provisions do not apply to banks, insurance companies, portfolio investment companies and mutual funds.

Annual depreciation of fixed assets is compulsory for years ending on or after 31 December 1997 at rates or range of rates prescribed by law. Fixed assets of the same category can be depreciated on condition that the rate to be chosen will be used consistently. If a business in any accounting period does not take depreciation at the allowable rate, it waives its right to deduct the corresponding amount in the future.

Assets whose cost of acquisition is up to EUR 1 200 may be expensed in the year they were used or were first put into operation. Depreciation is taken on a straight-line basis on the acquisition cost of the asset plus any expenses incurred for improvement or extensions. New machinery and technical production equipment acquired after 1 January 1998 by industrial, handicraft and mining quarry businesses, may be depreciated by using either the straight-line method or the declining balance method. The rates for the declining balance method are three times the rates prescribed for the straight-line method.

If in an accounting year the net book value of an asset after depreciation is less than 10% of the acquisition cost then the asset can be fully depreciated in that accounting year.

Depreciation of fixed assets purchased from companies located in countries deemed to be tax havens or “offshore” locations (referred to herein as “offshore” companies) is not recognized for deduction.

Start-up or pre-operating expenses, or expenses for the acquisition of real estate, may be deducted in one year or in equal installments over a period not to exceed five years. Leasehold improvements must be deducted in equal amounts over the life of the lease unless Presidential Decree 299/2003 provides for higher rates.

Provisions for bad debts are tax deductible up to a specified amount. Such amount is 0.5% of annual total sales to businesses after deducting discounts and returns, sales to the Greek State, municipalities and public enterprises and special consumption taxes on petrol goods and tobacco and all other taxes included in the selling price. For companies in the sectors of fixed line and mobile telecommunications, water and drainage, production of electricity, cable television, and distribution and supply of natural gas, the deduction is 1%. The accumulated amount of such provisions cannot exceed 30% of the outstanding trade receivables balance at any time. An entity can write off actual bad debts against the provision. The balance of the provision is reviewed at the end of every five years commencing in 2005 and any unutilized balance is transferred to the profit and loss account in the following year and is subject to tax.

There are special rules relating to tax deductibility of provisions for bad debts of banks, leasing companies, and factoring and forfeiting companies.

Provisions for retirement payments to employees retiring in the following year may be deducted in the current year.

Royalties and fees, in general, paid to companies or organizations for the use of technical aid, patents, trademarks, industrial processes, and copyrights are normally deductible in the year in which they are paid or credited.

When royalties or fees are paid to foreign organizations or foreign companies, with the exception of offshore companies, the payment of royalties and fees are deductible for income tax purposes under the following conditions: there is a written contract in place and invoices have been issued; withholding tax has been paid or avoided in accordance with Greek income tax law or the applicable double tax treaties; royalties and fees must be paid or credited in the accounting year to which they relate or by the date provided by law for closing the books for the relevant year.

The condition requiring the pre-approval of the Commission of the Ministry of Finance with respect to the deductibility of management fees and royalties paid by Greek enterprises to foreign entities from 1 January 2005 to 31 December 2008 has been abolished. Such expenses will be examined in the course of tax audits by the special committees that have been set up in the relevant tax audit centers.

The cost for the purchase of goods or the receipt of services from offshore companies, as well as royalties or fees paid to such companies for technical assistance, patents, trademarks, designs, secret industrial methods and formulas, and intellectual property are not tax deductible. For the purposes of income tax legislation, an offshore company is defined as a company that has its registered place of business in a foreign country but it is exclusively engaged in business activities in other countries and which enjoys an especially favorable tax treatment.

Interest on loans and similar expenses are deductible in the year in which they arise.

Car expenses (depreciation, maintenance, repairs, running costs, rentals paid to leasing, but not to car rental, companies) of leased or self-owned

passenger cars are partially deductible. For company cars up to 1600 cc, 60% of the expenses are deductible and for company cars exceeding 1600 cc, 25% of the expenses are deductible.

Group life insurance premiums paid for employees are tax deductible up to a maximum of EUR 1 500 per year, per employee.

Research and development (R&D) expenses are fully deductible in the year they are incurred or in equal installments over three years if these expenses relate to tangible assets. When R&D expenses exceed, during an accounting year, the average amount of such expenses incurred during the previous two accounting years, an additional amount equal to 50% of the expense incurred during the current accounting year is tax deductible from the net profits. In order for the latter to apply, the Ministry of Development should certify that the R&D expenses were incurred stipulating the nature of the relevant expenses and when they were incurred.

Salaries, as well as any other amount received by the partners of an EPE, are tax deductible, provided that such payments are subject to social security contributions. Salaries and other remuneration paid to partners of OE, EE are not deductible for tax purposes.

Special deductions are available for companies publishing newspapers and magazines and for television and radio stations without supporting documentation until 31 December 2008. In particular, television and radio stations may deduct without any supporting documentation an amount equal to 1% of gross income of up to EUR 8 804 109 arising from advertisements, and an amount equal to 0.5% of any income arising from advertisements in excess of EUR 8 804 109. Businesses engaged in publication of daily or weekly newspapers/magazines are allowed to deduct amounts without supporting documentation of up to 2% of gross income arising from the sale of newspapers/magazines and from advertisements.

A business can deduct expenses for administrative support, organization, reorganization and generally for services provided to the business by other Greek or foreign legal entities of the same group or by third parties for pur-

poses related to the general benefit of the group, provided that such expenses contribute to business-generating income. The condition requiring the pre-approval of the Commission of the Ministry of Finance with respect to the deductibility of management fees and royalties paid by Greek enterprises to foreign entities from 1 January 2005 to 31 December 2008 has been suspended. Such expenses will be examined in the course of tax audits by special committees that have been set up in the relevant tax audit centers. Such expenses are not tax deductible when paid to offshore companies.

Donations to the state, municipalities and certain other local institutions (religious, charitable, or educational) can be tax deductible under certain conditions, depending on the type of the donation and the recipient. The same treatment applies to cultural sponsorships according to Law 3525/2007.

The following expenses are also tax deductible:

- Hotel accommodation expenses for foreign clients, representatives or managers of local or foreign entities provided that the hotels are located within the prefecture of the registered place of business of the company or the branch.
- Expenses incurred for staff training relating to the company's activities.
- Housing allowances paid to employees, provided that the corresponding amount is treated as employment income.
- Amounts paid by the company to nurseries and kindergartens.
- Cash of up to EUR 3 000 paid to employees for their exceptional performance in universities.
- Amounts paid for the purchase of special staff uniforms required for safety and health reasons or for reasons of uniformity.
- Travel expenses (hotel expenses, travel tickets and meals) incurred by the company's representatives and managers in foreign countries. Meal expenses cannot exceed the cost of accommodation.
- Rent paid by the company for temporary residence of employees in hotels or houses when such accommodation is located at least 100 klm from the employee's permanent residence.

- Duty paid by the company due to its participation in a collective system of alternative management.
- Gifts given to clients provided they bear the company name and the relevant municipal duty has been paid. The expense deducted should not exceed EUR 15 per gift.
- Bonuses in cash or in kind to company employees for their exceptional performance under the condition that the relevant social security contributions have been paid.
- Expenses paid for use of mobile phones belonging to the company on condition that the number of mobile phones does not exceed the number of company employees. Only 50% of this expense is deductible.
- Expenses for seminars and meetings for company employees or clients, provided that the meetings take place within the prefecture where the company is registered.

Tax rate

The tax rate applicable to the profits of an AE or EPE or a foreign branch is 25% for fiscal years starting from 1 January 2007 and it is reduced gradually by 1% each financial year from 2010 through to 2014, when it is finally set at 20%. When a company earns income from real estate, the gross income therefrom is subject to a 3% supplementary tax, but such tax cannot exceed the corporate tax.

Filing of the tax return

Sociétés anonymes and limited liability companies are obliged to file their tax returns by the 10th day of the fifth month following the end of their accounting year end, whereas general and limited partnerships and joint ventures maintaining double entry books are required to file within three and a half months following the end of their accounting year. If a company files its tax return without making the appropriate tax payment (see below), it is considered as not having filed the tax return and, therefore, it is subject to all the consequences pertaining to non-filing.

Payment and prepayment of tax

The tax and the advance tax are payable in eight equal monthly installments, the first installment being paid upon filing of the tax return.

Legal entities subject to corporate tax are also required to pay an amount equal to 80% (100% in the case of Greek banks and branches of foreign banks) of the current year's income tax as an advance against the following year's tax liability. Credit is given for the advance tax paid in the previous year.

The above mentioned advance tax rates are decreased by 50% for the first three accounting years for AEs or EPEs incorporated from 1 January 2005 onward, on condition that they have not resulted from a transformation or merger of any other entities.

The advance tax payable for legal entities is increased from 65% to 80% of the tax corresponding to income declared in the income tax return submitted in 2009. However, the advance tax payable for Greek Banks and branches of foreign banks is increased from 80% to 100% of the income tax of the years, commencing with the income tax returns filed in 2008 onward.

Relief of losses

Tax losses of companies and branches of foreign companies that maintain double entry accounting books and of entities maintaining income and expense books may be carried forward and be offset against taxable income of the five years following the accounting year in which they were incurred. Losses cannot be carried back. Greek companies having a business interest (branch) abroad, may offset losses incurred by their foreign interest only from profits arising from a similar business interest abroad and not from profits arising from their business activity in Greece.

Group tax relief

The concept of group tax relief does not exist in Greece. Companies cannot transfer losses to other companies of the same group.

Double taxation and relief for foreign taxes

In the absence of a double taxation treaty, a Greek corporation or permanent establishment is entitled to claim credit for the foreign tax charged on income from any overseas source against the Greek corporate tax payable on that income. The amount of the credit is limited to the amount of Greek tax attributable to such income.

Treaties for the avoidance of double taxation have been signed and entered into force with: Albania, Armenia, Austria, Belgium, Bulgaria, China, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, Finland, France, Georgia, Germany, Hungary, India, Ireland, Israel, Italy, Korea, Kuwait, Latvia, Lithuania, Luxembourg, Mexico, Moldova, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom, the United States of America, and Uzbekistan. Other tax treaties have been signed or ratified but are not yet in force or are under negotiation.

The tax treaties cover, inter alia, the withholding tax treatment on payments of dividends, interest and royalties from Greece to residents of the Treaty countries.

Regarding the avoidance of double taxation on distribution of profits between parent and subsidiary sociétés anonymes registered within the European Union, Greek parent companies have the right to deduct from their total income tax the income tax paid by the foreign subsidiary (which corresponds to the profits distributed to the parent company) as well as the tax that may have been withheld by the subsidiary in relation to

these profits. The deduction is granted on condition that the total deductible amount is not greater than the amount of tax corresponding to the same income in Greece.

In particular, Greek income tax legislation has incorporated EU Council Directive 2003/123/EC which amended EU Council Directive 90/435/EEC. Therefore, Greek tax law governing parent and subsidiary entities applies not only to Greek sociétés anonymes but to all Greek companies (limited liability companies, public and municipal enterprises, cooperative societies, foreign undertakings, general partnerships, limited partnerships) that are subject to Greek income tax.

Furthermore, in order for a company to be considered a parent, subsidiary, or second tier subsidiary, the law gradually lowers the shareholding thresholds to 10% from 1 January 2009, on condition that the related shareholding is maintained for at least two years.

Transfer pricing rules allow the adjustment of the profits of a local subsidiary in respect of its transactions with its foreign controlling parent company when the tax authorities find that the transactions are not at arm's length.

Branch or company

When a foreign enterprise is deciding which form of entity is preferable from a tax point of view, the following aspects should be taken into consideration.

- Both an AE and a branch of a foreign enterprise are subject to the same corporate tax and at the same rates.
- In addition to the deductions relating to an AE, a branch may reduce its taxable profits by an allocated portion of the central operating costs of the head office. Under certain circumstances subsidiaries are similarly allowed to deduct head office costs.
- The establishment of a branch by a foreign enterprise in Greece creates a “permanent establishment” of that entity in Greece whereas investment in an AE does not.

Example: Illustrative tax computation and tax payment

Income tax calculation and tax payment for a non-banking AE Company for the year ending 31 December 2007 (Prepared as of 1 January 2007) Assumptions (amounts in EUR):

- a. Net profit per profit and loss account EUR 250 000
- b. Gross rental income EUR 6 000
- c. Gross Interest from bank deposits subject to withholding tax at 10%, EUR 15 000
- d. Non deductible expenses EUR 21 000
- e. Prior year's advance tax EUR 35 000

Calculation of income tax and amount payable

	Euro
Net profit per profit and loss account	250 000.00
Plus non deductible expenses	<u>21 000.00</u>
 Taxable income	 <u>271 000.00</u>
 Income tax (EUR 271 000 x 25%)	 67 750.00
Plus supplementary tax on rental income (EUR 6 000 x 3%)	<u>180.00</u>
 Income tax charge for the year	 <u>67 930.00</u>
 Amount to be paid:	
Income tax for year 2007	67 930.00
Less prior year's advance tax	(35 000.00)
Less withheld tax on interest income (EUR 15 000 x 10%)	(1 500.00)
Plus this year's advance tax (EUR 78 770 x 65%)	44 154.50
 Total amount of tax to be paid	 <u>75 584.50</u>

Capital gains

Capital gains (or losses) are generally regarded as ordinary business income (or loss) and are treated accordingly for tax purposes, except that the gain from the sale of a business, a branch, units in a partnership, an EPE, participation in a joint venture (other than a construction joint venture), joint ownership of rights governed under civil law or the waiver of a right to participate in a capital increase of an EPE or a partnership is subject to an advance tax of 20%. Gains from the disposal of other business rights such as patents or industrial property are also subject to an advance tax of 20%. The gain is included in the income of the entity for the determination of taxable profits with credit being granted for the 20% advance tax paid.

The gain on the sale of shares of companies not listed on the Athens Stock Exchange is not subject to capital gains tax. However, there is a special tax imposed at the rate of 5% on the higher amount between the contractual sale price and the deemed sale price of the shares. The deemed price is determined by a specific formula. This tax does not apply if the seller of the shares is resident in a tax treaty country and does not have a permanent establishment in Greece (in case it has a permanent establishment the 5% tax will be imposed if the shares are an asset of the permanent establishment). For fiscal year 2007 and onward, gains realized from the sale of shares not listed on the Athens Stock Exchange, on a foreign Stock Exchange, or on any other internationally recognized stock exchange are subject to the general income tax provisions with the right to offset the 5% tax paid on the transaction.

Profits earned by entities of any legal form from the sale of shares listed on the Athens Stock Exchange or foreign stock markets at a higher value than their purchase value, for shares acquired from 1 January 2010 onward, are subject to tax at 10%.

Businesses that maintain double entry accounting books are required to post the above profits to a special reserve account which will be taxed at the current tax rate upon distribution or capitalization; a tax credit is

granted for the 10% tax that was withheld at the time the profits were realized.

Losses incurred from the sale of listed shares by entities who do not maintain double entry accounting books can be offset against profits earned in the same financial year. In this case, the seller of the shares is required to file a special tax refund claim within three months from the end of the financial year for the transactions effected within this year.

Withholding taxes and special taxes

Construction

The determination of profits on the basis of accounting books applies to all legal entities having as their business objective the construction and sale of buildings and technical works, provided that a société anonyme or a limited liability company is involved. Tax is withheld from payments to contractors at the rate of 3%. Taxes withheld are offset against the final tax liability or are refunded, as the case may be.

Royalties

Royalties paid to companies or individuals with no permanent establishment in Greece are subject to a withholding tax of 20%. However, if a treaty for the avoidance of double taxation is in force, its provisions will apply. There is no withholding tax on payments made to Greek residents. Greek Income Tax Law has incorporated the provisions of Council Directive 2003/49/EC (Interest and Royalties Directive). Accordingly, royalties (and interest – see below) paid by a Greek société anonyme or a Greek permanent establishment of an EU company to an associated company or a permanent establishment resident in another EU Member State are not subject to withholding tax (after the lapse of the transition period – see below), provided certain conditions are met. A company is considered to be an affiliate of another company when either company possesses directly at least 25% participation in the share capital of the other company or when a third company possesses at least 25% participation in both companies and

this participation exists in all cases for a continuous period of two years without interruption.

The full abolition of withholding income tax will apply after the expiration of the transitional period. During the transitional period of eight years, starting from 1 July 2005, the tax withholding rate will be 10% for the first four years, and 5% for the following four years unless the relevant treaty for the avoidance of double taxation provides for a more advantageous tax treatment.

Service fees

In general, fees paid to foreign undertakings or individuals who have no permanent establishment in Greece for services rendered in Greece are subject to a 20% withholding tax unless a tax treaty provides otherwise. Fees incurred specifically for studies, designs, research and scientific advice, as well as for supervision and consulting services in Greece on construction projects are also subject to a 20% withholding tax. There is no such tax in the case of a Greek resident. Where a treaty for the avoidance of double taxation is in force, its provisions apply.

Investment income

Investment income, other than dividends, paid to a foreign entity with no permanent establishment in Greece is subject to withholding tax at the rate of 25%, subject to the provisions of an applicable tax treaty for the avoidance of double taxation. The foreign entity is not required to file an income tax return for such income. The withholding tax rate of the Board of Directors fees of AE companies and banks is increased from 25% to 35% from 1 January 2009 onward.

In addition to the tax there is also a stamp duty of 1.2% on the fees if such fees are not for dependent services. The withholding tax in these cases is considered as a final tax.

Dividends distributed by Greek corporations to Greek or foreign individuals or legal entities as well as dividends distributed by foreign entities to individuals who are residents of Greece, are subject to a withholding tax of 10%, which is the final tax liability of the beneficiaries of that income. This taxation applies on dividend distributions decided by general meetings of shareholders that will be held from 1 January 2009 onward, except for dividends of foreign entities received by individuals who are residents of Greece, where the tax applies for dividends received on or after 1 January 2009. No tax is withheld when the beneficiary of dividends is a parent company established in another EU country provided that the latter is eligible for exemption on the basis of the provisions of the Parent-Subsidiary EU Directive.

However, no tax is withheld on dividends distributed by portfolio investment companies of Law 3371/2008, by real estate investment companies of law 2778/1999 and by Greek shipping companies which will be subject to tax and the contribution of Law 27/1975.

Interest

Except for interest from bank deposits, which is taxed by special provision, and interest from state bonds or bonds issued by Greek corporations, interest remitted to non-resident entities is subject to withholding tax at a rate equal to the corporate tax rate, or at the rate applicable in a tax treaty for the avoidance of double taxation.

Interest paid by a Greek société anonyme or a Greek permanent establishment of an EU company to an associated company or a permanent establishment resident in another EU Member State is not subject to withholding tax (after the lapse of a transition period set out below) provided certain conditions are met. A company is considered to be an associate of another company when either company possesses directly at least 25% participation in the share capital of the other company or when a third company directly possesses at least 25% participation in both companies and this participation exists in all cases for a continuous period of two years without interruption. The full abolition of withholding income tax will apply

after the expiration of the transitional period. During the transitional period of eight years, starting from 1 July 2005, the tax withholding rate will be 10% for the first four years, and 5% for the following four years, unless the relevant treaty for the avoidance of double taxation provides for a more advantageous tax treatment.

When foreign source interest is remitted to Greece, it is subject to a withholding tax at the rate of 20%, unless it is interest from deposits with banks abroad or from foreign state or corporate bonds (10%). Such tax is considered an advance tax and is offset against the beneficiary's final tax liability arising on the total income.

Interest earned on deposits with banks operating in Greece is subject to withholding tax at the rate of 10% (except for deposits made in foreign currency by a non resident which is tax-free). Interest earned on Greek State bonds, treasury bills and bonds issued by Greek corporations (including banks, insurance companies and foreign companies in which Greek banks have the majority in the share capital) is subject to withholding tax at the rate of 10%. Exemptions from tax may apply provided that certain conditions are satisfied and interest from Greek State and corporate bonds is exempt from tax if earned by a non resident.

Interest derived from Greek Treasury Bills by non residents will be exempted from tax. The above exemption applies to Greek Treasury Bills issued from 1 January 2009 and afterwards.

The income from repos on State bonds has been categorized as interest subject to withholding tax at the rate of 10% (unless otherwise provided in the relevant tax treaty for non residents). When interest is earned by individuals, the tax withheld as above is considered as a final tax on such income.

Business income

The remuneration paid to members of the Board of Directors of AE companies and banks for services is treated as business income and is subject to 25% if paid from 1 January 2007 onwards, on condition that the members are not insured with the main social security organization (IKA). The withholding tax is considered as a final tax.

The supply of products to the State is subject to a 4% withholding tax (reduced to 1% for the sale of fuel and tobacco products). The supply of services is subject to an 8% withholding tax. These taxes are treated as payments in advance against the final tax liability.

Proceeds from liquidation

Proceeds from the liquidation of an AE or an EPE are not subject to tax if they represent return of capital or taxed reserves. If any proceeds represent a distribution of tax-free reserves they become subject to corporate tax.

Local tax (annual tax on real estate)

A local tax is levied at a rate ranging between 0.025% to 0.035% (as determined by the relevant municipality) of the real estate's objective value (see Real Estate Transfer Tax later in this chapter for an explanation of the objective value system).

Tax on stock exchange transactions

A tax is imposed at the rate of 0.15% on the proceeds from the sale of shares listed on the Athens Stock Exchange and acquired until 31 March 2009 or on foreign stock exchanges. The tax is paid by the vendor through a withholding applied by the Share Depositors Scheme, or through a return filed by the vendor in case of sale of foreign listed shares. No tax is imposed on the sale of shares listed on a foreign stock exchange when similar tax is levied abroad and the foreign exchange has established a common electronic system with the Athens Stock Exchange.

Duty on cellular phones

A duty on cellular phones ranging from EUR 2 to EUR 10 per month is imposed. Cellular phone service providers are responsible for the administration (collection and payment) of this duty.

Indirect taxes

The following briefly outlines the various types of indirect taxes. Indirect taxation provides more than 50% of the State's tax revenue.

Value Added Tax (VAT)

VAT was introduced in Greece in 1987 and is the most important indirect tax. Greece's VAT legislation was amended to conform with the EU Directive 91/680 and a transitional structure was implemented until 1997 when the VAT regime reached its final form. In 2000 a new VAT Code was introduced by Law 2859.

On 20 April 2005 Greece's VAT legislation was amended by Law 3336/2005 to conform with EU Directive 2003/96.

Generally, all businesses must register for VAT before they start operations. The tax is levied on:

- The value of goods increased by related costs (such as transport, insurance, duties) supplied within Greece by entrepreneurs acting within the scope of their business objects.
- The invoiced price and related costs (transport, insurance, duties) of goods imported into Greece from non-EU countries.
- The invoiced price of goods acquired from EU countries by entrepreneurs whose activities are subject to VAT and the invoiced price of goods acquired by individuals and VAT exempt entrepreneurs, if the supplier's sales in Greece exceed a certain threshold.
- The value of services supplied by Greek resident entrepreneurs acting within the scope of their business (by exception, the supply of certain services by Greek residents to non-residents is exempt from VAT, whereas the supply of certain services by foreign residents to Greek residents is subject to VAT).

- The value of goods taken from the business or use of the business' services by a taxpayer for personal use or the personal use of employees.
- The value of certain goods allocated to the business by the taxpayer (alcohol, tobacco, passenger cars) produced by the business.
- The value of the transferred buildings when the construction licenses are issued or revised after 1 January 2006, provided that by this date no construction work has begun.
- Exports to residents of non-EU countries and supplies to residents of EU countries who are subject to VAT are exempt from Greek VAT.

The tax is borne by the ultimate consumer of goods and recipient of services. The general principle is that VAT incurred by an entrepreneur on his purchases can be offset against VAT charged by this entrepreneur on his sales and the difference is payable to or recoverable from the tax authorities.

The basic VAT rate applicable to all goods and services is 19%, except for the following, which have a reduced rate:

- Newspapers, periodicals, books and theatre tickets at 4.5%.
- Goods and products deemed as necessities, such as fresh food products, pharmaceuticals, transportation, electricity, natural gas and certain professional services (such as renovations and repairs of old private properties and services provided by hotels, restaurants, coffee shops, writers, composers, artists and the non-exempt services of doctors and dentists) at 9%.

VAT is further reduced by 30% if goods or services are supplied to or by taxpayers established in the Dodecanese and other Aegean Islands.

Taxpayers must file monthly or quarterly VAT returns depending on the type of books they are required to keep for accounting purposes. An annual return must be filed within four months and 10 days from the end of the financial year or one month and 25 days from their year-end, again depending on the type of books kept.

VAT exemptions

Certain deliveries of goods and services, although falling within the scope of the VAT principles mentioned above, are exempt.

The exemptions provided by the VAT law can be classified into two broad categories:

- exemptions which preclude the recovery of VAT on inputs; and
- exemptions which do not preclude the recovery of VAT on inputs.

Examples of the first category of exemptions are the provision of services of a social or cultural nature such as medical services and educational services, and also insurance, financing and most banking activities provided to EU residents.

Examples of the second category include export transactions, international transit of goods, and transactions in relation to shipping.

Import duties

For a discussion on import duties, see Chapter 3.

Insurance tax on insurance companies

Insurance tax is levied on the amount of premiums and related costs charged by insurance companies and is borne by the customers.

Tax rates vary depending on the type of insurance cover and range from 4% to 20%. However, premiums on life insurance policies exceeding 10 years are specifically exempt from the turnover tax.

Contribution of Law 128

With very few exceptions (loans between banks, loans to the Greek State, loans funded by the EIB, loans to persons living in small islands) an annual contribution of 0.6% (0.05% per month) is imposed on the average outstanding monthly balance of each loan granted by a bank to a Greek resident (the rate is 0.12% for housing loans).

Capital concentration tax

A tax of 1% is imposed on the accumulation of capital by enterprises, including branches of non-EU based foreign companies, joint ventures and profit-making associations.

Amounts subject to this tax are those arising from:

- The establishment of an entity and any increase in its capital.
- The increase in the assets of an enterprise in exchange for rights similar to those of a partner; for example, vote or profit participation.
- Loans where the lender has the right of participation in the enterprise's profit.
- The establishment of a Greek branch of a foreign entity, except for branches of entities resident in an EU member state, on what is considered fixed or working capital.
- The increase in capital resulting from the conversion or merger of an entity not previously subject to this tax into or with an entity subject to this tax.

Exemptions from this tax are granted to agricultural co-operatives and shipping companies. Educational and philanthropic organizations, as well as entities providing public utility services when at least half of their capital is held by the State or local authorities, are also not subject to the tax.

Increases of capital by capitalization of profits, retained earnings, or reserves are not subject to this tax.

Competition committee duty

A duty of 0.1% is imposed on the capital of AEs upon incorporation or increase.

Stamp duty

Stamp duty is now payable only on a few transactions and documents, in the form of a percentage of the value of the transaction.

Commonly encountered transactions that are subject to stamp duty on their value and the applicable rates, are:

Property rentals (commercial)	3.6%
Commercial loan agreements (if lender is not a bank)	2.4%
Private loan agreements (depending on parties)	2.4% - 3.6%
Cash withdrawal facility	1.2%

Stamp duty on renting of residence is 1.8% for rental income acquired from 1 January to 31 December 2007. This stamp duty will be abolished for residences as of 1 January 2008.

Consumption tax

Consumption tax is still levied on a few imported goods transferred from other EU member states, and locally produced goods, including, alcohol, tobacco and petroleum products.

Classification duty

Cars, trucks and motorcycles are subject to classification duty, which is determined by the engine size of the vehicle. This duty is payable at the time of entrance of the vehicle into Greece or at the time local production is completed.

Circulation (road) taxes

Cars, trucks, and motorcycles are subject to an annual road tax, the tax burden being determined by the engine size of the vehicle.

Taxes on real estate

See chapter 8 for information regarding taxes on real estate.

Municipal duties

There are several municipal duties for specific purposes; e.g. for cleaning and lighting, advertisements, car rental companies, the use of public places, hotels/bars/restaurants, and places of amusement.

Chapter 6

Taxation of individuals

Overview

Persons residing (domiciled) in Greece are liable to income tax on their world-wide income, whether remitted to Greece or not. Where tax has already been paid outside Greece on non-Greek source income, the tax may be deducted up to the amount of tax payable in Greece on the same income.

Non-residents are taxed only on Greek source income.

The determination of whether an individual is a resident or not depends on the individual's intention to adopt Greece as his place of permanent residence. Such intent must be apparent from objective evidence such as the acquisition of a house with the intention of adopting Greece as the country of domicile.

Basic principles

Taxable income is classified into six categories (real estate, investment, employment, agricultural, business, and professional). Although income from each source is separately computed, individuals are subject to tax on the aggregate of income from all categories.

Married persons are subject to tax separately on their own income but are required to file a joint tax return.

Greek tax resident individuals and EU residents earning 90% of their income in Greece are subject to income tax at progressive rates, which

commence at 0% and increase to a maximum rate of 40% on taxable income in excess of EUR 75 000. For foreign tax resident individuals, with the exception of EU residents earning 90% of their income in Greece, the progressive income tax rates commence at 5% and not 0% and they have a lower amount of tax deductions. A 1.5% discount or EUR 118 (whichever is lower) is granted if the annual income tax return is filed electronically (through the Internet).

Imputed versus actual income

Legal provisions designed to prevent tax evasion specify that individuals are taxed on their declared income or imputed income, whichever is highest.

Income is imputed on the basis of living expenditure or acquisition of certain assets. The main factors considered in imputing income from living expenses or acquisitions are the engine size of owned motor vehicles, repayment of loans or credits, the purchase of real estate, the construction of buildings, the cost of operating pleasure boats, aircrafts and helicopters, rent paid and deemed rental income for primary residence exceeding 200 sq.m. and for a secondary residence exceeding 150 sq.m. in size, the construction maintenance and use of a swimming pool and similar expenditures.

Income thus imputed will constitute taxable income if it is more than 20% of the declared family income (that of the taxpayer, his spouse and his dependants), unless there is evidence that the difference between the imputed income and the declared income is covered by borrowing, or savings that have been taxed or exempted from tax in the past, from gifts which have been subjected to or exempted from gift tax, from income taxed abroad (or exempted) and imported to Greece, and the like.

Determination of the income tax liability

Certain personal deductions and tax credits are available to residents in computing their taxable income. These deductions and credits are not available to non-residents.

Deductible expenses

The following deductions comprising expenses of a personal nature are allowed on condition that appropriate receipts exist:

- Life, health and personal accident insurance premiums are deducted up to the amount of 10% of the tax-free amount of the first income bracket applicable to employees without children and up to the amount of EUR 1 200.
- Cash donated to the State, municipalities and certain other local institutions (religious, philanthropic, educational, medical) as well as donations of medical equipment and ambulances to certain hospitals. Sponsoring fees to private cultural not-for-profit institutions, are restricted to 10% of the taxable income. Donations to sporting clubs are subject to certain conditions (the donation must be deposited with the Fund of Deposits and Loans or a bank). Donations and sponsorships exceeding EUR 300 (not applicable for donations to the State) must generally be deposited with a bank or the Fund of Deposits and Loans. For cash donations in excess of EUR 2 950 per beneficiary, a 10% tax must be withheld and remitted to the tax authorities by the donor.
- Obligatory contributions to social insurance funds.

Additional deductions are available if the taxpayer and/or his dependants are disabled, blind, or war victims.

Expenses incurred by individuals in connection with the earning of investment income (brokerage, management fees) are not deductible.

An individual who earns only employment income may not deduct expenses such as depreciation on motor cars or home computers.

Tax credits

The tax payable is decreased by 20% of the:

- Total annual amount of medical and hospital care expenses; such credit cannot exceed EUR 6 000.

- Annual rent for the main residence of the taxpayer and his family.
- Annual rent for the accommodation of children attending courses in approved schools.
- Annual expense for the taxpayer and dependent children for private lessons at home or for tuition of any recognized educational level or foreign language.
- The maximum amount of each expense cannot exceed 10% of the tax-free amount of the first income bracket that is applicable to employees without children - maximum deduction EUR 1 200.
- Interest on loans granted as of 1 January 2003 for the acquisition of a first residence. The exact amount of this interest deduction depends on the size of the residence and is limited to a loan principal of up to EUR 200 000. For loans granted before 2003 a different treatment applies.

The tax payable is also decreased by EUR 60 for each child of a taxpayer who earns employment income on condition that he offers his services in or resides for at least nine (9) months within the taxable year in certain border areas of Greece.

Foreign residents (except EU residents earning more than 90% of their income in Greece) are not entitled to the above tax credits.

Income tax scale / Tax rates

The income tax scale and corresponding tax rates for individuals other than employees or pensioners are as follows (amounts in Euro) for 2009 and 2010, respectively:

Tax scale for 2009:

Income bracket	Tax rate	Tax per bracket	Aggregate Income	Aggregate Tax
First 10 500	Exempt	0	10 500	0
Next 1 500	15%	225	12 000	225
Next 18 000	24%	4 320	30 000	4 545
Next 45 000	35%	15 750	75 000	22 995
Exceeding 75 000	40%			

Tax scale for 2010:

Income bracket	Tax rate	Tax per bracket	Aggregate Income	Aggregate Tax
First 10 500	Exempt	0	10 500	0
Next 1 500	15%	225	12 000	225
Next 18 000	27%	4 860	30 000	5 085
Next 45 000	37%	16 650	75 000	21 735
Exceeding 75 000	40%			

For income earned by employees, the first bracket is increased by EUR 1 500 (therefore the second bracket is no longer applicable). The tax-free amount of the first income bracket (as determined) is increased by EUR 1 000 if the taxable person has one dependent child, by EUR 2 000 for two children, by EUR 10 000 for three children and by EUR 1 000 for each child above three. The employees' income tax scale applies on condition that income from employment exceeds 50% of total income.

There is also a supplementary tax which is computed at the rate of 1.5% or 3% on the gross rental or imputed income from real estate that is taxable. The 3% rate applies where the real estate in question is used for residential purposes and exceeds 300 square meters in size. This tax cannot exceed the taxpayer's main income tax. Foreign residents are taxed on the basis of the above income tax scales but they must also pay tax at the rate of 5% on

the first EUR 10 500 of their income (except for EU residents earning over 90% of their income in Greece).

Return filing and payment procedures

The tax year for individuals ends on 31 December and individuals are generally required to file an income tax return by 1 March of the following year. The exact filing date also depends on the last digit of the individual's tax registration number. However, there are numerous exceptions depending on the individual's taxable income.

Income tax becomes due when the assessment is issued by the authorities. The income tax may be paid in three equal installments, the first of which is due one month following the assessment of the income tax. A 1.5% discount or up to EUR 118 is granted if the return is filed through the Internet.

The tax assessment will include an amount equal to 55% of the relevant year's tax payable as an advance against the following year's tax, except when the income declared has tax withheld at source (e.g. salaries) and/or the income arises from the self-use of residential real estate.

Illustrative tax computation

Personal Tax Computation for income earned in 2009. Assumptions: Salaried resident living in Athens, married with two children whose spouse has no taxable income and living expenses enabling them to enjoy the maximum tax credit. Annual salary of EUR 41 000. No tax has been withheld at source.

Gross annual salary	EUR	41 000.00
Less social security contributions (16%)		(6 560.00)
Less tax exempt amount		<u>(14 000.00)</u>
Taxable income		<u>20 440.00</u>

Calculation of income tax payable:

25% tax on EUR 16 000	4 000.00
35% tax on remaining EUR 4 440	<u>1 554.00</u>

Income tax payable	EUR	<u>5 554.00</u>
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Less 1.5% discount or EUR 118 (if income tax return is filed electronically)		<u>(83.31)</u>
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Income tax payable	EUR	<u>5 470.69</u>
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Income tax withholdings on salary

Employers are required to withhold income tax from salaries, wages and other remuneration paid to their employees. The amounts withheld are determined in accordance with the scale of ordinary income tax rates applicable to individuals. In this case, tax is generally withheld at the rate of 20%. At the end of the year the employer is obliged to prepare an annual return of amounts paid and taxes withheld.

Amounts withheld are accounted for by the employer to the tax authorities on a bi-monthly basis except for businesses employing more than 500 persons, in which case the tax withheld must be accounted for monthly.

By 15 February of each year the employer is required to issue to each employee a statement of the amounts paid and tax withheld, a copy of which must be filed with the tax authorities within March, together with the return listing all employees and detailing for each employee the amounts paid and tax withheld during the year.

No income tax is withheld on any remuneration paid to administrators of an EPE and on fees paid to members of the Board of Directors of an AE if such payments are made from corporate profits that have been taxed in the hands of the corporation. In case of fees (other than from taxed profits or fees which are considered employment income) paid to directors of AEs, taxes will be withheld at the rate of 20% or 25%, depending on the nature of such income (professional, investment or commercial). The withholding of 20% or 25% is considered a final tax.

Professional income

Fees paid to freelance professionals are subject to a withholding tax at the rate of 20% (which is treated as an advance tax against the ultimate income tax liability).

Fringe benefits

Generally speaking, all fringe benefits are subject to income tax in Greece in the hands of the employees. Reimbursement of expenses incurred by the employee for the purpose of carrying out assigned employment duties (such as travel and promotional expenses) should not, however, be deemed to be employment income. In any case, the exemption from income is conditional to the expense being evidenced by the appropriate tax document (receipt, invoice) as required by the Code of Books and Records. Accordingly, general allowances paid to employees which are not supported by the appropriate tax record would in any case be deemed to be employment income, even if they are designated to cover expenses of the employees in carrying out their employment duties.

Stock options

According to a recently introduced Law (Law 3697/2008), benefits arising from the exercise of stock options of a value lower than the stock exchange value at the time they are exercised considered as employment income and are subject to Greek income tax (relating to options exercised within 2008 onward). For the calculation of respective benefit the exercise price of the options is compared with the stock exchange value on the time of grant.

As grant date the law defines the date that a Company's general Assembly of the Shareholders approves the corresponding plan.

The tax implications on the transfer of shares are the same as in the case of stock options through capital increase.

Investment income

Investment income (for example, interest on loans) is generally subject to a withholding tax of 20% with few exceptions. The gross interest is taken into account in arriving at the total tax liability, whereas the 20% is treated as an advance tax against such liability.

Profit sharing

The distribution of corporate profits under employee profit sharing schemes is treated as investment income in the hands of the employees. It is subject to social security contributions but not to income tax since the underlying corporate tax will have been paid.

Dividends

Dividends distributed by Greek corporations to Greek or foreign individuals or legal entities as well as dividends distributed by foreign entities to individuals who are residents of Greece, are subject to a withholding tax of 10%, which is the final tax liability of the beneficiaries of that income. This taxation applies on dividend distributions decided by general meetings of shareholders that will be held from 1 January 2009 onward, except for dividends of foreign entities received by individuals who are residents of Greece, where that tax applies for dividends received on or after 1 January 2009. No tax is withheld when the beneficiary of dividends is a parent company established in another EU country provided that the latter is eligible for exemption of the basis of the provisions of the Parent-Subsidiary EU Directive.

Interest

A 10% tax is imposed on interest earned by individuals from bank deposits in Greece. As of 1 January 2007, interest earned by Greek resident individuals from deposits abroad and from bond loans issued abroad (including bonds issued by foreign subsidiaries of domestic banks) is subject to tax at source at a rate of 10%. Interest earned on government and corporate bonds and treasury bills is subject to a 10% withholding tax (unless the recipient is a non-resident). These are final taxes and there is no further tax

liability. If a double taxation treaty applies, the rate of withholding may be further reduced for non-residents. Interest from deposits in foreign currency held by non-residents remain free of tax.

Mutual funds

See “Other Incentives” in Chapter 2.

Capital gains tax

Capital gains tax, as discussed in Chapter 5, also applies to individuals except that capital gains on the transfer (sale) of private assets (excluding shares or participations in partnerships or EPE) are not taxable. Notwithstanding the rates set out in Chapter 5, it should be noted that the transfer of non-listed shares or participations in partnerships or EPE between relatives is subject to the following lower capital gains tax rates:

- 1.2% on the actual value of the transaction for transfers made to spouses, children and parents.
- 2.4% on the actual value of the transaction for transfers made to grandchildren, grandparents, children recognized voluntarily or through court decisions, siblings, stepfathers and stepmothers, uncles/aunts, nephews/nieces, children of the spouses’ former marriage and parents-in-law.

Inheritance and donations (transfer) tax

Inheritance/donations (transfer) tax is based on the value of property received. The tax is based on a graduated scale of rates which increases as the value of the property increases.

The rates also vary depending on the degree of relationship between the deceased or donor and the recipient of the property. Lower rates are imposed on close family members than on distant relatives or unrelated persons. The tax rates range from 0 to 40%. Major changes to inheritance tax are expected in autumn 2007.

This tax applies on all property located in Greece as well as on movable property located abroad owned by Greek citizens or foreign nationals permanently resident in Greece.

Following the amendments of Law 3634/2008 the acquisition of real estate or of rights on real estate by relatives of category A' and B' by way of inheritance or parental donations is subject to tax at a rate of 1% for the amount exceeding the tax-free amounts of EUR 95 000 for the relatives of category A and EUR 20 000 for the relatives of category B. Tax on donations to relatives of category A and B is still imposed at the tax rates of 5% to 20% ad 10% to 30% respectively for amounts exceeding the tax-free amounts of EUR 95 000 and 20 000 respectively.

The tax rate applicable in case of inheritance or donation of any other type of assets by relatives of category C' remains the same at 20% to 40% after the deduction of the tax-free amount of EUR 6 000.

Full exemption from inheritance and parental donation tax is provided on the acquisition of first residence of a surface area up to 200 square meters, which is increased by 25 square meters for the third and every other under age child.

It should be noted that the inheritance or donation of listed shares, bonds, founders' titles of legal entities, state issued securities or other such securities are subject to special inheritance or donation tax at a rate of 0.6% for spouses, children and parents and 1.2% for grandchildren, grandparents, children recognized voluntarily or through court decisions, siblings, step-fathers and stepmothers, uncles/aunts, nephews/nieces, children of the spouses' former marriage and parents-in-law. The inheritance or donation of non-listed shares and other securities, parts/units in limited liability companies and partnerships, participations in civil law societies that have commercial or professional activities and units in cooperatives are subject to special inheritance or donation tax at a rate of 1.2% and 2.4% respectively (in accordance with the above distinction). Any other assets, except for the

above mentioned, which are transferred to Category A' or B' relatives by way of death or parental donation is subject to tax at a rate of 10% after the deduction of the tax-free amounts.

Full exemption from inheritance and parental donation tax is provided on the acquisition of first residence of a surface area up to 200 square meters, which is increased by 25 square meters for the third and every other under age child.

The recipient of an inheritance or donation is obliged to file a tax return within six months following the death of the legator (if no will exists), the publication of the will, or the receipt of a donation.

Foreign employees

Foreign nationals employed in Greece who remain non-residents are subject to tax only on income from a Greek source, including income from services rendered in Greece. Unless otherwise specified in a tax treaty with the country of the individual's residence, such income will be taxed in the same manner as that of a person resident in Greece.

The tax treaties usually dictate that the resident of another country will not be subject to income tax in Greece if the following are true:

- The individual is present in Greece for 183 days or less in any tax year.
- The remuneration is received from an employer who is not a resident of Greece.
- The remuneration is not deducted as an expense of a permanent establishment which the employer has in Greece.

Income from employment includes all receipts of cash as well as benefits in kind received in connection with services rendered to the employer. However, where the benefit received by employees is in effect a reimbursement of an expense incurred by employees for the purpose of enabling them to carry on their work, it does not constitute income of the employees as long as the appropriate tax records for the expenses have been obtained.

For expatriate employees, it has been possible for items such as company-provided housing, car and school fees to be non-taxable reimbursements given that they offset costs of the expatriate due to relocation.

For foreign employees who are not Greek residents and for Greek employees who reside outside Greece, all of whom are employed by Law 89 entities and certain shipping companies, the components of imputed annual income do not include imputed car expenditure or rent.

Chapter 7

Labor

Labor regulations

Residence permits for work purposes

Citizens of EU member states residing or working in Greece for a period exceeding three months must obtain residence permits. In practice, it may be necessary to obtain a residence permit even if the stay is shorter than three months. Citizens of states that have recently joined the EU are usually subject to the status of non- EU citizens for a transitional period.

Citizens of states outside the EU must apply for a work visa before arriving in Greece and for a residence permit after their arrival in Greece. Because the application procedure for work visas is lengthy, the procedure should be commenced well in advance of the planned date of arrival.

Wage regulations / Labor agreements

Minimum rates of pay are set each year (or every two years) by the National Collective Labor Agreement. Certain industries and trades have established their own Collective Labor Agreements which provide their own minimum wage and salary rates on the basis of the number of years of service. The salary actually paid to employees may not be lower than that prescribed in the National or Specific Collective Labor Agreement. Different occupations are usually represented by different labor unions so that more than one union may be represented in the same enterprise.

Discrimination in work made on the basis of an employee's religion or belief, disability, age or sexual orientation is forbidden.

An automatic cost of living adjustment (ATA) made to wages and salaries every four months was abandoned in 1991. Instead of ATA, there is a semi-annual increase in minimum wages and salaries usually equal to the inflation rate.

Minimum age

The legal minimum age for employment is 15 years. Young people, those under the age of 18, should not be engaged in dangerous work (industrial work and manufacturing) and night work.

Working hours, vacations, and public holidays

The working week is generally 40 hours over five days. In addition to Sundays, the following are obligatory public holidays:

- Independence Day (25 March).
- Easter Monday.
- The Assumption of the Virgin Mary (15 August).
- Christmas Day (25 December).

Labor Day (1 May), although not included in the list of obligatory public holidays, can be considered, and usually is, an obligatory public holiday by virtue of ministerial decisions. Except for the above obligatory public holidays, the National Holiday of 28 October is an optional holiday; employers must inform employees accordingly. In addition to the above obligatory and optional holidays, there are also customary holidays on which public services, banks and numerous enterprises are closed. Such customary holidays are New Year's Day or St. Basil's Day (1 January), Epiphany (6 January), First Day of Lent, Good Friday, Whit Monday, and Boxing Day. Certain sectorial collective labor agreements include some or all of the above optional/customary holidays in the list of obligatory holidays.

Employees are entitled to paid vacation from commencement of their employment, on a pro-rata basis. Annual vacation must be taken by 31 December of each year. For the first year of employment, employees who

work 5-day weeks are entitled to a total annual vacation of 20 working days, whereas employees who work 6-day weeks are entitled to 24 working days. A day is added for each of the next two years of employment. After the completion of 10 years of employment with the same employer, or 12 years of employment in total, employees working 5-day weeks are entitled to 25 working days of vacation, and employees working 6-day weeks are entitled to 30 working days of vacation.

Bonuses must be paid to employees at Easter, at the time of annual vacation, and at Christmas. Generally, the Easter bonus is equal to half a monthly salary, whereas the Christmas bonus is equal to one monthly salary. Vacation bonus is equal to half a monthly salary for employees having completed one year of service with the same employer. For new employees all the bonuses are prorated on a time basis.

Overtime

Overtime is the working time over the maximum daily or weekly working hours established by law. Currently, the law considers the legal maximum weekly working hours to be 40.

As of 1 October 2005, the first five weekly hours above 40 for companies working five days per week and the first eight hours over 40 for companies working six days per week are considered "overwork" and are paid at the normal hourly rate increased by 25%. Overwork is permitted only in exceptional cases. Time in excess of the 45 or the 48 hours per week respectively is deemed to be legal overtime and is paid at the normal hourly rate increased by 50% (for up to 120 hours of overtime on an annual basis) and 75% (for more than 120 hours of overtime on an annual basis). Overtime is considered to be legal when certain legal conditions are met. Otherwise overtime is paid at the hourly rate increased by 100%.

During periods of increased demand and following a certain procedure provided for by law (involving negotiations with the employees' representative bodies, signing of relevant minutes and their filing with the local

labor authorities), employees working up to 40 hours per week may be requested to work on a daily basis for two hours in addition to the eight working hours with a corresponding reduction in other weeks (the period of increased and reduced employment cannot exceed in total four months during one calendar year). Alternatively, it can be agreed that up to 256 working hours per calendar year can increase the daily working hours during certain time periods not exceeding thirty two weeks per year provided that a corresponding reduction in other weeks is also agreed.

Termination / Dismissals

Termination of employment is possible provided that the employer gives the appropriate notice and pays one half of the legal dismissal indemnity. Dismissal can also be made without notice but with full indemnity. In the case of a salaried employee, the legal maximum dismissal indemnity payable is equal to 24 monthly salaries.

Enterprises employing between 20 and 200 people can normally dismiss up to four employees per month whereas enterprises with more than 200 employees can dismiss 2-3% of their workforce (but not exceeding 30 employees in each calendar month) without the dismissals being considered mass dismissals. Mass dismissals are possible, under certain conditions, upon the closing of a company.

Reduced dismissal indemnity is also provided for employees meeting the retirement conditions provided for by Greek social security legislation (equal to 40% or 50% of the dismissal indemnity that would have been payable in case of actual dismissal).

Maternity leave / Sickness leave

Employers may not terminate the employment of a pregnant woman, nor of a woman subsequent to her giving birth, until her child reaches one year of age. The termination of employment by the employer during sickness is not prohibited by law but the employee has the right to receive salary during the sickness period.

Social security system

Greek social security system was very recently reformed with many different social security funds being unified in major social security funds covering various professional specialisations. For example, there are currently separate funds for employees, self-employed individuals, farmers, certain scientists etc. All funds are under the direction of the Ministry of Employment and Social Protection.

In addition to the basic Social Security Funds, employed persons must also be covered by a supplementary retirement fund. The main Social Security Fund is IKA and the main supplementary retirement fund is ETAM.

All employers are required to register with IKA and must also register their employees upon the commencement of employment. Their registration with and contributions payable to ETAM are handled by the IKA offices.

Registration with the Social Security Authorities applies to both Greek nationals and foreign nationals employed in Greece.

Foreign employees

Foreign employees may, in certain circumstances, be exempt from registering with the Greek social security system. Specifically, only foreign nationals who are residents of EU countries and non-EU countries having bilateral Social Security Agreements with Greece may be temporarily exempt from being insured by a Greek social security fund on condition that they have been seconded to Greece by their employers and they continue to be insured in the country of their origin.

Specific procedures must be followed and documentation issued for such exemptions should be obtained.

Social Security contributions

Social Security contributions must be withheld from the salary of an employee by the employer. The employer must also contribute on behalf of each employee.

The total amount of the Social Security contribution is payable monthly by the employer. Penalties for late payments are imposed up to a maximum of 120% of the contributions. Failure to register the employee from the first day of employment entails a penalty of EUR 500 for each employee. The contributions are based on the employee's monthly salary which, including the statutory bonuses, is payable 14 times per annum.

The maximum monthly salary on which contributions are payable is revised in accordance with the inflation adjustment described above. As of 1 January 2008 until 30 September 2008 the maximum monthly salary for social security purposes is EUR 5 437.96 for employees having been insured with IKA after 31 December 1992 and EUR 2 384.50 for employees having been insured for the first time before 1 January 1993 whereas as of 1 October 2008 until 31 December 2008 the above maximum monthly salaries are increased to EUR 5 543.55 and EUR 2 432.25 respectively. The applicable monthly salaries for 2009 have not yet been announced.

Expatriate employees who were insured abroad before commencing employment in Greece may apply to be subject to the ceiling if they are from an EU state or a state with which Greece has a bilateral treaty.

The contributions are calculated on the gross salaries or salary ceilings at the following rates:

Fund	Employer (%)	Employee (%)	Total (%)
IKA	25.06	13.00	38.06
ETAM	3.00	3.00	6.00
Total	28.06	16.00	44.06

The contributions are increased where employment is of a hazardous or exceptionally demanding nature or where the employer's enterprise is situated in certain rural areas. Employer's contributions to IKA are reduced by 2% for employees working full time on condition that the social security contributions are duly paid and the monthly salary does not exceed EUR 600. In accordance with the relevant legislation, the above reduction was

in force until 31 December 2005 but had not been either abolished or formally extended at the time of publication.

Benefits provided

The social security system provides benefits on retirement and in the event of death, sickness, and unemployment. A system of paying family allowances is also in force.

Unemployment

Employees are entitled to unemployment compensation for a period of five to twelve months, depending on the period for which they were previously employed and during which they contributed to the Social Security Funds. The maximum unemployment compensation varies, depending on the number of the dependant family members of the insured.

Pensions

The provision of a pension is conditional upon the occurrence of two conditions:

- i) the completion of a certain age and
- ii) the completion of a certain number of working days. These numbers differ between employees insured for the first time before 1993 and employees insured for the first time after 1993. They are also different for men and women. The age limit currently varies from 55 to 65 years, whereas in case of completion of 11 100 working days, there is no age limit. Most of the applicable age limits will be gradually increased as of 2013. Different age and working days requirements are provided for reduced pensions.

Sickness

Persons insured with IKA for at least 50 working days during the previous calendar year or the previous fifteen months (not taking into account the last three months of the fifteen-month period in question) are entitled to medical treatment by IKA doctors free of charge and dental treatment at a reduced cost. Medicines prescribed by doctors may generally be obtained at reduced prices and, in some cases, free of charge.

In addition, an insured employee is entitled to collect a sickness benefit. The maximum sickness benefit paid by IKA is adjusted regularly based on the maximum monthly remuneration on which Social Security is payable. In the case of sickness, the employer is obliged to pay up to one month's salary to each employee. However, the amount payable by the employer is reduced by the relevant amount paid by the Social Security Fund.

Industrial injury

Any employee injured or disabled as a result of and in the course of his employment is entitled to compensation and/or a disability pension for the period of his absence from work, irrespective of the period previously employed. The amount payable by IKA is the same as that for the sickness benefit.

Maternity

A lump sum benefit is payable upon the birth of a child. The benefit is payable to the husband when the mother is not insured. In addition, the insured mother is entitled to maternity leave of 17 weeks; 56 days preceding the expected date of delivery and 63 days following and she will receive a benefit determined in the same manner as for the sickness benefit. Other special measures for the protection of maternity also apply including the provision of a six month special leave for the protection of maternity funded by the Unemployment Office.

Chapter 8

Acquisition of real estate / Other tenure forms

Regulations for acquisition (border areas)

Generally there are no restrictions on non-residents acquiring real estate in Greece. However, all interested purchasers, including Greek residents, must obtain prior permission from the appropriate authorities before purchasing real estate in border areas. In the case of non-EU residents, the definition of border areas is expanded and the procedures and conditions for obtaining the necessary consent are more burdensome.

Taxes arising on acquisition, ownership, occupation, and disposal (including leases)

Taxes on acquisition

Law 3427/2005 introduced, as of 1 January 2006, VAT and Real Estate Transaction Duty in replacement of Real Estate Transfer Tax. VAT is imposed on the transfer of new buildings (construction licenses that were issued or revised after 1 January 2006) at the rate of 19%, on condition that they are used for the first time.

Following this first transfer, every subsequent transfer will be subject to real estate transaction duty. Concerning the transfer of old buildings (whose construction license was issued up to 31 December 2005) as well as land, these are not subject to VAT but to real estate transfer tax, which will be levied only on the first transfer of such real estate effected as of 1 January 2006. Following this first transfer, every subsequent transfer will be subject to real estate transaction duty.

Real estate transfer tax is levied on the acquisition value of real estate. The tax is computed on the contract price or the objective value, whichever is higher. The objective value system covers real estate situated in almost

every part of Greece and is a method adopted for mitigating disputes between the tax authorities and the taxpayer as to the taxable value of real estate. Where no objective values exist, the value is determined by the tax authorities. Real estate transfer tax rates are 7% for the first EUR 15 000 and 9% for the remainder. The tax is increased to 9% and 11% respectively for real estate located in areas where a fire station exists. A local authority surcharge, equal to 3% of the transfer tax, is also levied. Under certain circumstances (purchases of certain agricultural land and primary residences), full or partial exemption from this tax may be obtained. Mergers of real estate companies are exempt from the real estate transfer tax, provided that the absorbing real estate company possesses all the shares of the absorbed company.

Following the enactment of Law 3427/2005, real estate transfer tax will be levied only on the first transfer of land and of buildings with a building license issued prior to 1 January 2006 effected from 1 January 2006 onward. Following this first transfer, every subsequent transfer will be subject to real estate transaction duty.

Real Estate Transaction Duty is calculated at the rate of 1% on the value of the real estate being transferred. The buyer is obliged to pay the duty before the conclusion of the transfer.

Taxes on ownership

As of 2008 an annual flat duty is levied on all real estate owned as of 1st January 2008 in Greece by individuals or legal entities.

The annual flat real estate duty for individuals is 0.1% on the objective value of such real estate and 0.6% for legal entities (or 0.3% for non-profit legal entities). The rate for legal entities changes according to specific provisions of law. For buildings that are used for production or trade activity the rate is reduced to 0.1%.

Exemption from the annual flat real estate duty is provided to individuals; main residence of up to 200 squares meters, provided that its value does not exceed EUR 300 000. In addition, plots of land which are located outside the city planning zone or recognized communi-

ties owned by individuals are also exempted from the flat rate estate duty.

Legal entities must submit a tax return by the 15th of May, whilst for individuals the flat real estate duty will be assessed by the tax authorities on the basis of the Property Declaration Returns (form E9) of years 2005 to 2008.

Taxes on occupation / Rental income

Income from real estate is subject to income tax at the rates described in the previous chapters. There are special rules applicable to determine net taxable income where the income is earned by individuals and foreign entities which do not have a permanent establishment in Greece, and not all expenses (including depreciation) are necessarily taken into account.

The occupation of owner-occupied real estate gives rise to imputed taxable income. The imputed income arising from the ownership of up to 200 square meters for the main residence and 150 square meters for a secondary residence is exempt from taxation in the hands of homeowners. Businesses receive a deduction equal to their imputed income, thus there is no income tax effect.

Apart from income tax payable on rental income, individuals are subject to a 1.5% supplementary tax on gross real estate income, which is increased to 3% if the real estate is used for residential purposes and exceeds 300 square meters. This supplementary tax cannot exceed the tax payable on this income. Corporations are subject to the same supplementary tax, however only the 3% rate applies.

Stamp duty is payable on rental income at a rate of 3.6% for commercial leases. Rental income for residential leases is subject to 1.8% stamp duty from 1 January to 31 December 2007 and thereafter stamp duty on residential leases will be abolished. This duty is normally borne equally by the lessor and lessee.

Rental income is generally not subject to VAT, however the rental of shopping malls under certain conditions, furnished units with certain added services, and equipped industrial premises are subject to VAT at the rate of 19%. Moreover, as of 1 January 2006, VAT at the rate of 19% is imposed on the rental of real estate, the construction licenses of which were issued or revised after 1 January 2006, provided that by this date no construction work had begun.

Taxes on disposal

Real estate transfer tax, real estate transaction duty or VAT on the transfer of real estate is paid by the purchaser (see Taxes on Acquisition).

With respect to real estate acquired and sold after 1 January 2006, if the seller is an individual (not a legal entity), he is subject to a capital gains tax. The tax base is the difference between the purchase and resale price both computed at objective values applicable at the time each transaction took place. The applicable tax rate varies between 5% and 20% depending on the number of years the property is held. If the real estate is sold 25 years after the date of purchase, no such tax is imposed. The tax burdens the seller and must be paid in full prior to signing the real estate sale deed. The tax is paid at the tax authorities where the real estate is located. The law provides for cases and persons that are exempt from this tax.

Exemption from transfer tax is provided on the purchase of a first residence of surface area up to 200 square meters or for a plot of land to which a residence of 200 square meters corresponds, regardless of value. For the third and every additional under age child and increase of 25 meters applies.

Taxes on compulsory revaluation of real estate

Since 1992, all enterprises maintaining double-entry accounting books are obligated to revalue their land and buildings every four years beginning in 1992.

Buildings and land acquired within the revaluation year are not subject to revaluation.

The obligatory revaluation is effected once every four years by applying the revaluation rates prescribed by law.

The revaluation surplus, if it exceeds EUR 880, is subject to 2% tax for land and 8% tax for buildings and must be capitalized within two years of the revaluation. The last revaluation was in 2004.

Companies that revalue, mandatorily or optionally, for IFRS purposes are exempt from such tax.

Tax savings from depreciation

Buildings are subject to depreciation on a straight-line basis at rates ranging from 2% to 12%, depending on the use of the building. The minimum rate of 2% applies to airport buildings used as passenger terminals and was introduced by Law 2954/2001 (prior to this law the lowest rate was 5%). Depreciation is deductible when the building is used for business purposes. If an individual or non-resident entity earns income from real estate, depreciation is not deducted per se and net taxable income is determined in accordance with the rules provided for in the tax law.

For businesses, real estate transfer tax, as well as other costs ancillary to the acquisition (such as notary and lawyers' fees), may be either fully written-off during the financial year in which they are incurred or in equal installments over a period not exceeding five years.

Special tax on real estate

A special annual tax is imposed at the rate of 3% calculated on the value of the real estate on companies that own the freehold or usufruct of real estate located in Greece effective from 1 January 2003.

The following companies are exempt from this obligation, irrespective of the country of their registered place of business:

- Companies whose shares are quoted on a qualified stock exchange.
- Companies whose profits from immovable property are less than those from other sources.
- Shipping companies of Law 89/1967 and companies owning commercial vessels regarding the real estate they use in Greece exclusively as offices or warehouses in order to meet their operational needs, as well as companies which rent real estate to shipping companies of Law 89/1967 to be used exclusively for the establishment of their offices or their warehouses.
- State owned companies.
- Companies that construct their own premises (for seven years following the issue of the building license).
- Companies that have acquired the property before 1 January 2003 using imported funds derived from a shipping business.
- Companies with registered shares or partner's units directly or indirectly owned by foundations that pursue objectives for the public benefit.

Companies that have their registered place of business in Greece or in another EU country are exempt from this tax provided they are:

- Corporations (SA) which have registered shares in the name of individuals (physical persons) or which declare the individuals who are the ultimate owners.
- Limited liability companies or partnerships that have parts owned by individuals or declare the individuals who own the participating companies.
- Companies with registered shares or partner's units owned by banks, insurance companies, mutual funds or social security funds, provided that they operate in an EU member state and are supervised by a regulatory authority.

Under the conditions of the previous paragraph, companies having their registered place of business outside the European Union are also exempt from the tax, provided that an agreement of mutual administrative assistance against tax evasion has been signed with the country of the place of business.

The following persons are fully responsible for the payment of the special tax:

- The intermediary persons (nominees) of the above mentioned companies (as this term is defined in the new law).
- The new owner or usufructuary, in case of transfer of the ownership or the usufruct of the real estate respectively.

The tax is calculated on the objective value of the real estate on 1 January each year and is paid at the time of filing the return, which should be filed by 20 May. Imputed income is not applicable in the case of the above mentioned transfer under certain conditions.

Appendix 1

Investments in the following areas fall under the Incentive Law 3299/04

Category 1

- Establishment of closed car parks for public use by privately owned vehicles of at least forty spaces, in addition to those that are obligatory by the General Planning Code (G.P. C.) for covering the permanent needs which derive from the use of the building, provided that they are run by enterprises for public use, or for car parks above the ground, underground and/or floating. Also, the establishment of covered and/or semi-covered public usage car parks for trucks, busses and other heavy vehicles in general, of at least thirty spaces.
- Production of electricity from mild types of energy and especially solar energy, aeolic energy, hydro electrical energy, geothermic energy and biomass, co-production of electricity and heat, with the exclusion of photovoltaic systems of capacity exceeding 2 MW.
- Relocation of tanneries from the Attica, Thessaloniki and Chania Prefectures, to Industrial Business Estates (I.B.E.) where the appropriate infrastructure exists and their establishment is envisaged.
- Modernization of already functioning hotel units (complete type), or hotel units which have suspended temporarily their operation for five years maximum, provided that no change to the use of the building has been made during that period, provided that by such modernization they are upgraded at least to the four star (*4) category. Also modernization (complete type) of the above mentioned hotel units of three star (*3) category up to 1 000 000 euros aided expenditure .
- Modernization (complete type) of already functioning hotel units, which are located in traditional or listed buildings, or hotel units which have suspended temporarily their operation for five years maximum,

provided that no change to the use of the building has been made during that period and provided, further, that by such modernization they are upgraded at least to the four star (*4) category.

- Modernization of hotel units involving the creation of additional installations by adding new common areas, new uses of common area, pools and athletic installations to hotel units belonging to two stars category, at least, with the objective of providing additional services.
- Modification of traditional or listed buildings into hotel units belonging to two star category (minimum).
- Modernization of already functioning organized camping units (complete type) belonging to C class category (minimum).
- Conference centers (establishment, expansion and modernization).
- Ski resorts (establishment, expansion, and modernization).
- Development of mineral springs (establishment, expansion and modernization).
- Tourist marinas (establishment, expansion and modernization) for pleasure yachts for investment plans run by any physical or legal person of private law.
- Golf courses (establishment, expansion and modernization).
- Thalassotherapy centers (establishment, expansion and modernization).
- Health tourism centers (establishment, expansion and modernization).
- Training-athletic tourism centers (establishment, expansion and modernization).
- Cooperation of commercial and transport enterprises under a common venture, for the creation of commercial stations and logistic centers, as such terms will be defined in a joint ministerial decision.
- Transport enterprises for the creation of infrastructures relating to storage, packing and standardizing as well as closed parking areas for trucks, as such terms will be defined in a joint ministerial decision.
- Provision of supply chain services.
- Creation of broadband network infrastructure and other similar equipment that ensures citizen or enterprise access at the level of municipal authorities, regions or other geographical areas with commercial interest.

- Provision of innovative wide range telecommunication services, which rely on the broadband infrastructure.
- Software development.
- Creation of laboratories of applied industrial, energy, mineral, agricultural, livestock, forestry and fishery research. Also, development of technologies and industrial plans.
- Provision of highly advanced technology services.
- Creation of laboratories for the provision of services relating to quality and/or high technology, certification, control testing, and verification.
- Enterprises of development of transportation means for humans and merchandise to isolated, inaccessible and remote areas, as such are defined by a joint decision of the Ministers of Economy and Finance and Mercantile Marine.
- Protection of environment, reduction of pollution relating to ground surfaces, underground surfaces, waters and the atmosphere, restoration of the natural environment and recycling of water and desalination of sea or salted water.
- Development of renewable sources of energy, substitution of liquid fuels or electrical energy by gas fuel, processed waste materials from local industries, renewable sources of energy, recovery of excess heat as well as co-production of electrical energy and heat.
- Energy saving, provided that it does not involve the equipment for the production but, instead, it involves the equipment and installations for the movement and operation of the unit and that at least a 10% decrease of the utilized energy is effected.
- Creation of new products and/or services or products of highly developed technology.
- Establishment, expansion, modernization of laboratories of applied industrial or mineral or energy research.
- Importing and adapting environmental friendly technology to the production process.
- Creation of innovative products or services related to the production process and commercialization of prototype products and services.
- Upgrading the quality of the manufactured products or services.

- Acquiring and installing new, modern automation systems for processes and computerization of storage places including the necessary software for establishing, expanding and/or developing the industrial unit area, in the context of modernization of the supply chain.
- Establishment or expansion of industrial or arts and crafts units involved in the reprocessing of used packaging and other products to produce raw materials and other substances.

Realization of a complete long term (2-5 year) investment by large- and medium-size enterprises (which have been incorporated for at least five years) relating to processing and mining projects of a minimum total cost of EUR 3 million and projects for software development of a minimum total cost of EUR 1.5 million, and realization of a complete long term (2-5 year) investment by small and very small enterprises (which have been incorporated for at least three years) relating to processing and mining projects of a minimum total cost of EUR 1.5 million and projects for software development of a minimum total cost of EUR 1.5 million including the technological, administrative, organizational and business modernization and development, as well as the necessary actions for the training of the employees, having one or more of the following objectives:

- Reinforcement of their competitive position in the global market.
- Production and promotion of renowned products and/or services.
- Verticalization of production/development of complete product systems/ services or supplemental products and services.
- Production of products and/or services significantly or totally differentiated from the existing basic products or services of the enterprise.
- Relocation of production/research activities to Greece from abroad.
- Production of products/services arising from the cooperation of non similar enterprises (preferably from different sectors) resulting in significantly or totally differentiated products and/or services from the existing products or services of the said enterprises.

Category 2

- Mining and crushing of industrial mineral and inactive materials.
- Mechanical means of sowing, cultivating and harvesting of agricultural products by agricultural or agricultural/industrial co-operatives, or groups of producers or associations of groups of producers, which have been established according to EU legislation.
- Standardizing, packing or preserving agricultural, or livestock products or fishery and fish-farming products, which do not derive from any processing activities.
- Agricultural enterprises of greenhouse type and bio (organic) farming, enterprises of livestock breeding (stables or semi-stables type) and fishery enterprises (aquaculture) using modern technology.
- Mining, treating and utilizing industrial minerals in general and for quarrying and utilizing marbles, provided that they include the cutting and manufacturing equipment.
- Minerals.
- Processing, save those for which a joint ministerial decision is required for their submission to the Incentives Law.
- Production of energy in the form of hot water or vapors.
- Production of bio fuels or solid fuels out of biomass, the production of biomass from plants with the objective of using same as material for the production of energy.
- Desalination of sea or salted water for the production of potable water.
- Production and/or standardization of Geographical Indication Products (G.I.P.) and/or products of Protected Name of Origin (P.N.O.) provided that they are made by enterprises which are located in traditional or listed stone buildings and/or building blocks of industrial nature, save those for which a joint ministerial decision is required for their submission to the Incentives Law.
- Thematic parks (construction, expansion or modernization) which consist of organized forms of tourism and which differentiate or expand the tourist product and offer complete infrastructures and services, including (at least) services related to housing, food, recreation and social care.

- Highways, (construction, expansion and modernization) necessary for the touristic development of the country.
- Building and utilization of arts and crafts centers and buildings in the special arts and crafts and industrial zones which are determined according to the city and urban planning as well as areas for social or cultural operations, central markets and slaughter houses run by municipal enterprises or by cooperatives. Also, investments by the same interests for the modification and rearrangement of old industrial estates and other installations as areas of social and cultural operations, exhibition centers, central markets and slaughter houses.
- Enterprises of liquid fuels and liquid gases, for the production of storage installations or the supply of equipment for the transport of liquid fuels and liquid gases to an island.
- Establishment of recovery and rehabilitation centers, as these are defined in article 10 of Law 2072/1992 and for the supply of housing for independent living to people with special needs.
- Establishment or expansion of hotel units of at least three stars (formerly B class).

Appendix 2

Expenses that qualify under Incentive Law 3299/2004

- Construction, extension, modernization of buildings, special and auxiliary installations, as well as the costs for the layout of the surrounding grounds.
- Acquisition of fixed assets relevant to a productive unit and on condition that:
 - the respective unit has ceased its operations;
 - the unit is acquired by an independent investor;
 - the respective transaction is concluded according to market conditions;
 - aid that has already been provided before the acquisition is deducted.
- Acquisition of premises for use by small industries in standardized small industry buildings inside industrial business zones (VIPE, VIPA and VIOPA) and technology towns or parks, provided they do not belong to a firm in difficulty, as defined in the Community guidelines on state aid for rescuing, and restructuring firms in difficulty (Notice to Member States-1999/C288/92) and provided, moreover, that they have not been previously awarded state aid.
- Acquisition and installation of new and modern machinery and other equipment. The rents payable in connection with the leasing of new and modern machinery and other equipment, whose use is acquired.
- Acquisition and installation of new and modern automation systems, e-market establishment systems and computerization systems, including the acquisition expenditure for the necessary software and the equipment expenditure for electronic content protection.

- Studies aiming at the introduction, development and application of modern technology, know-how, modern method sand industrial designs in the production of products.
- Disassembly, transport and reassembly of the existing equipment, in the case of enterprises which relocate for environmental reasons, provided they settle in VIPE, ETBA, other VEPE (VIPE, VIOPA and VIPA).
- Acquisition of new means of transport for the traffic of materials and products inside the grounds of the qualifying unit. The acquisition of new means of transport for the mass transportation of personnel. The acquisition and installation of new and modern equipment and the construction of premises for the traffic of materials and products.
- Acquisition of new refrigerated vehicles, only if they are an integral element of the unit.
- Construction of new housing for workers, day nurseries, buildings or premises, as well as the acquisition and installation of equipment, intended to house, provide recreation or meals to the company employees, as well as personnel training facilities, provided these are constructed in the area where the enterprise is based.
- Construction of the basic system of piping which shall carry hot water or steam to the consumer, only in the case of investments involving the production of power in the form of hot water or steam.
- Connection with the Public Power Corporation grid in the case of investments involving the Production of electricity from renewable sources of energy or co- production.
- Basic preparatory works of the operation, involving roads, tunnels, shaft sand access and delimitations lopes, in the case of extraction investments and investments involving the extraction, processing and exploitation of industrial minerals.
- Acquisition and installation of liquid fuel and liquid gas equipment and transportation in the islands.
- Acquisition and installation of equipment for means of transportation, with the exception of equipment intended for their infrastructure and management, provided they are necessary in order to serve the transport of passengers and cargo to isolated, inaccessible and distant areas.

- Undertaking of studies, the acquisition of new and modern equipment, the installation and operation of the necessary infrastructure and procedures, as well as expenditures related to product certification and quality assurance procedures, in accordance with the relevant European standards, by organizations accredited by the competent national authority.
- Import and adaptation of environmentally friendly technology to the production process.
- Duties and charges payable for the international registration of the invention by individuals or legal entities, duties and charges payable for the annual renewal of the international registration of the invention for a period of five years, provided an investment in an amount of no less than ten times the amount of the duties and charges has begun to be applied towards its industrial operation.
- Establishment or extension of industrial or small industry business units for the alternative processing of packaging and other products consumed in Greece for the production of raw and other materials.
- Transfer of technology, exploitation licensing of technical expertise.
- Studies and consultancy fees for the implementation of the investment project, subject to the restrictions laid down by the EU. In particular, the elaboration of all kinds of studies in connection with the implementation of the investment project and referring to the internal and external environment of the enterprise. Eligible are studies such as management organization, restructuring of the individual operations of the enterprise, redesign of the business processes, process standardization studies, market research studies, the elaboration of product or services promotion studies as well as comparative performance studies. These services are subject to the restrictions of subparagraph (c) below.
- Acquisition of computers, necessary software and further development thereof, up to sixty percent (60%) of the overall cost of the investment project involving the development of software.

- Construction of access network infrastructures as well as special auxiliary electronic communications installations and equipment for the operation of the network and the support of its connection with existing networks.
- Acquisition of land for small enterprises up to 10% of the aided expenditure.

Appendix 3

Summary of Company Law requirements

	<u>Branch</u>	<u>AE</u>	<u>EPE</u>
<i>Formation/Founders</i>			
• Minimum number of founders	-	1	1
• Residence requirements	No	No	No
• Articles	No	Yes/ before Notary	Yes/ before Notary
• Registration	Yes/ Prefecture	Yes/ Prefecture	Yes/Court of First Instance
• Publication	Yes	Yes	Yes
<i>Shareholders</i>			
• Minimum number	-	1	1
• Residence requirements	-	No	No
• Meetings		Annual within 6 months of year end	Annual within 3 months of year end

	<u>Branch</u>	<u>AE</u>	<u>EPE</u>
<i>Board of Directors/Administrator(s)</i>			
• Minimum number	1	3	1 ¹
• Residence requirements ²	Yes	Yes	Yes
• Meetings	-	Monthly	-
 <i>Shares/Units</i>			
• Minimum value	-	EUR 0.30	EUR 30
• Maximum value	-	EUR 100	None
 <i>Capital</i>			
• Minimum	None	EUR 60 000	EUR 4 500
 <i>Accounts</i>			
• Audit	Yes	Yes	Yes ³
• Publications	No (filing requirements only)	Annual	Annual

¹ If no one is appointed, partners are collectively responsible for the management.

² Only if they are also the legal representative of the branch, AE, or EPE

³ In selected cases.

Appendix 4

Withholding tax rates on interest, dividends and royalties

Residence of recipient	Interest	Dividends	Royalties
Non-treaty rates:	25% Entities (10%* when paid to EU associated companies pursuant to directive 2003/49) 10% or 20% Individuals	Nil	20% (10%* when paid to EU associated companies pursuant to directive 2003/49)
Treaty rates:			
Albania	5	5 (j)	5
Armenia	10	10 (j)	5
Austria	0/10 (b)	(a)	0/10 (b)
Belgium (q)	5/10	5/15 (j)	5
Bulgaria	10	10 (j)	10
China	10 (o)	5/10 (i) (j)	10
Croatia	10	5/10 (i) (j)	10
Cyprus	10	25 (j)	0/5 (c)
Czech Republic	10	(a)	0/10 (e)

* The withholding tax rate of 10% is applicable when interest or royalties are paid to EU affiliates, as this term is defined in Directive 2003/49/EC for four years starting from 1 July 2005. The withholding tax rate will be reduced to 5% following the expiration of the four year period for the next four years. Following the expiration of the second four year period, the withholding tax rate for interest or royalties paid to EU affiliates will be 0%.

Residence of recipient	Interest	Dividends	Royalties
Denmark	8	38 (j)	5
Egypt	15 (h) (s)	10	15 (h)
Finland	10	47 (j)	0/10 (e)
France	10	(a)	5
Georgia	8	8 (j)	5
Germany	10	25 (j)	0
Hungary	10	45 (j)	0/10 (e)
India	(a)	(a)	(a)
Ireland	5 (n)	5/15 (i) (j)	5 (n)
Israel	10	(a)	10
Italy	0/10(m)	15 (j)	0/5 (e)
Korea	8	5/15 (i) (j)	10
Kuwait	5 (r)	5 (j) (r)	15
Latvia	10 (s)	5/10 (i) (j)	5/10 (p)
Lithuania	10 (s)	5/15 (i) (j)	5/10 (p)
Luxembourg	8	38 (j)	5/7 (d)
Mexico	10 (t)	10 (j)	10
Moldova	10	5/15 (i) (j)	8
Netherlands	8/10 (g)	35 (j)	5/7 (f)
Norway	10	40 (j)	10
Poland	10	(a)	10
Portugal	15	15 (j)	10
Romania	10	45 (j)	5/7 (d)
Russia**	7	5/10 (i) (j)	7
Slovakia	10	(a)	0/10 (e)
Slovenia	10	10 (j)	10
South Africa	8 (u)	5/15 (i) (j)	5/7 (d)
Spain	0/8(m)	5/10 (i) (j)	6
Sweden	10	(a)	5
Switzerland	10	35 (j)	5
Turkey	12 (v)	15 (j)	10
Ukraine	0/10 (w)	5/10 (i) (j)	10 (n)
United Kingdom	0 (h)	(a)	0 (h)
United States	0 (k)	(a)	0/20 (l)
Uzbekistan	10	8 (j)	8

Notes:

- a. Non-Treaty rates apply.
- b. 10% rate applies where corporations are inter-related.
- c. 5% rate applies where royalties are for cinematography films other than films shown on television.
- d. 5% rate applies where royalties are for the use of, or right to use any copyright of literary, artistic or scientific work including cinematography films and films or tapes for television or radio broadcasting.
- e. Nil rate applies where royalties are for the use of, or right to use, any copyright of literary, artistic or scientific work, including cinematograph films, or films and tapes for television or radio broadcasting.
- f. 5% rate applies where royalties are for the use of or the right to use any copyright of literary, artistic or scientific work including cinematograph films.
- g. 8% withholding tax on interest applies if the beneficiary is a bank or financial institution.
- h. The domestic withholding tax rates apply to interest and royalty payments in excess of fair and reasonable compensation.
- i. 5% rate applies if the recipient is a company (not partnership) with a 25% minimum direct holding of the capital of the paying company.
- j. Local rate of nil applies as it is less than treaty rate.
- k. Non-treaty rate applies to interest in excess of 9% annually and where the recipient US Corporation has more than 50% interest in the Greek paying company.
- l. The local rate of 20% applies where royalties are for motion picture films.
- m. Nil if the payer or recipient is the State or political subdivision or local authority or the interest is paid to any other agency in relation to loans made pursuant to an application of an agreement concluded between the Contracting States.
- n. Non-treaty rate applies if the claim pursuant to which interest was created or assigned was not made for bona-fide commercial purposes.
- o. Nil if the recipient of the interest is the Government, local authority or the Central Bank of the other State or any financial institution whose total capital is held by the Government of the other State.

- p. The 5% rate applies to the use of industrial, commercial or scientific equipment.
- q. The bilateral treaty for the avoidance of double taxation between Greece and Belgium signed in Athens on 24 May 1968 and ratified by Greece pursuant to Law 41/1969 was revised and replaced by the new bilateral treaty for the avoidance of double taxation between Greece and Belgium signed on 25 May 2004 and ratified by Greece pursuant to Law 3407/2005. The revised treaty entered into force on 1 January 2006. The previous treaty ceased henceforth to apply.
- r. Nil if the recipient of the interest is the other State or local authorities or the Central Bank of the other State or any other Government organization or financial foundation agreed upon by the Contracting States.
- s. Nil if the recipient of the interest is the other State or local authorities or the Central Bank of the other State.
- t. Nil if the recipient of the interest is the other State or the Central Bank of the other State or a financial institution that operates in a governmental function and which grants loans the term of which can be no less than three years.
- u. Nil if the payer or the recipient is the State or political subdivision or local authority or the interest is paid to the Central Bank of Greece or the South African Depository Bank, or the interest is paid to any other agency or organization that belongs in their entirety to the other State or political subdivision or local authority.
- v. Nil if the recipient of the interest is the State of Turkey or the Turkish Central Bank (Turkiye Cumhuriyet Merkez Bankasi).
- w. Nil if the payer or the recipient is the State or political subdivision or local authority or the interest is paid to any other agency or organization (including financial institutions) that belongs in its entirety to the other State or political subdivision or local authority or the interest is paid to any other agency or organization in relation to loans concluded between the Contracting States.

- x. 5% rate applies when the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends.
- y. 5% rate applies when the royalties paid for the use of industrial, commercial or scientific equipment.

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