

Legal Entities in Greece

THE MULTI FAMILY OFFICE

Greek law provides for different legal forms for carrying out a business in the country. In addition to establishing a Greek company or entity (partnership), there is the choice of establishing and operating a business by forming a Greek branch or entering into a joint venture with another enterprise. There is also the choice of establishing a presence in Greece by forming a Law 89 office/company (as amended by Law 3427/2005), whose activities are restricted solely to the provision of certain services to their head offices or any other affiliate companies, which are not established in Greece. With regard to individuals, they can operate either as sole traders or freelance professionals.

The setting up of companies, in the form of Corporation (AE), Limited Liability Company (EPE) and Private Capital Company (IKE) and Partnerships – (see below) may be done online through the electronic One Stop Service (e-YMS).

Corporation – Anonymos Eteria (AE)

For this type of legal entity, the liability of its shareholders is limited to the amount contributed to the share capital. This entity is the equivalent of the German "AG" and the French "Société Anonyme".

The minimum share capital required for the establishment of an AE is currently € 25000. It is payable in full upon incorporation and its deposit to the company's bank account must be certified by the Directors or a Certified Public Accountant, within two months from the date of incorporation. There are higher minimum capital requirements for e.g. banking institutions and insurance companies.

With the exception of the obtaining of the temporary registration of the corporate name (see below), all the necessary actions regarding the establishment of an AE are carried out by a Notary Public (who undertakes to liaise with the other authorities involved, by, for example submitting documents and applications, making payments, etc). Alternatively, the interested parties may bypass the use of a Notary Public if they make use of the standard simplified Articles of Association template and follow the steps indicated below. This facility is not currently available, but it is expected to be so very soon.

The registration process, involves the following:

- ⊙ Obtain the temporary registration of the corporate name with the competent Commercial Chamber;
- ⊙ Preparation of the Articles of Association and their signing before the Notary Public by one or more founding shareholder(s), either individuals or legal entities. The Articles must include provisions relating to, amongst others, the corporate name, the registered address, the objects of activity, the duration, the share capital amount and the number of shares and their type(bearer/registered), the Board of Directors and Shareholders;

Legal Entities in Greece

THE MULTI FAMILY OFFICE

- ⊙ Registration of the corporation with the Registry maintained with the General Commercial Registry and publication of its establishment in the General Commercial Registry website.
- ⊙ Payment of various registration duties;

For corporate law purposes, the establishment of an AE is considered to have been completed upon its registration with the General Commercial Registry.

An AE must also be registered with the Tax Office and this is also carried out by the One Stop Service.

An AE is administered by the Board of Directors and by the shareholders at general meetings. The Board of Directors is elected by the shareholders for a term not exceeding 6 years and is responsible for the entity's management. The Board must consist of at least three members who can be individuals or legal entities (if this is provided by the Articles of Association). The Board of Directors meets whenever the law, the Articles of Association or the company needs so require.

A minimum annual dividend of 35% of its profits, after deducting tax and the statutory reserve (see below) is payable. The shareholders general meeting may decide, following a vote of at least 50% of the share capital represented (min. 2/3 of total), to pay a lower dividend, which however cannot be less than 10% of the profits. It is also possible not to pay any dividends at all, following a majority vote of at least 80% of the share capital represented (min. 1/2 of total).

The minimum compulsory amount to be allocated as a statutory reserve is 5% of the annual after-tax profits and ceases to be compulsory once the reserve reaches 1/3 of the share capital.

Annual accounts must be filed within a specified time with the General Commercial Registry and must include a balance sheet and an income statement.

AEs which meet any two of the three criteria (see below), are subject to a statutory audit carried out by a Certified Public Accountant.

Limited Liability Company - Eteria Periorismenis Efthynis (EPE)

An EPE is a hybrid of an AE and a partnership. It is a limited liability company, like an AE, but it also resembles a partnership regarding decision taking, in that the majority of both the number of partners and of the capital represented is required. An EPE is similar to the German GmbH and the French Sarl.

There are no minimum capital requirements for the formation of an EPE. The capital is divided into units or equal share parts with no minimum par value and must be fully paid-up at the time of incorporation.

Legal Entities in Greece

THE MULTI FAMILY OFFICE

The owners of the company are known as participants, unit holders or partners and their liability is limited to their contributed capital. Each one's participation in the capital of an EPE is evidenced by the Articles of Association. An EPE may be established by one or more partners who maybe either individuals or legal entities. The law also allows the formation of single person limited liability companies.

The representation and administration of an EPE is vested into one or more persons (administrators). They may not be necessarily partners of the EPE and their appointment is indicated in the Articles of Association or is effected by the partners in meeting.

This form of establishment may be convenient for small and/or medium-size operations or operations which provide services to other group entities where the higher status of an AE is not considered necessary.

With the exception of the obtaining of the temporary registration of the corporate name (see below), all the necessary actions regarding the establishment of an EPE are carried out by a Notary Public (who undertakes to liaise with the other authorities involved, by, for example submitting documents and applications, making payments, etc. Alternatively, the interested parties may bypass the use of a Notary Public if they make use of the standard simplified Articles of Association template and follow the steps indicated below.

The registration process, involves the following:

- ⦿ Obtain the temporary registration of the corporate name with the competent Commercial Chamber;
- ⦿ Preparation of the Articles of Association and their signing before the Notary Public by one or more founding shareholder(s), either individuals or legal entities. The Articles must include provisions relating to, amongst others, the corporate name, the registered address, the objects of activity, the duration, the share capital amount and the number of units (share parts) and their value, the Administrators and the Partners;
- ⦿ Registration of the corporation with the Registry maintained with the General Commercial Registry and publication of its establishment in the General Commercial Registry website.
- ⦿ Payment of various registration duties;

For corporate law purposes, the establishment of an EPE is considered to have been completed upon its registration with the General Commercial Registry.

An EPE must also be registered with the Tax Office and this is also carried out by the One Stop Service.

The law does not provide for a minimum annual dividend, following the deduction of tax and the statutory reserve (see below).

Legal Entities in Greece

THE MULTI FAMILY OFFICE

The minimum compulsory amount to be allocated as a statutory reserve is 5% of the annual after-tax profits and ceases to be compulsory once the reserve reaches 1/3 of the share capital.

Annual accounts must be filed within a specified time with the General Commercial Registry and must include a balance sheet and an income statement.

EPEs which meet any two of the three criteria (see below), are subject to a statutory audit carried out by a Certified Public Accountant.

Private Capital Company – Idiotiki Kefalaiohiki Eteria (IKE)

An IKE is exclusively liable for its corporate debts, whereas the liability of its partners for corporate debts towards third parties is limited to the amounts specifically mentioned in its Articles of Association.

The minimum share capital required for the establishment of an IKE is EUR 1. The IKE is formed by signing a private agreement, unless its partners contribute assets such as immovable property, in which case the Articles of Incorporation must be signed before a Notary Public. Private Capital Companies are established through the General Commercial Registry and their Articles of Incorporation are filed with this Registry.

The law also allows the formation of single- person Private Capital Companies

There is no minimum capital and the partners can participate in the company by contributions in cash or in kind, in the form of personal services to the firm, or in the form of guarantees/liability undertaken by the partners towards third parties.

The administration and representation of the company is vested into one or more persons (administrators), who may not be necessarily partners. The administrators are appointed by the Articles of Association or by the partners in meeting. In case of one person companies, the administration is vested in this very person.

An IKE is required by law to have a website providing information regarding, amongst others, its corporate name and address, its share capital, the names of the shareholders and their respective shareholdings, the name of the administrator, etc.

An IKE must also be registered with the Tax Office and this is also carried out by the One Stop Service.

The law does not provide for a minimum annual dividend, following the deduction of tax and the statutory reserve (see below).

The minimum compulsory amount to be allocated as a statutory reserve is 5% of the annual after-tax profits and ceases to be compulsory once the reserve reaches 1/3 of the share capital.

Legal Entities in Greece

THE MULTI FAMILY OFFICE

Annual accounts must be filed within a specified time with the General Commercial Registry and must include a balance sheet and an income statement.

IKEs which meet any two of the three criteria (see below), are subject to a statutory audit carried out by a Certified Public Accountant.

Statutory Audits

An audit is required for any company (AE, EPE, IKE), as well as for partnerships, general or limited (see below), where all of their partners are legal entities with limited liability, where 2 of the following 3 limits are reached for two consecutive (12 month) financial years:

Annual net turnover	€ 8,000,000
Total assets	€ 4,000,000
Number of employees	50

Partnerships

There are two types of partnerships, the General and the Limited Partnership.

General Partnership - Omorythmos Eteria (OE)

The major characteristic of a general partnership is that all its partners have a joint and several unlimited liability for the debts of the partnership.

The partnership can be formed by two or more persons (individuals or legal entities). There are no minimum capital requirements and the capital may be contributed in cash or in kind, or in the form of personal services to the partnership, or in a combination of these.

The formation of a general partnership does not necessary entail the signing of Articles of Association before a Notary Public, as this may take the form of a private agreement between its partners.

The articles of incorporation must include, amongst others, the names and addresses of the partners, the partnership's name, the name of the administrator(s), the duration, the objects of the activity, etc.

The affairs of the partnership are administered by one or more administrators.

Legal Entities in Greece

THE MULTI FAMILY OFFICE

The administration and representation of the partnership is vested into one or more partners. The administrators are appointed by the Articles of Association.

General Partnerships, with the exception of those where all of their partners are legal entities with limited liability, are not subject to statutory audits and are not obliged to file any accounts.

Limited Partnership - Eterorythmos Eteria (EE)

A Limited Partnership is similar to a General Partnership in all respects, except that at least one partner must have unlimited liability (omorythmos eteros). The liability of a limited partner (eterorythmos eteros) is limited to the contributed capital, unless the limited liability partner is engaged in the management of the partnership, in which case he loses his limited liability status.

The administration and representation of the partnership is vested into one or more partners. The administrators are appointed by the Articles of Association.

Limited Partnerships, with the exception of those where all of their partners are legal entities with limited liability, are not subject to statutory audits and are not obliged to file any accounts.

Branch

A branch of a foreign company may be established in Greece through registration with the General Commercial Registry. The foreign company's share capital must conform to the requirements imposed on Greek companies.

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

- ⊗ Articles of association of the parent company.
- ⊗ A certificate of good standing of the foreign company issued by the competent foreign supervising authority
- ⊗ A resolution of the competent corporate body of the parent company approving the establishment of a branch in Greece
- ⊗ The names of directors or officials with power to bind the parent company.
- ⊗ A Power of Attorney appointing the branch's legal representative(s) in Greece. If the legal representative does not reside in Greece, the PoA should also appoint the person(s) authorised to receive correspondence in Greece.
- ⊗ A certificate of paid in capital and year of formation from the (parent) company's local chamber of commerce or any other competent authority.

Legal Entities in Greece

THE MULTI FAMILY OFFICE

The registration with the General Commercial Registry is followed by the publication in the General Commercial Registry's website.

The tax registration is not carried by the General Commercial Registry but is done separately with the competent tax office.

The branch is administered by its legal representative(s) in Greece, who have generally the same management liabilities as the member(s) of a Board of Directors of an AE or the administrator of an EPE.

A branch is required to file annual accounts with the Registrar of Companies, together with a statement reporting local operations. It must maintain the same accounting records as a company, but there is no statutory audit requirement. It may also have the same financial year end as that of the parent company.

Joint Venture (JV)– Kinopraxia

A joint venture (JV) is an entity without a legal personality. When registered with the General Commercial Registry it acquires, as a union of persons, legal capacity and bankruptcy ability.

The term joint venture 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.

For a joint venture, which was formed with the purpose to coordinate its members' activity, the provisions of the law for General Partnerships shall apply. The contract of the joint venture may provide that its members will be jointly liable for its debts.

If a joint venture conducts commercial activities, then its registration with the General Commercial Registry is mandatory and the provisions of the law for the general partnership shall apply. The aforementioned provisions shall also apply to the specially regulated joint ventures, unless there is an opposite provision by a special regulation.

If a JV is not obligatorily registered with the General Commercial Registry, it can be recognised as a fiscal entity for tax purposes, provided that certain conditions are met, including the filing of the JV agreement with the tax authorities prior to the commencement of its activities.

Law 89 office/company (as amended by Law 3427/2005)

Under Law 89/1967, as amended by Law 3427/2005 foreign companies may establish an office or company in Greece with the exclusive purpose of providing to their head offices or to their affiliates, that are not established in Greece, specific services, namely: consulting services, centralised accounting support, quality control of production,

Legal Entities in Greece

THE MULTI FAMILY OFFICE

procedures and services, preparation of studies, designs and contracts, advertising and marketing services, data processing, receipt and supply of information and research and development services.

In order for foreign companies to come within the scope of the provisions of Law 89, as amended, an application must be filed with the Foreign Capital Directorate of the Ministry of Economy & Development to obtain a special permit which will be granted and published in the Government Gazette within 50 days from the date on which the application is filed. Following the issue of the decision, the related companies are obliged, within 12 months from the permit issue date, to engage at least 4 members of staff in Greece and incur at least € 100,000 of operating expenses in Greece, annually, which should be wholly covered by incoming bank remittances.

For establishing the amount to be covered annually, the cost-plus method is used, whereby the total expenses incurred, including depreciation, are increased by a profit percentage, whose level is decided by the Ministry of Economy & Development and is revised every five years.

Offices/Branches of foreign shipping entities

Under Law 27/1975 (article 25), foreign shipping entities may establish an office or branch in Greece for activities exclusively related to the management, operation, brokerage, chartering, average adjustment and insurance of non-passenger ships, whether flying the Greek or foreign flags, which are greater than 500 registered tons and are engaged in international traffic and the representation of foreign ship owning entities or of other foreign shipping entities that have objects similar to the above activities. The annual operating expenses of the office /branch cannot be less than USD 50 000 and must be covered via bank remittances in foreign currency (i.e. other than the euro).

Such offices/branches are exempt from any tax, levy, contribution or withholding in favour of the State or in favour of any third party for the income derived from activities or the provision of services that are specifically mentioned in the license issued for their establishment.

Representative Office

Foreign legal entities may set up representative offices in Greece. A representative office is not considered a legal entity and is not allowed to carry out any profit-making activities in Greece. It may only conduct market research and to promote the parent company's products and services.

Non- resident companies are taxed in Greece only on their Greek-sourced income.

Legal Entities in Greece

THE MULTI FAMILY OFFICE

ABOUT BKMS

With over a decade worth of experience and a prominent network of international clients, BKMS has established a reputation that speaks for itself. BKMS is covering a broad spectrum of industries, taking into account the required accounting treatment and tax implications as well as the challenging international regulatory framework. Client Trust and loyalty are the very fundament of every commitment undertaken by BKMS. Adherence to a strict policy of professionalism therefore results in continuously successful developments.

MULTI FAMILY OFFICE SERVICES

Administrative Services

Tax Planning

Wealth Planning

Corporate Consulting

Legal Services



BKMS Limited

201 Strovolos Avenue

Off. 201-202, 2nd Floor

2049 Nicosia, Cyprus

info@bkmsgroup.com

Tel. +357 – 22 265 360

Fax. +357 – 22 265 361

The materials provided in this document are issued for general information purposes only and are not designed to provide legal or other professional advice. Hence we accept no responsibility for any direct, indirect or consequential loss or damage which may arise from reliance on information contained in this document. Readers are advised to seek confirmation of statements made herein before acting upon them; specialist advice should also be sought on your particular cases. Please feel free to contact us at your convenience.