

## Investment Incentives in Greece

# THE MULTI FAMILY OFFICE

On 16 June 2016, the Greek parliament passed the new development law proposed by the Ministry of Economy, Development and Tourism. The law 4399/2016, entitled the “Regulatory framework for the establishment of state aid schemes for private investments for the regional and economic growth of the country,” aims to generate more than EUR 11 billion in private investment by 2023 by providing incentives to the private sector.

### The main goals of the new development law

- ⊙ stimulate “extroversion” and innovation
- ⊙ create new jobs
- ⊙ utilize the country’s human resources with emphasis on the employment of skilled human capital to reverse the migration of young Greek scientists
- ⊙ encourage the production of high added value products and services
- ⊙ improve the technological level and competitiveness of enterprises
- ⊙ achieve smart specialization
- ⊙ develop networks, synergies, cooperative initiatives and generally support the social economy
- ⊙ encourage mergers
- ⊙ strengthen through reform and intervention healthy and specialized entrepreneurship with an emphasis on small and medium-sized enterprises (SMEs)
- ⊙ re-industrialize the country
- ⊙ reduce the ecological footprint.

### Terms and Conditions for Participation

#### NATURE OF INCENTIVE

The aid has the nature of an incentive, only if the beneficiary has submitted a written application for the participation in the aid scheme before the implementation of the investment plan.

#### CONTENTS OF INVESTMENT PLAN – INITIAL INVESTMENT

- ⊙ development of a new plant
- ⊙ capacity expansion of an existing plant
- ⊙ diversification of a plant’s production
- ⊙ substantial modification of the entire production procedure of an existing plant
- ⊙ acquisition of all assets of a closed plant

#### MINIMUM INVESTMENT AMOUNT (IN EURO)

- ⊙ Large sized companies: 500.000
- ⊙ Medium sized companies, cooperatives and clusters: 250.000
- ⊙ Small sized companies: 150.000

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- ⊙ Very small sized companies: 100.000
- ⊙ Social Cooperative Companies (SoCC): 50.000

### **ENTITY PARTICIPATION IN THE INVESTMENT COST**

The participation of the entity in the cost of the investment project can take place either through own funds or through external financing, provided that 25% of the total investment cost does not contain any state aid, support or subsidy whatsoever.

### **Beneficiaries**

Beneficiaries of the aid are companies that are established or maintain a branch in Greece at the commencement date of the investment plan and fall under one of the following corporate types:

- ⊙ Personal company
- ⊙ Commercial companies
- ⊙ Social Cooperative Companies (SoCC)
- ⊙ Agricultural Cooperatives (AC), Producer groups (PG) and Agricultural Corporate Partnerships (ACP)
- ⊙ Companies in establishment or merger procedures, provided that they have completed their publicity procedures before the commencement date of the investment plan
- ⊙ Companies that operate as joint ventures, provided that they are registered in the General Electronic Commercial Registry (GEMI)
- ⊙ Public and municipal companies, and their subsidiaries (in accordance with the limitations of Article 6)

### **Eligible investment plans (article 7)**

Eligible economic activities are Manufacturing and a significant part of the provision of internationally marketable services and products sectors, provided that they are compatible with the General Block Exemption Regulation (GBER).

### **NON ELIGIBLE ACTIVITIES FOR THE AID SCHEMES OF THIS LAW:**

A. In accordance with the provisions of the GBER, the sectors of:

- ⊙ steel
- ⊙ synthetic fibers
- ⊙ coal
- ⊙ shipbuilding (an exemption will be requested)
- ⊙ transport and related infrastructure

B. Based on the Business Activity Codes (KAA) indicatively: Commerce, Scientific research, Hospitality, Education, Construction

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INDICATIVELY THE FOLLOWING IS INCLUDED IN THE SECTORS OF TOURISM AND ENERGY

### Tourism

- ⊙ Establishment, expansion or modernization of complete hotel and camping units that are already or are being upgraded to at least 3\* or 2\* in listed traditional or preservable buildings
- ⊙ Tourist accommodation complex development (only under scheme 8)
- ⊙ Special Tourist Infrastructure Facilities
- ⊙ Agritourism or wine tourism facilities by cluster
- ⊙ Establishment of youth hostels by SoCC

Energy production, distribution and infrastructure sector:

- ⊙ Small hydroelectric plants
- ⊙ High efficiency cogeneration plants from RES
- ⊙ Hybrid RES plants in Non-Interconnected Islands (NII)
- ⊙ Heat/ Cooling generation from RES
- ⊙ Energy efficient district heating and cooling systems
- ⊙ Production of sustainable biofuel

### Eligible expenses for regional state aid

Expenses for regional aid constitute the base of every investment plan.

#### a. Investment expenses for tangible assets

Buildings (up to 45% of the total, 60% for tourism, 70% for logistics, 80% for listed buildings), purchase of fixed assets, purchase of new contemporary machinery and other equipment, financial leases, expenses for updating specialized facilities.

#### b. Investment expenses for intangible assets

Transfer of technology through acquisition of intellectual property rights, licensing, patents, knowhow and non-registered technical knowledge. Quality assurance and control systems, certifications, purchase and installation of software and business organization systems

OR ALTERNATIVELY

- c. the wage cost of the new jobs created as a result of the implementation of the investment plan, calculated for a period of two (2) years from the creation of each position.

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### Eligible expenses for non-regional state aid

Supplementary to the regional aid:

- ⊙ Investment expenses for consulting services in Small and Medium Enterprises (SMEs)
- ⊙ Startup expenses for new small and very small sized companies
- ⊙ Innovation expenses for SME
- ⊙ Procedural and organizational innovation expenses for SME
- ⊙ Innovation cluster expenses
- ⊙ Investment expenses for energy efficiency measures
- ⊙ Investment expenses for energy autoproduction
- ⊙ Expenses for the remediation of contaminated sites

Investment plans for the production of energy from renewable energy sources (RES) are supported only for:

- ⊙ Investment expenses for high efficiency energy cogeneration from RES
- ⊙ Expenses for production of energy from RES
- ⊙ Expenses for the installation of efficient district heating and cooling systems

### Type of Aid

1. Tax exemption: exemption from payment of income tax that results from the current tax legislation, on the profits realized before taxes from all the activities of the company
2. Subsidy: free provision from the State of funds to cover part of the eligible expenses of the investment plan, determined as a percentage of the total investment cost
3. Leasing Subsidy: the State covers part of the installments paid for the leasing agreement concluded for the purchase of new machinery and other equipment, with a total duration that cannot exceed 7 years.
4. Wage subsidy (for jobs created): covers the cost of the new jobs created and are associated with the investment plan.
5. Financing instruments (capital participation, loan)
6. Fixed corporate income tax rate
7. Fast licensing procedures

Participating companies eligible to receive state aid and leasing subsidies must show profits in at least one fiscal year during the previous seven (7) fiscal years, before the fiscal year of their application for participation in the Law.

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### Aid Intensities And Amounts (Article 11)

The investment expenses are supported:

a) For expenses of regional aid, the maximum aid intensities (approved maximum regional aid limits) are determined by the Regional Aid Map (RAM), depending on the region and the size of the company.

\* A revised RAM will enter into force from 01/01/2017 with aid intensities 10%-55%

b) For non-regional aid expenses, up to the amount determined for each expense

The maximum amount of aid for each investment plan amounts to €5.000.000, for each company to €10.000.000 and for each company group to €20.000.000

### Special Categories of Aid (Article 12)

#### COMPANY TYPE / PERFORMANCE CRITERIA

- ⊙ **Extrovert:** small to medium size, they increased their extroversion (i.e. the export value to turnover ratio) by >10% in the previous 3 years before their application , by >5% for an exports to turnover ratio >70%
- ⊙ **Innovative:** small to medium size, with research and development expenses >10% of their total operating costs, for at least 1 year in the previous 3 years before their application
- ⊙ Independent small to medium sized that initiate **a merger procedure after the publication date of this law**
- ⊙ Companies that present an **increase in their employees**
- ⊙ **>10%** in the previous 3 years before their application
- ⊙ **Cooperatives, Social Cooperative Companies** as well as Producer groups and Agricultural Corporate Partnerships
- ⊙ **Information and Communication Technology (ICT) and Agri-Food Sectors**
- ⊙ Companies that achieve a **high added value, compared with their sectoral average**

#### GEOGRAPHICAL CRITERIA

- ⊙ Companies whose investment plan is implemented in organized sites (Industrial and Commercial Areas, Business Parks, etc.) and is not related to the modernization or the expansion of an existing facility of the aided company.
- ⊙ Companies whose investment plan is implemented in Special Areas: (453 Municipal Units, 43.8% of the total, 19.5% of the resident population of the country)
  - a. **mountainous** regions
  - b. **border region:** distanced 30km from the borders, as well as the islands of the North Aegean Region, the island of Samothraki, the Prefecture of Evros and the Prefecture of the Dodecanese

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- c. **islands** with a population of less than 3.100 residents
- d. areas with a **reduction of the resident population >30%** in the period 2001-2011
- e. companies whose investment plan is implemented in areas with particularly increased migration flows and especially: Agathonisi, Kalymnos, Kastelorizo, Kos, Leros, Lesvos, Samos, Simi, Chios.

### Submission and Evaluation Procedures

- ⊙ All the procedures will be handled through the State Aid Information System (SAIS)
- ⊙ The procedure of the completeness and legal control phase is controlled by the competent Service, based on a standard control system
- ⊙ The evaluation is assigned to one (1) evaluator selected by draw, through the SAIS
- ⊙ The results of the evaluation are verified by an Investment Plans Evaluation Committee consisting of two officers of the service and one (1) registered evaluator, selected by random draw
- ⊙ The evaluation is performed either with the comparative evaluation method or with the direct evaluation method
- ⊙ An Investment Plan Evaluation Guide will be issued and published
- ⊙ Staffing of National Registry of Certified Evaluators and a National Registry of Certified Auditors and determination of their remuneration.

### State Aid schemes

1. **Machinery and equipment**
2. **General Entrepreneurship**
3. **New Independent Small and Medium Enterprises (SMEs)**
4. **Innovative SMEs**
5. **Synergies and Networking**
6. **Financial intermediation and capital funds**
7. **Integrated spatial and sectoral plans - Value Chains**
8. **Major Investments**

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AID SCHEMES	DESCRIPTION/ OBJECTIVE	TYPE OF AID	EVALUATION
<b>Machinery and equipment</b>	Creation of a limited aid framework with simple procedures. Appealing to Companies wishing swift accession with minimum criteria, without a tendering procedure and immediate payment of the aid	<ul style="list-style-type: none"> <li>•Tax exemption</li> </ul>	Direct Evaluation
<b>General Entrepreneurship</b>	Applies to all companies and constitutes the main framework through which investment expenses of existing companies will be aided	<ul style="list-style-type: none"> <li>•Tax exemption</li> <li>•Leasing subsidy</li> <li>•Wage subsidy</li> <li>•For Special Categories: 70% subsidy on the projected amount of aid</li> </ul>	Comparative Evaluation
<b>New Independent SMEs</b>	A full framework of incentives is offered exclusively to new or under establishment independent SMEs that intend to make an initial investment to one of the eligible sectors of the Law	<ul style="list-style-type: none"> <li>•Tax exemption</li> <li>•Subsidy of 70% of the projected amount of aid</li> <li>•Leasing subsidy</li> <li>•Wage subsidy</li> <li>•For Special Categories: 100% Subsidy on the projected amount of aid</li> </ul>	Comparative Evaluation
<b>Innovative SMEs</b>	Applies to SMEs wishing to implement investment plans relating to the production of innovative products or the introduction of organizational or procedural innovations	<ul style="list-style-type: none"> <li>•Tax exemption</li> <li>•70%Subsidy on the projected amount of aid</li> <li>•Leasing subsidy</li> <li>•Wage subsidy</li> <li>•For Special Categories: 100% Subsidy on the projected amount of aid</li> </ul>	Comparative Evaluation
<b>Synergies and Networking</b>	Aiming to promote the competitiveness of participating companies in the clusters and spreading the collaborative culture in Greek entrepreneurship, through the support of common activities. Participation of companies, also R & D organizations, nonprofit organizations and other similar economic entities	<ul style="list-style-type: none"> <li>•Subsidy</li> <li>•Tax exemption</li> <li>•Leasing subsidy</li> <li>•Wage subsidy for created jobs</li> </ul>	Comparative Evaluation

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AID SCHEMES	DESCRIPTION/ OBJECTIVE	TYPE OF AID	EVALUATION
<b>Financial intermediation and capital funds</b>	Establishment of Holding Funds or other specialized Funds with participation of the Greek State, aiming to increase the innovation and the export potential of Greek companies, as well as to increase employment	<ul style="list-style-type: none"> <li>•Own funds or quasi own funds investments</li> <li>•Loans</li> </ul>	Procedures determined by State – Fund Manager agreement
<b>Integrated spatial and sectoral plans - Value Chains</b>	Aiming to increase and protect employment, as well as regional convergence utilizing the comparative advantages of an area and supporting local interconnections. Applies to companies and cluster that participate in sectoral or local production systems or in other value chains, with a mandatory participation of at least 8 entities	<ul style="list-style-type: none"> <li>•Tax exemption</li> <li>•Subsidy (large companies excl.)</li> <li>•Leasing subsidy</li> <li>•Wage subsidy for created jobs</li> </ul>	Determined at the Invitation Decision
<b>Major Investments</b>	The aim is to create a safe investment environment, which will facilitate the realization of major investment plans aiming to the development of the Greek economy, the creation of new jobs and the transfer of knowledge and knowhow. Applies to companies that implement investment plans that exceed the amount of €20.000.000 and create at least two jobs for every million of eligible investment budget.	<ul style="list-style-type: none"> <li>•Fast Track Licensing procedure</li> <li>•Fixed corporate tax rate for 12 years</li> <li>•Alternatively the investing entity may use the tax exemption with aid rate 10% up to a maximum amount of €5.000.000</li> </ul>	Direct Evaluation



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**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**

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