

Greece

Chamber of commerce:

Athens Chamber of Commerce & Industry
Academias Street 7
10671 Athens
Greece
Website: www.acci.gr/en_index.htm

Professional body:

Athens Bar Association
Academias Street 60
10679 Athens
Greece
Tel: +30 1 361 42 89
Fax: +30 1 361 05 37

Constantine E Lambadarios Lambadarios and Associates Law Office Athens

In every national economy, the growth of private investments is closely related to the achievement of important targets, such as an increase in employment levels, equal regional development, a reinforcement of competition between companies, and the development of new technologies and products.

In Greece the basic legislative instrument for the promotion of private investments (both foreign and domestic) is the Investment Incentives Law (the IIL), which provides the basic mechanism by which the disposal of cash grants and subsidies from the state budget is achieved, for the support of private business initiatives. In simple terms, enterprises that fall under the IIL, and which fulfill the strict conditions determined by it, can apply to the respective authority and receive considerable cash grants, subsidies or tax exemption from the state, so they can start or further develop their business activities in Greece.

In 1998 a new investment incentives law (2601/1998) was introduced, replacing the older one, which dated back to 1990. However, seven years after its introduction, and in view of the changes that had occurred in that time in the business environment, the new government considered it imperative to enact a new investment law. The new IIL introduced several changes to the criteria and the conditions under which an enterprise is entitled to grants, subsidies or tax exemption, as well as to the types of grants and subsidies available.

The main objective of the new IIL (3299/2004), which was passed by the government in December 2004, approved by the European Commission in February 2005 and came into force in March 2005, is to attract new and important investments. Other objectives of the IIL include the abolition of inequalities between the several regions of Greece, the creation of new employment positions, the promotion of effective competition between enterprises in Greece, the protection of the environment, and technological progress.

Basic provisions of the new IIL

In view of the above objectives, the IIL contains a number of important modifications to improve the Greek investment environment. These modifications focus on the increase in the amounts of the incentives, the expansion of the benefited activ-

ities, and the acceleration of the whole evaluation procedure through fair and objective criteria.

The incentives

- The provision of new incentives, and the reinforcement of the incentives already in force, through increasing the amount of the grants, creating a new category of cash grants relating to the employment created by the investment, and through the abolition of the necessary connection between the provision of the grants and the obligation to create new employment positions.
- An increase in the maximum incentive amount, to a maximum of 55% of the investment project cost.
- An increase in tax exemption percentages, to a maximum of 100% for most business projects.
- A reduction of the minimum obligatory amount of the investor's own participation in the investments from 40% to 25% of the total investment cost.
- The granting of an additional subsidy (up to 15%) to small and medium-sized businesses.
- The granting of higher incentives to new companies (defined as those that have been operating for less than one year).
- A reduction of the minimum investment project cost to €100,000 (\$122,900) for small businesses, and to €250,000 for medium-sized businesses, so that very small businesses benefit more from the IIL.
- The provision of special incentives to "very large" investment projects (defined as those of over €50 million) and to long-term investments.
- The expansion of the range of businesses that can benefit from the scheme, through the abolition of the distinction between new and old enterprises. From now on, all incentives will be granted to all enterprises that fulfill the conditions of the law, irrespective of the date on which they began operating.

The range of supported business activities

The scope of the types of projects falling under the IIL is extended by the creation of new categories covering more business sectors. In particular, these include transportation and logistic services, supply chain services, software development, telecommunications, highly advanced technology services, new products and products of highly developed technology, protection of environment and reduction of pollution, exploitation of renewable sources of ener-

gy, mining and crushing of industrial minerals and inactive materials, and new tourism activities (such as the modernization of several types of hotel units, ski resorts, marinas, conference centres, thematic parks and thalassotherapy centres).

Procedural provisions

The new IIL introduces substantial changes regarding the application of the law, with the aim of simplifying the whole process and reducing bureaucracy. These include:

- The ability to submit investment project applications throughout the year, rather than within a specific time period.
- A reduction of the time period required for the approval of the business project from three to two months.
- An acceleration of the payment procedure of the subsidies. Generally, 50% of the cash grant amount is paid after the completion of half the project, and the remaining 50% is paid after the project is completed and production has started.
- The chance to receive a lump sum in advance, not exceeding 30% of the approved cash grant under the condition of a bank guarantee.
- The introduction of new evaluation criteria, based on the entity that conducts the business activity (for example, previous experience undertaking similar projects, and creditworthiness), the viability of the project (based on an economic and technical valuation) and its contribution to specific social and economic targets (such as regional convergence, exports, or employment opportunities).

Methodology of the new IIL

The methodology of the new IIL can be briefly described as follows.

- Determination of the incentives available, which are: (i) a cash grant, covering part of the expenses for the investment project; (ii) a leasing subsidy; (iii) tax exemption; and (iv) a cash grant to cover the payment of wages to new employees employed as a result of the investment.
- Division of the country into zones, and categorization of the subsidized business activities.
- Determination of the percentages of the incentives to be awarded, which will depend on the type of business activity to be undertaken and the zone into which this activity will take place.

Lastly, several details of the IIL – the most important of which is the determination of the expenses that are subsidized for each investment category (which should involve consolidated assets and not operational expenses) – are regulated by nine ministerial decisions, four of which are still pending.

Encouraging new business

The new IIL undoubtedly encourages a wide range of businesses to proceed with the launch or expansion of a business activity, through the provision of potentially extremely generous subsidies. Furthermore, the fact that investors are no longer obliged to create new employment positions to receive high cash grants, and can reduce their own participation in the investment to 25%, as well as the reduced red tape (which substantially reduces the cost of setting up a new venture) will encourage the creation of

new business projects. Lastly, the application of the law to existing businesses, the introduction of a simpler and faster procedure, and the increase in the maximum amount of subsidization (which can reach up to 55% of the investment) and tax exemptions (which can reach up to 100% of the investment) is clearly an important and positive step forward, and will lead to a more positive environment for the attraction of investments.

At any rate, the success of the new IIL will – like all legislative acts – be judged after it has been in force for a while. Although some shortcomings of the past have definitely been corrected, the legislators must monitor its enforcement closely to trace any weaknesses and omissions and to make any necessary improvements, taking also under consideration other social parameters (such as employment and protection of the environment) and the spirit of EU legal framework.