



CENTRALIZING OUTSOURCING IN GREECE





Greece attracts a worldwide interest for the establishment of intragroup service centers offering immense opportunities for centralizing middle and back office functions. Leading multinational groups in key global industries choose Greece to centralize back office activities in the fields of accounting & finance, R&D, technology & engineering and omnichannel customer experience.



FAVOURABLE LEGAL AND TAX REGIME

The legal framework for the establishment of intragroup service centers creates a very favourable business environment and ensures legal stability and predictability for multinational companies to centralize their middle and back-office activities in Greece providing the following indicative advantages:

- Flexibility with regards to the type of the business entity, which can be established either as an office or branch of a foreign company or as a domestic company
- Simple, fast and transparent licensing, through a ONE-STOPSHOP service
- Tax certainty with pre-defined profit margin on costs, set separately for each company in accordance with the OECD instructions for intra-group transaction charges and updated every five years
- Residence and work permits for foreign staff
- Financial support in the form of subsidies covering part of certain eligible expenses
- Special tax regime for foreign employees hired in Greece being taxed for their Greek source income only (i.e. not for their worldwide income) despite potentially having obtained Greek tax residency

SIMPLE AND FAST LICENCING PROCEDURE

- Electronic submission to the Ministry of Development and Investments (Directorate of Foreign Direct Investments) of an application together with relevant Q&A and supporting documentation (including benchmarking study on the proposed profit margin on costs for the provided intragroup services)
- License issued within 50 days approving application of the special legal and tax regime of Law 89/1967 and defining the profit margin
- Possibility to obtain a temporary license to use the profit margin on costs incurred until the final license is issued.

FINANCIAL INCENTIVES FOR INTRAGROUP SERVICES IN *Greece*

- Subsidies granted to cover part of the cost of undertaking various types of intragroup services as a new activity in Greece
- Subsidies may cover the recruitment of employees (disadvantaged or with disabilities), CAPEX and payroll cost for the establishment of information and communications systems, CAPEX and payroll costs for R&D, cost of training programs
- Easy and fast application procedure for subsidies that can be carried out together with the application for entering under the special legal and tax regime of Law 89/1967



ESTABLISHMENT OF INTRAGROUP SERVICES IN GREECE

Greece admittedly offers today a pro-business, stable and predictable environment, a very modern legal framework, and highly competitive financial incentives for the establishment of Global Business Services/ Shared Service Centers and Back Office and Front Office Outsourcing/ BPO centers. With its culturally diverse, qualified, and experienced work force, its multilingual university graduates available at a competitive labour cost, the diversity of employment contracts and new forms of work, Greece is the new top destination for SSCs and BPOs.

What is more, Greece is well connected and easy to travel, offers appealing choices of conventional and coworking office spaces at a very competitive cost. On top of that, Greece offers widespread availability of quality broadband infrastructure and low startup cost. With its mild Mediterranean climate at the junction between East and West Greece is the best place to establish your new global business services.

The legal framework for the establishment of intragroup service centers is provided within the context of Law 89/1967. The competent authority for the implementation of the procedure for submission to the special legal framework and beneficial tax regime of Law 89/1967 is the Directorate of Foreign Direct Investments at the Ministry of Development & Investments, which operates as ONE STOPSHOP for receiving applications, issuing approval decisions and defining the profit margin on costs, through the National online information system.

The documentation of the proposed profit margin requires the use of a representative comparison sample of at least five independent companies with characteristics similar to the intra group service center under establishment.

Intragroup service centers under this legal framework may be established in Greece with the sole purpose to provide exclusively to their head offices or to their affiliates abroad and in Greece the following services:

- Consulting services,
- Centralization of accounting services,
- Quality control of production, products, procedures and service,
- Preparation of studies, designs and contract,
- Advertising and marketing services,
- Data processing,
- Receipt and supply of information,
- Research and development services,
- Software development, computer programming and information system support,
- Storage and management of files and information,
- Supplier, customer and supply chain management excluding performance of transportation with own means,
- Management and training of human resources,
- Contact center and computer-based telephone information.





Legal entities wishing to establish presence in Greece for the provision of intragroup services under the above legal framework need to be granted with a special license by the Ministry of Development & Investments determining also the profit margin on cost of services provided. The relevant Ministerial Decision is issued within 50 calendar days from the submission of the application to the Directorate of Foreign Direct Investments. It is possible to request and obtain a temporary licence in order to be able to operate during the period until the final license is issued. During this interim period the profit margin that will be introduced when the final license will be issued may apply.

The above entities are obliged to maintain a minimum size regarding employment and operating expenses, i.e. **at least 4 employees and 100,000 Euro annual operating expenses** in Greece, with expenses covered via bank remittances.

In order to obtain a license for operating under the special legal framework and beneficial tax regime of Law 89/1967 for intragroup services, legal entities are required to submit to the Directorate for Foreign Capital an application and supporting documentation.

documentation for each category

A. FOREIGN COMPANIES (Establishment of an Office)

1. An application and a Q&A produced via the relevant platform of the Greek Ministry of Development and Investments as of the filing of the application, which will mention the company's full name, HQ location and country of establishment, business structure/type (e.g. SA, Ltd, etc.), Board of Directors and persons who commit the company by their signature, the main activity of the parent company abroad, specific services to be provided by their Greek branch/affiliate, details pertaining to its legal representative, number of employees in Greece for the next five years and their specialties, the affiliated companies recipients of such services, expected annual expenditure, as well as data for the calculation of the proposed profit margin of the local office.
2. A recent "goodstanding" certificate (no more than 3 months old) issued by the competent Chamber/Company Registry or other public authority certifying the lawful establishment and operation of the company, year of establishment, the composition of its BoD and the persons who commit the company with their signature. In case the composition of the BoD and the persons that commit the company cannot be derived from the above documents, these should derive from the solemn declaration per 5 below.

3. Decision of the company's BoD for establishment of an office in Greece according to the provisions of Law 89/1967 and the appointment of a legal representative.
4. Financial Statements of the foreign company for the last two fiscal years (with auditors' report). For newly founded companies, interim Financial Statements for the first fiscal year should be submitted.
5. Solemn declaration signed by the appointed representative of the foreign company declaring, among others, the main activity and tax information (competent tax authority and VAT number) of the applying foreign company, information about service recipient entities and confirmation that they are affiliates, etc.
6. Benchmarking study (based on the Directorate's model) on the proposed profit margin for the provided intragroup services by the company in Greece, along with a high-level description of the company's business activity and the Group's structure and basic economic data.
7. Certification issued by a Greek lawyer or certified auditor certifying the accuracy of the documentation filed.

Documents 2, 3 and 5, must be certified by a public authority and carry the Special Apostille of the Hague Convention.

B. GREEK BRANCHES OF FOREIGN COMPANIES

Greek Branches of foreign companies, which are already established in Greece, can submit an application to enter into the special legal framework and beneficial tax regime of Law 89/1967.

The application should be accompanied by documents under items 1, 2, 3, 4, 5, 6 and 7 for Foreign Companies (Establishment of an Office) as above, as applicable by analogy in the case of the branch, plus:

- **Certificate of the Greek General Commercial Registry (GEMH) stating the branch's legal representative;**
- **Recent print of the branch's tax profile from TAXISNET;**
- **Financial Statements of the branch for the last two fiscal years;**
- **Solemn Declaration of the branch's legal representative declaring certain information relevant to the operation of the branch.**

C. DOMESTIC COMPANIES

Domestic companies can also submit an application to enter into the special legal framework and beneficial tax regime of Law 89/1967.

The application should be accompanied by documents similar to those submitted by Foreign Companies (Establishment of an Office) and specifically:

- **Documents under items 1, 2, 3, 6, 7 as for Foreign Companies above (drafted and issued by analogy to apply in the case of Greek companies), and**
- **A recent print of the company's tax profile from TAXISNET.**



FINANCIAL INCENTIVES FOR SHARED SERVICE CENTERS (SSC) IN GREECE

Greece also offers a set of financial incentives in the form of monetary subsidies to enable companies centralizing operations and achieve cost effectiveness.

Following recent amendment in 2019, Law 89/1967 has included new provisions which offer generous, easy to apply investment incentives of various types to support new operations for global business services.

The investment incentives for intragroup services are designed to support the successful establishment of centralized operation centers of a meaningful size(1) in Greece.

Foreign and domestic companies under Law 89/1967 may receive cumulatively or alternatively different types of investment incentives in the form of non-repayable cash grants provided that they develop new activity either with regard to the subject of the services provided or as to the companies to which the services are provided, which has not been practiced in Greece, by the same or other companies of the group to which they belong, for the last two years until the date on which the application for the subsidy was submitted.

- For R&D centers and software development computer programming and information system support centers, a minimum of 30 new full-time jobs should be created.
- For consulting services, centralized accounting services, quality control of production, products, procedures and service, preparation of studies, designs and contract, advertising and marketing services, data processing, receipt and supply of information, storage and management of files and information, supplier, customer and supply chain management excluding performance of transportation with own means, management and training of human resources, a minimum of 50 new jobs should be created.
- For contact centers and computer-based telephone information, a minimum of 100 new jobs must be created.

For companies establishing new activity, which involves more than one of the above services, the minimum number of new jobs will be set according to the service for which the highest number of new jobs is required.

Types of Incentives

a) Subsidy for Training Programs

50% subsidy of training programs' costs(3) up to the amount of 3,000,000 euro in total (up to 2,000,000 euro per project).

- Trainers' personnel costs, for the hours during which the trainers participate in the training;
- Trainers' and trainees' travel expenses;
- Materials and supplies directly related to the training program;
- Costs of advisory services related to the training program;
- Trainees' personnel costs and general indirect costs related to the training program (administrative costs, rental costs, etc.)

b) Subsidies (for CAPEX & Payroll Cost) for the establishment of information and communications systems

50% subsidy of the equipment & software purchase cost and the payroll cost of new employees, who serve the new activity for up to 12 months following their recruitment, up to the amount of 35,000 euro per employee. The above costs are eligible up to 400,000 euro.

c) Subsidies for Research & Development (R&D)

Subsidy for the cost of buildings, equipment, consulting/research contracts, feasibility studies and payroll costs. Subsidy aims to cover a part of said costs, which depends on the type of R&D, i.e. 50% for industrial research, 25% for experimental development and 50% on feasibility studies.



Types of Incentives

d) Subsidy for the recruitment of employees in disadvantaged status and people with disabilities

50% subsidy of total wage cost for the first 12 months following recruitment, up to the amount of 35,000 euro per employee (2). In cases of employment for less than 12 months, the maximum eligible costs are calculated on the basis of the period of employment.

- Young people with less than two (2) years after completing full-time education with a studies certificate/degree and with no regular paid employment as certified by the Hellenic Manpower Employment Organization (OAED), or
- Unemployed people with no regular paid employment for the previous 6 months according to a certificate from the Hellenic Manpower Employment Organization
- Experienced people over 50 years' old, or
- People who live as single adults with one or more dependents according to their tax declaration, or
- People recognized as disabled to a degree of at least 50% as per the provisions of national law.

GRANTING OF INVESTMENT INCENTIVES

Application and Supporting Documentation

The investment incentives (subsidies) are granted by decision of the Ministry of Development and Investments following a relevant application submitted to the Directorate of Foreign Direct Investments for entering into the provisions of Law 89/1967, which additionally includes a separate section for the requested categories of investment incentives according to the Model of the competent service through the National Information System for State Aid.

Additional documents for the section of the application requesting the investment incentives include:

- a. Information on the budget of the investment;**
- b. Solemn Declaration regarding acknowledgement of the terms for the granting of the incentives and intention to comply with such terms;**
- c. Documentation evidencing that the company requesting the incentive is not in financial distress (as per the provisions of EU legislation implemented into Greek law).**

Approval Decision

The Approval Decision is published in the Government Gazette within fifty (50) calendar days from the submission of the application. The approval decisions are issued in order of priority, in accordance with time of submission of the respective requests with full supporting documents.

Subsidy (cash) payments

Subsidies cover eligible costs incurred and paid during the period from the submission of the application for the subsidy and up to five (5) full fiscal years. Subsidy (cash) payments are made on an annual basis after the end of each fiscal year and by virtue of an approval decision of the Minister of Development and Investments upon relevant recommendation of the Directorate of Foreign Capital and following an administrative or on-the-spot audit. Cash payments are deposited electronically to the company's bank account at a credit institution located in Greece and may not be transferred to third parties.

Monitoring

Monitoring system involves administrative audit carried out by the Directorate of Foreign Direct Investments and on-the-spot check, if deemed necessary, carried out by a controlling body established by decision of the Minister of Development and Investments following a reasoned recommendation of the Directorate of Foreign Direct Investments.

FINANCIAL INCENTIVES FOR BUSINESS PROCESS OUTSOURCING CENTERS (BPO)

Greece, among the fastest growing innovators in the EU and at the heart of the European cyber security strategy, attracts the growing interest from the global IT-BPO market offering opportunities for value-added services and innovation projects to clients and service providers.

What is more, Greece offers the same comprehensive set of investment incentives in the form of financial grants to branches of foreign companies established in Greece, as well as to domestic companies, providing exclusively services as mentioned under items (a) to (m) above to companies not established in Greece, which are not necessarily their headquarters or affiliated companies, capable of simultaneously providing the same services to companies established in Greece (if so provided in the Ministerial Decision granting the investment incentives).

The company has to develop new activity in Greece with regard to the subject of the provided services which is not practiced in Greece, by the same or other companies of the group to which it belongs, for the last two (2) years until the date of submission of the application for the subsidy.

The minimum number of new permanent full-time jobs created by the new activity, for which the subsidy is granted, depends on the type of new activity as described in the relevant section above (1a, 1b and 1c).

Granting of Investment Incentives

The investment incentives are granted by decision of the Minister of Development & Investments following a relevant application for the requested investment incentives submitted to the Directorate of Foreign Direct Investments. The application is accompanied by the same supporting documents and information that are submitted by Domestic Companies in order to be subjected to the legal and tax regime of Law 89/1967, except those relating to the Benchmarking Study of the proposed profit margin on costs and the details of the companies to which the services will be provided.

Additional documents related to the investment incentives requested include:

- a.** Information on the budget of the investment;
- b.** Solemn Declaration regarding acknowledgement of the terms for the granting of the incentives and intention to comply with such terms;
- c.** Documentation evidencing that the company requesting the incentive is not in financial distress (as per the provisions of EU legislation implemented into Greek law).

All other terms and procedures are similar to those applicable for investment incentives in the case of SSC.

Disclaimer: Whilst every care has been taken to assure that the information contained in this guide is accurate, Enterprise Greece does not in any way assume liability for any imprecise or erroneous statement contained hereinafter. This guide is prepared for informational purposes only; it is not intended to impart legal advice; readers are advised to seek independent legal advice prior to acting on any statements contained herein. The information contained is in no way a substitute for the relevant Laws, which are binding only in the original Greek texts.



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