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REICs in Greece: New legal framework

The newly enacted Law 5193 establishes regulations intended to simplify and modernize the institutional framework for REICs. These regulations aim to enhance investment flexibility, increase transparency, and improve supervisory oversight.

The provisions of the new Law can be summarized as follows:

Increased Capital requirements

Capital requirements

- The minimum share capital has been increased from €25,35 mln (as defined in Decision 7/249/2002 of the Board of Directors of the Hellenic Capital Market Commission) to €40 mln fully contributed at the company's establishment. If a Societe Anonyme (S.A.) is transformed into a REIC and its equity capital is below €40 mln, the shortfall must be fully covered through a capital increase at the time of transformation.
- **Important note:** Existing REICs must align with the new minimum capital requirements within one year from the effective date of the new regime.

Expanded Qualifying Activities

Activity scope

The new regime provides greater flexibility in structuring real estate and related investments, while maintaining clear limits and governance requirements.

- **Qualifying Activities:** The qualifying activities encompass, among others, hotel and tourism-related operations, utilization of real estate for the production and storage of renewable energy, operation of parking facilities, marinas, shopping centers, business parks, and data centers.
- **Geographical Scope:** REICs may invest in real estate located in Greece, other EU/EEA member states, or third countries. However, investments in real estate outside the EU/EEA are capped at 20% of the REIC group's total investments.
- **Investment Structures:** Investments can be made directly or indirectly through subsidiaries (with at least 70% ownership), collective investment schemes (UCITS/AIFs) that allocate at least 70% of their assets to securities of real estate investment companies or companies engaged in the development, management, and exploitation of real estate, or in licensed AIFs subject to specific conditions, or participation in public-private partnerships (PPPs).
- **Renewable Energy Projects:** REICs are allowed to acquire, construct, and operate renewable energy facilities (e.g., photovoltaic systems) on their properties, with capacity limits tied to the energy needs of their real estate assets. These energy facilities must be installed on the REIC's or its group companies' properties and are intended to: i) Meet the energy needs of the REIC's properties, its group companies, and their tenants or users, ii) Reduce their energy costs, and iii) Lower their carbon footprint.
- **Equity Holdings:**
 - **Minimum 10% Holding:** REICs may hold at least 10% in companies (excluding partnerships) REICs, equivalent companies, UCITS, or AIFs whose main activity is real estate acquisition, development, management, or services related to the use, operation, and exploitation of such real estate, provided they have board representation if not controlling the entity.
 - **Up to 10% holding:** Investments of up to 10% in similar companies or funds are permitted, but such holdings must not exceed 5% of the REIC group's total investments, as reflected in the latest published semi-annual investment statement.
- **Service Companies:** REICs may invest in companies providing services to their real estate assets, provided they hold at least 20% of the share capital.

- **Ancillary Investments:** All relevant entities may acquire equipment necessary for the operation and exploitation of real estate assets.
- **Important note:** The revised provisions do not specify the types of qualifying assets, nor do they impose specific percentage restrictions on investments per asset type. Under the previous regime, investments in residential properties were capped at 25% of the company's total real estate investments at the time of acquisition. Additionally, the new provisions do not impose specific restrictions on properties under development or construction.

Revised Investment and Financing Rules

Key investment rules

- **Investment Concentration Limits:** The value of any single property acquired (directly or indirectly) by the REIC at the time of acquisition must not exceed one third (1/3) of the group's total investments. The total value of properties in which the REIC holds only usufruct or bare ownership (directly or indirectly) must not exceed 20% of the group's total investments at the time of acquisition.
- **Capital Expenditure (Capex) Restrictions:** Total capital expenditures for the development of real estate assets must not exceed 40% of the group's total real estate investments, as shown in the latest published semi-annual investment statement, calculated after completion of the development works.
- **Minimum Investment of Share Capital:** Within three years from the establishment of the REIC, or at the time of its application for listing on a regulated market (whichever comes first), at least 50% of the REIC's initial share capital must be invested (directly or indirectly) in real estate assets, in accordance with the relevant provisions.
- **Permitted Temporary Placements of Cash Reserves:** Until investments are made in accordance with the above, the REIC may hold its available cash in the following forms:
 - Deposits or term deposits with credit institutions based in an EU member state, or in a third country provided the institution is subject to prudential supervision equivalent to EU standards.
 - Money market instruments and UCITS.
 - Bonds issued by EEA member states with a maturity of up to one year.

- **Lease arrangements:** The investment in real estate assets encompasses, among other things, lease agreements or concession contracts with a minimum contractual duration of fifteen (15) years, as well as financial leases pursuant to Law 1665/1986.
- **Important note:** Under the new provisions, the previous restriction requiring that the total value of rights from financial leases must be less than twenty-five percent (25%) of the total investments of REIC at the time of acquisition has been lifted.

REIC's financing

- REICs may obtain various types of loans, credits, or facilities for their business activities, provided that the total amount does not exceed seventy-five percent (75%) of their assets at the group level. Intragroup loans and guarantees are generally allowed subject to the restrictions provided under the general corporate law provisions. REICs may establish a subsidiary with the sole purpose of obtaining loans and using the loan capital to finance the REIC and its subsidiaries.
- **Important note:** Under the new provisions, loans provided to REIC or its subsidiaries may be secured by collaterals or other rights of REIC and its entire group.

Stricter Valuation and Dividend Distribution Requirements

Valuation requirements

- REICs must have their investments valued by an independent appraiser, appointed by the general meeting, at the end of every six months. Before making or amending any real estate investment, REIC is required to obtain a binding valuation report from this appraiser. The company can pay up to 15% more than the appraised value when acquiring property or accept up to 15% less when selling. However, if these procedures are not followed, the investment or divestment remains valid.
- **Important note:** REICs were obligated to obtain independent appraisals of their investments only once per year. Under the new provisions, valuations must now be conducted every six months. Under the previous provisions the relevant price deviation was up to 5% of the real estate assets value as determined by the appraiser.

Dividend distribution requirements

- REICs should distribute annually to its shareholders, as a minimum dividend, at least fifty percent (50%) of its annual net

distributable profits. This distribution percentage may be further reduced based on the general provisions of the corporate law on minimum dividend amounts. REICs reserve the right to withhold distribution of profits derived from capital gains on property sales or to distribute only a portion of such profits.

- **Important note:** Based on the new provision it arises that the minimum dividend distribution percentage is calculated based on the total net distributable profits, including profits arising from capital gains on property sales. This clarification addresses the uncertainty that existed under the previous framework, ensuring a more transparent and consistent application of the relevant rule.

Enhanced compliance and transparency obligations

Key compliance requirements

- REICs are subject to specific regulatory obligations designed to ensure transparency, good governance, and investor protection. The main requirements include:

1. Preparation and Audit of Financial Statements

- REICs must prepare semi-annual financial statements. These statements are subject to an audit by a certified public accountant and must be submitted to the Hellenic Capital Market Commission (HCMC) in accordance with applicable regulations.

2. Mandatory Website Disclosures

- REICs are required to publish the following information on their official website:
 - **Remuneration Policy:** The company must disclose its remuneration policy, as detailed in the relevant provisions.
 - **Investment Policy:** The investment policy, which is approved and periodically updated by the Board of Directors, must be made publicly available. It is important to note that any investment made by the REIC that deviate from the published investment policy, or that do not follow the prescribed approval process for such deviations, do not affect the validity of the related transactions.
 - **Summary of Operating Regulations:** A summary of the company's operating regulations must also be accessible to the public.

3. Disclosure of the individuals appointed by REICs for the conduct of their business

- The Hellenic Capital Market Commission would grant an operating license to a REIC only if the individuals designated to perform the company's operations meet the necessary standards of integrity and professional experience in the relevant field. Furthermore, the details of these individuals, as well as any subsequent changes, must be promptly communicated to the Commission. Should the Commission determine that any of these individuals do not meet the required standards, it may request their removal.
- **Important note:** The new regime has introduced additional compliance requirements for REICs, particularly in terms of financial statements and disclosures. It is important that existing REICs fully adhere to the transitional provisions and utilize the interim period granted to ensure timely and complete compliance with these new requirements.

Tax regime

Tax treatment at REIC level

- REICs are governed by a specific tax regime akin to the previous provisions under Law 2778/1997. REICs are exempt from income tax and are instead taxed on the average fair market value of the European Central Bank's main refinancing operations (MRO) interest rate, increased by one percentage point. This tax is paid biannually and fully exhausts the tax liability of both the REIC and its investors. Additionally, any capital gains from the disposal of real estate assets are exempt from taxation, as the sole tax liability of the REIC pertains to its assets, including cash items.
- The special tax regime applicable to Real Estate Investment Companies (REICs) also applies to their direct or indirect qualifying subsidiaries, provided that the minimum holding participation threshold of 80% is satisfied.
- The issuance of shares by the Real Estate Investment Company (REIC), as well as the transfer of real estate assets to the REIC, are exempt from all forms of taxation, fees—including digital transaction fees—contributions, duties, or charges imposed by The dividends distributed by the REICs are exempt from the dividends' withholding tax.

- The tax incentives for corporate transformations currently enacted by Law 5162/2024, also apply to Real Estate Investment Companies (REICs). This explicit provision of the new law thus remedies the gap that had been created in Law 5162/2024 which did not make explicit reference to the inclusion of its provisions in the corporate transformations of REICs.
- The CFOs, executive board members, and general managers of REICs are obliged to submit the annual asset declaration.
- **Important note:** The new law has not introduced any amendments to the existing tax regime applicable to REICs, including the reference rates for the asset-based tax. However, this tax framework is now extended to encompass the wider activities that REICs are now allowed to carry out (subject to the ownership % restrictions provided in the law).

Let's talk

For a more in-depth discussion on the above you may contact:



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