

Law 4387/2016 “**Unified Social Security System - Reform of insurance and pension system – Income taxation and gaming taxation regulations and other provisions**” has been published in the Government Gazette (Bulletin 85/12.05.2016), which introduces major reforms to the existing social security system.

A. New social security bodies for all insured individuals

Integration of the existing social security bodies into E.F.K.A. and E.T.E.A.E.P.

- The “Unified Social Security Body” (“E.F.K.A.”) is introduced as the new body for main social security, which will initiate its operation on 01.01.2017. Into E.F.K.A. shall be automatically integrated, from the initiation of its operation, all the existing bodies for main social security (e.g. I.K.A.-E.T.A.M., E.T.A.P.-M.M.E., E.T.A.A., O.A.E.E.), whereas the social security bodies N.A.T. and O.G.A., will maintain a separate legal personality solely for the performance of their non-insurance competencies.
- From the entry into force of the above law, E.T.E.A. (“Unified Auxiliary Insurance Fund”) shall be renamed as “Unified Fund for Auxiliary Insurance and Lump Sum Benefits” (“E.T.E.A.E.P.”) and incorporates the existing welfare sectors of the social security bodies which will be integrated into E.F.K.A. (e.g. the welfare sector of E.T.A.A., E.T.A.P.-M.M.E. etc.).
- Subject to mandatory insurance with the above bodies are the already insured individuals of the integrated social security bodies, as well as those who will undertake for the first time (from the start of operation of the new bodies and henceforth) insurable work or acquire an insurable professional capacity on the basis of the general or special or statutory provisions regulating each former social security body.
- The legislative provisions that concern each integrated body will continue to apply to the extent that are not explicitly abolished by the new law or their content does not contradict the new provisions.

B. Issues regarding insured employees

- From the publication of the above law, the maximum limit of employment earnings (“cap”) for the calculation of the monthly social security contributions, applying to employees and employers, consists in the tenfold of the amount corresponding to the basic minimum salary of an unmarried employee over 25 years of age (currently 586.08 Euros). Therefore, the cap is increased from 5,543.55 Euros to 5,860.80 Euros.
- The above cap applies also to multiple employment with regard only to the employees’ contributions.

***Unified Bodies
for Main and
Auxiliary Social
Security***

***Increase of the
monthly cap for
the imposition of
social security
contributions***

***Increase of
contributions for
auxiliary social
security***

- From 01.06.2016, contributions for auxiliary social security for all employees are increased by 0.5% both for the employee and the employer. Therefore, said contributions will be calculated at the rate of 3.5% on the employment earnings (for the employer and the employee) from 3% that currently applies, i.e. the total contribution rates (for all insurance sectors) will be determined at 16% for the employee and 25.06% for the employer (from 14.56% and 24.56% respectively, which currently apply), except for specific categories of employees who are subject to special provisions (e.g. heavy and unhealthy occupations, etc.).
- The above rates of auxiliary social security will be decreased for the period 01.06.2019 – 31.05.2022 to 3.25%, while afterwards they will be restored to the currently existing levels.
- The following categories of insured individuals will be required to pay social security contributions as employees (with the corresponding participation of the employer):
 - Lawyers under a salaried mandate arrangement;
 - The individuals appointed as members of the Board of Directors of a S.A., who receive remuneration and whose contributions will be calculated on the lump sum payments;
 - The insured individuals of E.T.A.A. (e.g. engineers, doctors), who provide services under an employment contract;
 - The director, general manager, authorized representatives, managing or collaborating board members, administrators of companies or cooperatives, if said individuals are engaged under an employment contract for the remuneration received;
 - The board members of agricultural cooperatives, if said individuals receive remuneration;
 - The insured individuals who, until the entry into force of the new law, were subjected to insurance with the Insurance Sector for Shipping Agents and Employees of O.A.E.E., as salaried insured individuals.
- The rates of insurance contributions for the above categories of insured individuals, who are not occupied under an employment contract (and who are subject to the abovementioned rates) are expected to amount at 12.72% for the employee and 21.38% for the employer, holding reserve on the non-application of specific jointly collected by I.K.A. (until today) contributions (e.g. contributions in favour of O.A.E.D. etc.) and pending clarifications for the application of a potential withholding (and way of withholding) of a 4% rate in favour of the sector for lump sum benefits.

***Categories
treated as
employees***

C. Contributions of self-employed and freelancers

- From 01.01.2017 the way of calculating the contributions for the self-employed will be fundamentally altered and, thereafter, the applicable rates of contributions will be calculated on the monthly income of said individuals, as such is specified on the basis of their net taxable income gained by their activities during the previous tax year.
- The contribution rates for all insurance sectors (e.g. pension, health care, lump sum benefits, etc.) that will be applied on the aforesaid income will be the following: (a)

***Calculation of
contributions on
the basis of
income***

20% for the pension sector, (b) 6.95% for the health care sector, (c) 7% for auxiliary pension and (d) 4% for lump sum benefits.

Maximum and minimum limit of monthly income

- Therefore, the insurance burden of the self-employed (formerly insured at O.A.E.E. and E.T.A.A., including partners or shareholders of any type of commercial companies, except for S.A. and Private Company (I.K.E.), BoD members of a S.A. with a shareholding participation of at least 3%, administrators of an I.K.E., sole partner of an I.K.E.) will range from 26.95% (for pension and health care by E.F.K.A.) up to 37.95% (for those additionally mandatorily subjected to the sectors for auxiliary pension and lump sum benefits of E.T.E.A.E.P., e.g. private practices of doctors, engineers, lawyers, etc.).
- The minimum monthly basis on which the each time applicable contribution rates are calculated, is determined on the basis of the amount corresponding to the minimum basic monthly salary of an unmarried employee over 25 years of age. Specifically, a monthly income of at least 586.08 Euros is presumed. Also in the case of self-employed individuals, the cap of 5,860.80 Euros will be applicable as monthly maximum income upon which contributions will be calculated.
- Especially for the partners of partnerships, as income by said activity for the purposes of social security contributions is considered the result of multiplying the total profits of the company by the participation rate of each partner. In case of losses or zero profits, the contributions will be paid on the aforesaid minimum monthly income of 586.08 Euros.

Discounts to specific categories of insured individuals

- For the period from 01.01.2017 to 31.12.2020, especially for the insured individuals of E.T.A.A. (e.g. doctors, lawyers, engineers, etc.), certain reductions to the contributions that will be required to be paid will be applied on the basis of income criteria. Said reductions will range from 50% (e.g. for annual income between 7,033.10 to 13,000 Euros) to 5% (for annual income between 57,000.01 to 58,000 Euros). However, no contributions will be paid for a monthly income of less than 586.08 Euros.

Conditions for treatment as an employee

- In relation to any self-employed individuals who are paid on the basis of invoices for the provision of services and whose income is generated from their engagement by one or two persons (individuals and legal entities), the provisions for employees as to the amount of contributions and the party liable for the payment will apply by analogy.

D. Parallel insurance

Abolition of the option to subjection to only one social security body

- The new social security law abolishes the option of subjection to only one social security body for the newly insured individuals (i.e. insurance after 01.01.1993), in case of performance of activities that established the obligation of subjection to insurance with two social security bodies (e.g. employee registered with I.K.A.-E.T.A.M. and in parallel registered with O.A.E.E as self-employed), as was in force under the previous regime.
- From 01.01.2017, the insured individuals who are subject to the obligation of being insured with two or more social security bodies integrated into E.F.K.A., shall pay the applicable social security contributions for each undertaken professional activity. In such case, and in relation to any additional professional activities - other than the first one - the obligation for the payment of a minimum monthly social security contribution (on the minimum monthly income of 586.08 Euros) will not apply.
- In particular, any persons working under an employment contract and are simultaneously self-employed, shall pay in favour of E.F.K.A.: (a) monthly social

security contributions as employees and (b) social security contributions as self-employed for the income, if any, generated from the performance of freelance activities.

- It has to be clarified, as it is not clear from the provisions of the new law, whether the monthly income cap of 5,860.80 Euros (up to which social security contributions are calculated) shall apply separately for the income from any activity or jointly for all types of income (by adding all types of income arising from the various activities subject to an obligation for insurance).

E. Issues regarding pensioners

- The way of calculation of pensions is changed fundamentally, as the henceforth payable pension (for those persons acquiring such right under the each time applicable conditions) shall consist of:
 - the National Pension, which amounts for the first implementation of the law to 384 Euros per month. Said amount is fully paid, provided that at least 20 years of insurance have been completed and the beneficiaries have been permanent and lawful residents of Greece for at least 15 years. Otherwise, relevant reductions of the amount are provided for.
 - and the contributory pension, the amount of which is determined on the basis of the pensionable earnings (i.e. henceforth, the average of the monthly earnings during the whole insurance period), the years of insurance and the provided annual replacement rates.
- Amendments are also provided with regard to the issues of employment of pensioners from the publication date of the law. In particular, the retired individuals who undertake work or an activity or acquire a capacity, which is mandatorily subject to insurance with E.F.K.A., will receive gross pension (main and auxiliary) reduced by 60%, for the time period during which they retain their occupation. For such time period, they will normally pay the applicable social security contributions.
- It is clarified that, under the regime applicable so far, the reduction rate of the pension was connected with the amount of pension received by the retired individual, while there was also a provision for the full suspension of the pension in case of retired individuals under 55 years of age. The abovementioned (previous) regime shall continue to apply for the retired individuals who undertook work or were self-employed before the publication of the new law.

F. Other issues

- The new law provides the establishment of a common registry for the persons liable for the payment of social security contributions and income tax, in which the procedures for registration, filing, payment and payment certification of income tax and social security contributions are incorporated and aligned. For the implementation of the common registry, a relevant Ministerial Decision will be issued.
- The new provisions regulate on a unified basis the issue of the limitation period of the claims of the various social security bodies for outstanding social security contributions. Specifically, from the date of publication of the law, the claims of the social security bodies, which will be incorporated into E.F.K.A. for outstanding contributions are subject to a 20-year limitation period, which shall commence from the first day of the following year during which the insured employment or

New way of calculation of pensions

Employment of pensioners

Common registry for income tax and social security contributions

Limitation period for E.F.K.A. claims

service was provided. The provision does not apply to claims that have been already barred by the statute of limitations (under the provisions applicable so far).

It is noted that it is anticipated for respective ministerial decisions and insurance regulations to be issued, by means of which certain issues of the procedures for the implementation of the new law shall be specified. Furthermore, it is noted that the application of contribution rates for different sectors of insurance (e.g. pension, health coverage, etc.) are subject to different dates of entry in force.

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This information is intended only as a general update for interested persons and should not be used as a basis for decision making. For further details please contact PwC:

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