

Tax Flash

October 2016

Following the enactment of the new Incentive Law (Law 4399/2016), the Ministry of Development has issued the required Ministerial Decisions for 4 (out of 8) aid schemes, while the procedure for the submission of applications through the State Aid Information System has started. The main points of these Ministerial Decisions are summarized as follows:

Introductory comments

Entry into force of 4 out of 8 aid schemes

- The new Incentive Law (Law 4399/2016) comes into effect, through the publication of the Ministerial Decisions for the following aid schemes: “General Entrepreneurship”, “Machinery Equipment”, “Major Investments” and “New Independent Small and Medium Enterprises (SMEs)”. The Ministerial Decisions for the aid schemes “Innovative Character Aid for Small and Medium Enterprises (SMEs)”, “Clusters”, “Integrated Regional and Sector Projects” and “Intermediary funding organisations – Funds of Funds” are still pending to be issued.
- In case of an investment project falling under one of the aid schemes “General Entrepreneurship”, “Machinery Equipment” or “Major Investments” and whose principal place of establishment is a region that meets the conditions of article 107 par. 3c of the Treaty (prefectures of Attica and South Aegean), the aids to large enterprises are only granted for an initial investment for a new economic activity in this region. The term “new economic activity” is defined as any activity that does not fall under the same class (four-digit numerical code of statistical classification (KΑΔ)) as the one of an activity already performed by the enterprise.
- The submission of applications, which starts on 19 October 2016, as well as all relevant procedures will take place through the (electronic) State Aid Information System.
- The deadlines, that are mentioned below, concern the submission of applications from the interested enterprises through the (electronic) State Aid Information System. For the submission of the detailed electronic documentation file, which will include all the technical and economic data of the investment project, a new deadline will be set by the Ministry of Development.

A. Aid scheme “General Entrepreneurship”

General remarks

- This aid scheme is addressed to all enterprises and consists of the basic framework that can be utilized by existing enterprises.
- The total budget for the present scheme for the year 2016 is EUR 150.000.000, of which:
 - ✓ EUR 80,000,000 concern the tax exemption and
 - ✓ EUR 70,000,000 concern the other types of aid (grants, leasing subsidies and subsidy of employment cost).
- The investment projects falling under this scheme can be supported by all types of aid (tax exemption, grants, leasing subsidies and subsidy of employment cost), which can

be applied individually or in combination thereof. Moreover, specific categories of aid are provided for this scheme.

- The aids are granted either in lump sum, upon the issuance of the decision for the completion and commencement of the operation of the project, or in installments, under the specific conditions depending on the type of aid granted.
- The eligible expenses that can be supported are divided into regional aid expenses (expenses in tangible and intangible assets and cost of new personnel) and non-regional aid expenses (consultancy services to SMEs and start-up expenses for small and very small enterprises under establishment).
- The maximum amount of aid for each investment project is EUR 5,000,000. The remaining (up to the amount of the investment) can be covered either by own funds of the enterprise or by external funding, or by a combination of both.
- The deadline for the submission of applications expires on 20 December 2016. This scheme is expected to be again available in March 2017.
- A comparative evaluation procedure is provided for this scheme through prioritization on the basis of the achieved performance of any investment taking into account five rating criteria (performance ratios, financial analysis of the enterprise, employment with emphasis on specialized personnel, net equity and available funds, as well as specific features of the enterprise, such as innovation, extroversion and place of establishment).

Deadline for the submission of applications

Comparative evaluation procedure

B. Aid scheme “Machinery Equipment”

General remarks

- This scheme is addressed to enterprises that aim at a fast procedure with minimum criteria and no competitive procedure. The grant of the aid takes place directly through the conduction of administrative controls (spot controls on a sample basis).
- The total budget for the scheme for the year 2016 is EUR 150,000,000 and concerns only the tax exemption.
- The eligible expenses that can be supported are regional aid expenses only in tangible assets (new or used - under conditions- machinery equipment, purchase of new vehicles, provided that they are used in the unit).
- The maximum amount of aid for each investment project is EUR 5,000,000 The remaining (up to the amount of the investment) can be covered either by own funds of the enterprise or by external funding, or by a combination of both.

Deadline for the submission of applications

- The deadline for the submission of applications expires on 28 April 2017, provided that the budget for this scheme is not exhausted earlier. This scheme is expected to be again available in May 2017.

Direct evaluation procedure based on priority

- The evaluation of investment projects falling under this scheme is direct, i.e. the applications are assessed independently (without comparative assessment) based on the principle of time priority and available resources. The criteria and the special procedure are described in detail in the relevant Ministerial Decision.

C. Aid scheme “Major Investments”

General remarks

- This scheme is completely different both in the sense that the types of aid being granted are different, as well as that it is the only scheme which has as a principal aim the attraction of foreign direct investments.
- The total budget for this scheme for the year 2016 is EUR 100,000,000 and concerns the tax exemption and the benefit from the fixed corporate income tax rate.
- The enterprises that can benefit from the present scheme are those that realize investment projects exceeding the amount of EUR 20,000,000 and create at least two working positions per EUR 1.000.000 of the eligible investment.
- The eligible expenses that can be supported are only regional aid expenses in tangible and intangible assets.
- The enterprises of the investment projects of this scheme can make use of the “fast track” procedure. Furthermore, they can use the incentive of the fixed corporate income tax rate, as this applies at the date of the application’s submission, or alternatively, the tax exemption.
- The incentive of the fixed corporate income tax rate is provided until the exhaustion of the aid to which the beneficiary is entitled based on the limits of G.B.E.R., or the relevant decision of the European Commission and up to the amount of EUR 10.000.000. This aid type is provided for a period of 12 years from the completion of the investment project, the first year being the fiscal year of the completion and commencement of the operation of the investment.

Taking into account that it does not seem possible to be able to quantify in advance the amount of aid granted, the question arises how this will apply in practice, as well as whether this incentive presents indeed a benefit for the enterprises.

- The incentive of the tax exemption is provided at a rate of 10% of the aided investment expense (regardless of the enterprise’s size) and up to the amount of EUR 5.000.000.
- The maximum amount of aid is defined for major investment projects (with eligible expenses exceeding the amount of EUR 50,000,000).
- The deadline for the submission of applications expires on 28 April 2017, provided that the budget for this scheme is not exhausted earlier. This scheme is expected to be again available in May 2017.
- The evaluation of investment projects falling under this scheme is direct, i.e. the applications are assessed independently (without comparative assessment) based on the principle of time priority and available resources. The criteria and the special procedure are described in detail in the relevant Ministerial Decision.

Deadline for the submission of applications

Direct evaluation procedure based on priority

D. Aid scheme “New Independent Small and Medium Enterprises (SMEs)”

General remarks

- This aid scheme is addressed exclusively to new or under establishment independent SMEs, which intend to invest in any of the eligible sectors of the incentive Law.
- The total budget for the present scheme for the year 2016 is EUR 150,000,000, of which:
 - ✓ EUR 50,000,000 concern the tax exemption and

✓ EUR 100,000,000 concern the other types of aid (grants, leasing subsidies and subsidy of employment cost).

- The eligible businesses must meet certain cumulative criteria set out in the Ministerial Decision (i.e. to be SMEs, to be newly established, i.e. less than 7 years old or under establishment, and be independent in accordance with the relevant definition of G.B.E.R.).
- The eligible expenses that can be supported are divided into regional aid expenses (expenses in tangible and intangible assets, and costs of new personnel) and non-regional aid expenses (consultancy services to SMEs and start-up expenses for small and very small businesses under establishment).
- The investment projects falling under this scheme can be supported by all types of aid (tax exemption, grants, leasing subsidies and subsidy of employment cost), which can be applied individually or in combination thereof. Moreover, specific categories of aid are provided for the scheme.
- The deadline for the submission of applications expires on 20 December 2016. The present scheme is expected to be again available in March 2017.
- A comparative evaluation procedure is provided for this scheme through prioritization on the basis of the achieved performance of any investment taking into account five rating criteria (performance ratios, financial analysis of the enterprise, employment with emphasis on specialized personnel, net equity and available funds, as well as specific features of the enterprise, such as innovation, extroversion and place of establishment).

Deadline for the submission of applications

Comparative evaluation procedure

PwC can provide significant support to your company both at the stage of selecting the aid scheme and the type of aid, which are suitable to your financial and business needs, and at the stage of implementation of the investment project up until its completion.

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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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