

Tax Flash

July 2016

On June 16, 2016, Law 4399/2016 “**Statutory framework for the establishment of Private Investments Aid Schemes for the regional and economic development of the country – Establishment of Development Council and other provisions**” has been ratified by the Greek parliament. The new Law provides a general framework, which is expected to be specified for each aid scheme through the ministerial circulars to be issued. In essence, the provisions of the new Law will start to apply following the issuance of the relevant ministerial circulars. The most important points are summarized below.

A. General remarks

General remarks

- An explicit reference to the provisions of the General block exemption Regulation (“G.B.E.R.”) of the European Commission (651/17.07.2014, L. 187/1/26.06.2014) is being made for first time.
- The new Law is structured into two sections: (a) the General Section, which includes the main regulations and restrictions of the G.B.E.R. and refers to all aid schemes, and (b) the Special Section, which describes the specific aid schemes, to which the provisions of the General Part and of the G.B.E.R. are applied.
- Focus is being made on the tax incentives in comparison to the other types of aid.
- A threshold is being provided for the types of aid available to individuals investment projects, as well as to companies and group of companies, in order to achieve dispersion of the beneficiaries of state aid.
- Special categories of aid are being determined, either (a) on the basis of the performance of the companies (extroversion, mergers, employment increase, sectors, high added value), or (b) on territorial basis (highland, border areas and areas with increased migration burden, Industrial Areas, Innovations Zones). Companies that fall under the special categories may be reinforced through capital aids, in case the latter are not provided, or by additional capital aids, in case the latter are provided.

B. General section

Beneficiaries of the aid

- Individual companies, commercial companies, cooperatives, social cooperative companies of L. 4019/2011, groups of producers, agricultural partnerships of L. 4015/2011, companies under formation or under merger, on the condition that they have been incorporated or merged before the commencement of the project, joint ventures provided that they have been registered with General Commercial Registry (GEMI).

Terms and prerequisites for participation

- The compulsory nature of own-participation is being abolished. The participation of the beneficiary in the cost of the investment project can take place either through own equity or through external financing. The main

prerequisite is that the 25% of the total investment cost does not contain state aid, support or subsidy.

- The minimum investment amount ranges from EUR 50,000 (for Social Cooperative Companies) to EUR 500,000.00 for large companies.
- The investment projects that fall under the aid schemes should have the character of initial investment (buildings, machinery, intangible) and meet certain conditions (indicatively, creation of new plants, extension of existing plants' capacity, etc.).
- The investment projects that are covered by the new Law relate, in principal, to all economic sectors, subject to certain exceptions (sector of steel, coal, synthetic fibers, shipbuilding, etc.).
- Under conditions, the investment projects that are covered relate also to:
 - Production or co-production and distribution of heat from Renewable Energy Sources and production of electricity by small hydroelectric projects;
 - Tourism;
 - Processing and marketing of agricultural products, fisheries and aquaculture products;
 - Logistics services.

Covered investment projects

Eligible expenses

- The eligible expenses are divided into: (a) eligible expenses of regional state aid nature based on the Regional State Aid Map (capital expenditure in tangible and intangible assets, employment cost of new employees) and (b) eligible expenses of non regional state aid, which aim to broaden and enrich the investment options towards new qualitative directions.
- The maximum amounts and percentages of regional state aids and non regional state aids are being determined. Based on the general framework, the maximum amounts and percentages of each individual aid scheme are being specified, in accordance with the provisions of the Special Section of the new Law.

Type of aids

- The following types of aid are being provided:
 - Tax exemption (exemption from the payment of corporate income tax on profits, before taxes, generated from the total business activity of the company, following the deduction of the corporate income tax which corresponds to the profits distributed to the company's shareholders);
 - Subsidy of funds in order to cover part of the eligible expenses of the investment project;
 - Subsidy of leasing for the acquisition of new machinery and other equipment (which cannot exceed the period of 7 years);
 - Subsidy of employment cost;
 - Fixed corporate income tax rate for a period of 12 years from the completion of the investment project, exclusively for investment projects of major size;
 - Funding of corporate risk through Funds of Funds.
- All types of aids can be provided either separately or in combination thereof and are all taken into account for the determination of the total aid amount of each investment project.
- The subsidy of funds and the leasing subsidy are not granted to companies that did not generate any profits in any of the seven (7) tax years prior to the year in which the relevant application was filed.

Procedure regarding the filing of applications and evaluation of investments projects

- The types of aid are granted (and, respectively, the benefit starts to apply), following a relevant certification, either in lump sum (following the issuance of the decision certifying the completion and the commencement of the productive operation of the project) or gradually (according to the specific requirements per each type of aid granted).
- All procedural issues as regards the support and implementation of the new Law (filing of applications, documentation file, evaluation, etc.) will be carried out through the State Aid Information System of the Ministry of Finance, Development and Tourism.
- The evaluation process includes the stage of completion and legality control and the evaluation stage and is carried out either through the method of comparative evaluation or through the method of direct evaluation.
- Investment projects which fall under the aid schemes are audited at any time and at any stage of implementation of the investment project or at any stage of fulfilling their long term liabilities.
- The investment project is completed following the commencement of the productive operation of the investment and in any case within the period prescribed in the relevant ministerial decision, which may not exceed three (3) years from the date of issuance of that decision. An extension for two (2) years is also provided, under certain conditions.

Implementation and completion of investment projects

C. Special part – Aid schemes

Schemes and types of aids granted

- The following aid schemes and the relevant aid granted per scheme are being prescribed:

Aid scheme	Types of aid granted
1. Machinery Equipment	Tax exemption
2. General Entrepreneurship	Tax exemption, subsidy of leasing and subsidy of employment cost
3. New Independent Small and Medium Enterprises (SMEs)	Tax exemption, subsidy of funds, subsidy of leasing and subsidy of employment cost
4. Innovative Character Aid for Small and Medium Enterprises (SMEs)	
5. Clusters	
6. Integrated Regional and Sector Projects	
7. Intermediary funding organisations – Funds of Funds	Public funding to private investors through: (a) equity or “virtual” equity investment or sponsorship, or (b) loans for funding of corporate risk directly or indirectly to eligible companies.
8. Major Investments	Fixed corporate income tax rate for 12 years from the completion of the investment project, until the exhaustion of the aid and up to the amount of EUR 10,000,000.00. <u>Alternatively</u> , tax exemption at a percentage of 10% of the eligible investment cost and up to the amount of EUR 5,000,000.00. Possibility to make use of the “Fast Track” procedure.

- The beneficiaries, the eligible expenses, the type of aids, the percentage of aids, the implementation procedure, as well as the evaluation and audit process are being specifically prescribed per each separate scheme of aid.
- Each scheme of aid will be established by virtue of a Ministerial Circular, which will prescribe the framework for the filing of applications, as well as additional relevant details and clarifications.
- The maximum annual amount of state aid budget per each scheme of aid is set at EUR 150,000,000.00, for which no prior notification is required and which are deemed compatible with the internal market, in accordance with the provisions of G.B.E.R..

D. Regulation of specific issues pertaining to investment projects which have fallen under to the provisions of L. 3299/2004 and 3908/2011

- An extension of the deadline for the completion of investment projects of L. 3299/2004 and 3908/2011 is being prescribed. As regards investment projects of L. 3299/2004, the aim is the completion of almost all investment projects up to 30.06.2018, whilst for investment projects of L. 3908/2011 the deadline is extended until 30.06.2017, for investment projects for which the relevant decision was issued by 31.12.2012, and until 31.12.2017, for investment projects for which the relevant decision was issued within the years 2013 and 2014.
- Specific issues relating to investment projects which have fallen under the provisions of L.3299/2004 and 3908/2011 (indicatively, the partial payment of the subsidy, the conditions for advance payments, the arrangement of the outstanding claims for granting advance payments, the option of other types of subsidies, etc.).

PwC can provide significant support to your company both at the stage of selecting the scheme of aid 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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