

Tax Flash

April 2019

Incentives for the establishment of Shared Services Centers in Greece

Introductory remarks

L. 89/1967 provides for a special favorable regime for the establishment of Shared Services Centers in Greece in order to provide exclusively enumerated and mainly ancillary services to related companies.

Under the new law the range of services, which foreign companies established in Greece or Greek companies may provide to their related entities and opt for the regime of L. 89/1967, is expanded (among others, software development and logistic centers), while it is also possible for financial support to be provided in the form of grants.

The L. 89/1967 regime at a glance

According to L. 89/1967, foreign companies may be established in Greece following the receipt of a special license, which is granted by Ministerial Decision, in order to provide the services exclusively enumerated to their head offices or to related companies. Greek companies may also opt for this regime.

The main benefits of the regime are that: a) the taxable profits are determined based on the cost-plus method, b) the applicable mark-up is pre-approved by the above-mentioned decision and is reviewed every five years, c) all expenses on which the mark-up applies are tax deductible for corporate income tax purposes (without any conditions), d) the obligation for the documentation of their intercompany transactions is fulfilled by the receipt of the relevant Ministerial Decision.

The tax certainty provided, combined with Greece's comparative advantages, indicatively the highly skilled human resources, render this regime particularly attractive.

Services falling under the regime of L. 89/1967

Until recently the enumerated services were: a) consulting services, b) centralization of accounting services, c) quality control of production, products, procedures and services, d) preparation of studies, designs and contracts, e) advertising and marketing services, f) data processing, g) receipt and supply of information, and h) research and development.

The new law broadens the regime's scope, which now additionally covers services falling under: a) software development, computer programming and support of information systems, b) records and information storage and management, c) customers, suppliers and supply chain management (excluding transportations by own means), d) training and management of human resources, and e) call center and information services which are based on computers.

The law explicitly provides that, for the determination of the company's tax residence, the provision of the above-mentioned services cannot be regarded as constituting effective management by the established company or its related entities in Greece.

Provisions for granting financial support

In addition to the above-mentioned benefits, companies that opt for the regime of L. 89/1967 may also receive financial support in the form of grants, covering part of the eligible expenses.

The preconditions set are that: a) the companies develop a new activity, either regarding the nature of the services rendered or the companies to which those services are rendered, which must not have been performed in Greece for the last two (2) years until the date on which the application to receive the grant is submitted and b) a minimum



number of new jobs is created by the new activity, which are maintained for a minimum specified period.

Exceptionally, companies that will submit the application until 28/06/2019, may already have developed the new activity prior to submitting the application to receive the grant, however, in any case, not before 01/01/2019, which is set as the date on which the last two (2) years period is measured.

The support that may be provided, either cumulatively or alternatively, relates to: a) hiring of disadvantaged workers (e.g. long-term unemployed persons) and persons with disabilities, b) organizing of vocational training programs for the employees regarding the new activity, c) research and development projects and specifically industrial research, experimental development and feasibility studies, d) wage labor costs, costs for the purchasing and installation of computer and communications systems.

Several Ministerial Decisions are expected to be published, which will determine the required minimum number of newly created jobs, the maximum subsidized costs limits and the grant rates for each type of financial support, the required documents and the exact procedure for the granting of the financial support, as well as any other relevant detail.

Possibility of granting financial support also to companies not having opted for the L. 89/1967 regime

The possibility of granting the above-mentioned financial support is also extended, under the same preconditions regarding the development of a new activity and the creation of new jobs, to branches of foreign companies already established in Greece as well as to Greek companies providing the above-mentioned enumerated services either to related or non-related entities. However, in this case the minimum number of new full-time employment jobs created through the new activity for which the support is granted, cannot be less than one hundred and fifty (150), for the first year after the support is granted.

It is important to note that each individual case needs to be examined based on its own merits, and that the above-mentioned general principles might not necessarily capture all possible eventualities. Our expert advisors are in a position to advise you on the implications arising from a Greek perspective in relation to your specific case.

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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: 268, Kifissias Avenue 15232 Halandri tel. +30 210 6874400

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