LAW 89 COMPANIES

On January 1, 2006 a new law was introduced in Greece (Law 3427/2005) based on which many provisions of Law 89/1967 have been amended. Based on such Law, non Greek companies as well as existing Greek companies may come under the scope of this new revised “Law 89”.

A branch office or a subsidiary company of a foreign entity will qualify to operate under the scope of this Law, if it fulfils the following prerequisites:

- A special license must be granted by virtue of a Decision of the Ministry of Economy.
- The branch office must exclusively be engaged in the provision of any of the following services offered to the head offices of the company or to other associated entities of the Group (not established in Greece): consulting services; centralized accounting support, quality control of production, products and procedures, preparation of studies, designs and contract services, advertising and marketing services, data processing, receipt and supply of information services and/or research and development services.
- The branch office must employ at least four persons (one of them may be part-time).
- The staff employed by the branch office can be of any kind of nationality, not just Greek/EU nationals.
- The company’s or branch office’s annual operating expenses must be at least €100,000, which have to be covered by direct funding from the parent company outside of Greece.

TAXATION OF LAW 89 ENTITIES

The taxable profits of Law 89/67 entities are subject to the standard corporate tax rate of 26%. The gross earnings of Law 89/67 entities are determined with the application of a mark-up on the expenses incurred (cost-plus method). All of the expenses are deductible for tax purposes provided that they are recharged to the foreign affiliate (with the exception of the corporate income tax). The relevant mark-up is determined by a Decision of the Minister of Development approving the establishment of the Law 89/67 entity or the qualification of a Greek company under this legal framework.
BOOK KEEPING DIFFERENCES BETWEEN ESTABLISHING A LAW 89 BRANCH OFFICE OR A COMPANY OF LAW 89

- A Branch office established under Law 89/67 is not required to maintain double-entry accounting books, but only a revenues & expenses book, while it is mandatory for Greek company to keep double-entry accounting books.
- An office is not subject to any statutory audit requirements, while a Company may be under certain conditions.
- An office is not obliged to publish any financial information, while the Company is. Please note that such obligation will cease to apply also for companies as of 1.1.2015.

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