

SERVICE CENTERS IN GREECE

(a well-hidden secret)

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GREEK SERVICE CENTERS: A NEW TREND

Foreign companies may establish in Greece **a service center** to provide services to the **Group** under a special favorable tax regime.

Main tax advantage:

- simple and direct calculation method of taxable profits
- not target for tax audit
- (no TP obligations)

Favorable Tax Regime

Gross income = Expenses x Profit Rate %

Taxable income = Gross income - Expenses

Expenses: *ALL costs including depreciation and excluding income tax (cost-plus method). Everything is deductible for tax purposes.*

Profit rate: *Min. 5% - Defined in the special permit issued by the Ministry of Finance based on (i) nature of the services and (ii) the business sector/OECD Instructions for intra-group charges.*

Income tax: Application of the **CIT 26%** on the taxable income.

Qualification Conditions

- Exclusive objective and activity: The **supply of services to the head office** or to other associated entities NOT established in Greece.
- **Permitted services:**
 - ✓ consulting
 - ✓ **central accounting support**
 - ✓ internal and quality control
 - ✓ **drafting of contracts, studies and plans**
 - ✓ marketing and advertising
 - ✓ **data processing**
 - ✓ gathering and provision of information
 - ✓ **research and development services.**

Qualification Conditions

- Occupy at least **4 employees**
- Annual operational expenses in Greece of at least **100.000 EUR**
- Services' fees must be remitted to a **Greek bank** account

Procedure for Subjection

a. Establishment of a **branch or subsidiary** (or use of an existing one)

b. **Application** to the Ministry of Finance

Application includes a basic Transfer Pricing study documenting the profit rate (to be revised every 5 years)

c. **Special permit-decision** issued by the Minister of Finance

Data and statistical Info

- 150 operating Service Centers
- 2.100 employees
- 180 mio/year Inbound funds

Profit margins

- Consulting services : average 7%
- Advertising & marketing: average 6%
- Accounting : average 7%

WHY GREECE?

Critical Geographical Position

- Ideal location for an East Med. or Balkan service center
- Junction between Europe, Asia and Africa
- Good relations with Arab, African, Balkan states and Israel.



Modern Business Environment

- Political Stability
- Opportunities for investment
- Modern infrastructure



Corporate-law Considerations

- ✓ All types of **legal forms** available
- ✓ Simplification and acceleration of the establishment procedure of all companies/branches (one stop shop)
- ✓ The minimum capital requirements are limited or even abolished

Labor Law Considerations

- Economic crisis/unemployment : Radical decrease of **minimum salary limits**, remuneration for overtimes, redundancy payments, etc.

Employees with 0-3 years work experience:

511- 586 €

Married Employees with 0-3 years work experience:

613- 646 €

- Subsidies available to employers for hiring personnel, participation of employees in educational programs, etc.

Labor market conditions

□ Recruitment opportunities

- **30%** of the active population is **out of the labor market**, especially **young people**
- The majority of unemployed is **highly qualified** with university degrees and post-graduate diplomas
- Many seek employment **opportunities abroad**, others are occupied in **occasional jobs**, irrelevant to their academic **background**

Unemployment is one of the major shortcomings of the economic crisis in Greece



This pool of young, skilled candidates constitutes an opportunity for recruiting highly qualified people, eager to work and evolve professionally

Not convinced yet?



*BEAUTIFUL
CULTURE*



*BEAUTIFUL
PLACE*



*BEAUTIFUL
PEOPLE*

Thank you!