

## *your* Legal Lab

### **Subsidized Projects in Greece – Investment Law N. 4399/2016**

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#### **General requirements of eligibility**

The law introduced a variety of incentives in order to achieve economic development and attract foreign investments in Greece. The main goal of the Law is to support existing companies, create new innovative businesses and support less developed geographic areas or geographic areas with a high migratory flow. The law covers investment projects that relate to a vast majority of economic sectors.

Investment projects subject to the provisions of the Incentives Law are banned from other aid schemes, unless an exemption is expressly stated by the law. The total budget for the year 2016 is 150.000.000 euros.

The aid beneficiary may participate to the cost of the investment project either through own funds or external financing provided that at least 25% of the total investment cost does not contain any state funding or state support.

There are minimum thresholds of project values for each type of enterprise. So, if the aid beneficiary has or is going to start a large enterprise, the minimum threshold is 500.000 euros. For medium sized enterprises, the minimum threshold of investment project is 250.000 euros. For small enterprises, the amount is 150.000 euros whereas for very small enterprises, the amount is 100.000 euros.

Also, for the social cooperative enterprises, the amount is 50.000 euros.

#### **Content of investment projects and categories of the investment law- aid schemes**

According to the new law, the investment projects should involve one of the following: a. creation of a new business unit, b. extension of the capacity of an already existing business unit, c. diversification of the output of a business unit into products not previously produced, d. fundamental change of the total productive procedure of an already existing unit and e. acquisition of all fixed and plant assets of a business unit that has been closed provided that the investor is not related with the seller.

The aids available by the law differentiate depending on the investment scheme. The schemes are the following: a. General Entrepreneurship, b. New Independent SMEs (Small-Medium Enterprises-companies), c. Mechanical equipment, d. Major investments, e. Investments of an innovative character concluded SMEs, f. Clusters, g. Financial Intermediaries-Investment Fund and h. Integrated Regional and Sectoral Projects.

### **Types of state subsidies and financial support**

The law provides that there are certain number of state subsidies and they include the following:

- a. Tax exemption: This type of financial support means that the participant and investor is not going to pay any taxes for the profits (after income payable on distributions to owners) earned by the total business activity under the Greek tax legislation. The amount of tax exemption shall be calculated as a percentage over the value of the aided expenditure of the investment project or the value of new machines and equipment acquired under a leasing agreement.
- b. Subsidy-capital grant (government funding): Cash provided in order to cover eligible costs and expenses. This financial support can come up to 70% of the maximum aid allowed and 100% of the maximum aid allowed if the investment project is going to be executed in specific areas specified in the law ( e.g. islands of Northern Aegean with intense refugees; flows)
- c. Subsidy of leasing in order to facilitate the purchase of new equipment and only if it does not exceed a 7-year period. The subsidy of leasing consists of the payment by the state of part of the rentals paid under the leasing agreement for the acquisition of new machines and other equipment. The subsidy will be calculated as a percentage on the acquisition value of the equipment.
- d. Subsidy of costs regarding new employment positions: This type of subsidy cannot be provided cumulatively with other types of aid.

All types of aids aid can be provided separately or combined.

It is to be noted that the total financial aid by the State for an investment project cannot exceed the amount of 5 million euros.

### **Types of costs that can be subsidized-eligible cost of the investment project**

It is to be noted that not all expenditures and costs can be covered or be subsidized by the State under the law. The eligible costs include the following: a. Investment expenses or costs by the sale of tangible and movable goods (These expenses can relate to the construction of a new building structure, expansion or upgrade of existing building structures, by the purchase of movable goods or by the purchase or installation or upgrade of technical structures), b. the purchase of the all assets (buildings, machinery and other equipment), related to a production facility provided that a number of conditions specified in the law are met, c. investment expenses or costs related to the acquisition of intangible goods and d. payment of salaries of the business's employees.

It is to be noted however that costs for the purchase of the land in which the building structure is going to be constructed or renovated are not covered by the aids. Similarly, in the case of the purchase of an existing building structure, the value of the land not going to be covered as a cost by the State. Also, operational costs of the business and costs for the purchase of cars (up to 6 seats) or office equipment and furniture (unless they are necessary as hotel equipment) are exempted from the law.

### **Who can apply**

Only companies that are established in Greece or they operate a branch office in Greece are qualified. More specifically, the following companies can apply: a. Sole traders, b. Commercial companies (companies under formation or under merger are also qualified provided that they have completed the publication procedure for the incorporation or the merger prior to the launch of the investment project), c. Cooperatives and social cooperatives companies, d. Joint ventures only if they have General Electronic Commercial Registry (GEMI), e. Public and municipal

companies subject to certain conditions listed in the law.

### **Procedure**

In order to participate to the tender for subsidies, the participant must submit an application as well as all related documents through the State electronic system. It seems that the whole procedure involves two mandatory steps. First, the participant must apply electronically and then he must submit his investment project and all related documents.

The evaluation of the investment project includes several steps. The steps are the following:

- a. The authorities examine whether the application is complete and if all documents and information has been given by the participant.
  - b. The authorities then examine if the application is in accordance with the law and whether necessary equity and financing is available.
  - c. The third step of the evaluation is when the authorities evaluate the investment project and the reasonability of the expenses thereof that can be subsidized, as well as the viability of the investment project.
  - d. The last step is when the authorities rank the applications on the basis of a comparative table of all applicants. Applicants can raise objections against the ranking table. Some of the criteria of the evaluation are the following:
    - Liquidity of the investor before the investment (only with regard to existing companies)
    - Financial feasibility analysis of the investor after the investment
    - Increase of employment positions and particularly of specialized staff (if the investment creates new employment positions)
    - Available own funds (if financing is not opted).
- Characteristics of the investor and the investment project (ex. exploitation of buildings that have not been used for a long time).

