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GREECE**  
Invest & Trade

# The New Investment Incentives Law

*Law 4399/2016*

*July 2016*

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# The New Development Law was voted

The Law 4399/2016 aims to generate more than EUR 11 billion in private investment by 2023.

- **The main goals of the New Development Law are to:**

- ✓ stimulate “extroversion” and innovation
- ✓ create new jobs
- ✓ utilize the country’s human resources with emphasis on the employment of skilled human capital to reverse the migration of young Greek scientists
- ✓ encourage the production of high added value products and services
- ✓ improve the technological level and competitiveness of enterprises & achieve smart specialization
- ✓ develop networks, synergies, cooperative initiatives and generally support the social economy
- ✓ encourage mergers
- ✓ strengthen through reform and intervention healthy and specialized entrepreneurship with an emphasis on small and medium-sized enterprises (SMEs)
- ✓ re-industrialize the country and reduce the ecological footprint.

# What is the scope of an Eligible Investment plan?

## **An investment plan should address any of the following:**

- ✓ Creation of a new business unit;
- ✓ Expanding the capacity of an existing business unit;
- ✓ Transformation of a business unit by provisioning products or services that previously were not provided if the investment plan budget exceeds at least 200% of the book value of the transformed assets in the fiscal year before the investment plan commenced;
- ✓ Fundamental change in the overall production process of an existing business unit, and
- ✓ Purchase of all of the assets of a non-operating facility by the beneficiary (a purchase of just shares is not eligible), under specific restrictions.

# Minimum Budget of an Eligible investment plan:

The minimum budget of an eligible investment plan depends on the size of the beneficiary:

Size of Beneficiaries	Minimum Budget of Investment Plan (Euro)
Large Enterprises	500.000
Medium enterprises, cooperatives and business clusters	250.000
Small enterprises	150.000
Very small enterprises	100.000
Social cooperative enterprises	50.000

# Financial Structure of an Eligible Investment Plan:

Beneficiaries must contribute **capital** to the investment plan equal to at least 25% of the eligible investment cost. The contribution must be in the following forms:

- share capital increase
- capitalization of existing taxed reserves.

The remaining investment amount, apart from the state aid contribution, may be obtained by a **bank loan** or a **bond loan** with a term of at least three years.



# The submission process of an Investment plan:

The application process for the investment plans is the following:

- for investment plans up to 3 mil Euro which are implemented in a single Region the application is submitted to the Regional Directorate of Development and Planning,
- investment plans with value above 3 mil Euro, which are implemented at the Region of Western and Central Macedonia and Eastern Macedonia and Thrace are submitted at the Directorate of Peripheral Development Policy of the Ministry of Interior and Administrative Reconstruction.
- all the other investment plans are submitted to the General Directorate of Private Investments of the Ministry of Economy, Development and Tourism.

# Forms & Percentages of State aid:

## Aid schemes:

- 1) Tax exemptions
- 2) Cash grants
- 3) Leasing subsidies
- 4) Wage costs subsidy
- 5) Stable corporate tax rate for 12 years
- 6) Financing of business risk through loans or equity
- 7) Fast track licensing

## State Aid percentages :

The amount of state aid depends on various factors, such as:

- the location of the investment,
- the size of the beneficiary,
- the type of investment and,
- the relevant state aid scheme.

The amount of state aid for regional development ranges from 10% to 45% of expenditure, while the state aid for specific types of expenditure (start-up costs, consulting costs, innovation costs, etc.) can reach 80% of expenditure.

The total amount of state aid for each single investment plan is limited to EUR 5 million. State aid provided is limited to EUR 10 million for each single beneficiary and up to EUR 20 million for a group of companies, subject to the restrictions.

*Percentages depend on the size of the company and the Region of the country in which the project will be implemented.*

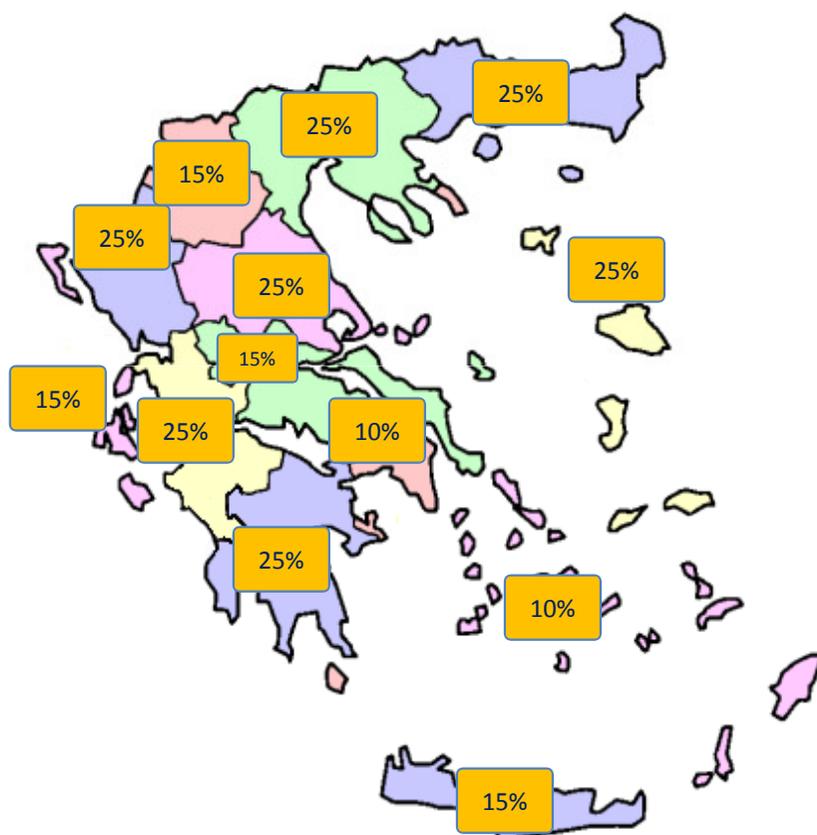
*All aid schemes are provided individually or in combination and they are calculated cumulatively for the determination of the total aid*

# Percentages of State aid per Prefecture

AREA OF ESTABLISHMENT	COMPANY SIZE*		
	BIG	MEDIUM	SMALL
<b>PREFECTURE</b>			
EASTERN MACEDONIA AND THRACE	25%	35%	45%
CENTRAL MACEDONIA	25%	35%	45%
THESSALY	25%	35%	45%
EPIRUS	25%	35%	45%
WESTERN GREECE	25%	35%	45%
PELOPONNESE	25%	35%	45%
NORTH AEGEAN	25%	35%	45%
WESTERN MACEDONIA	15%	25%	35%
IONIAN ISLANDS	15%	25%	35%
CRETE	15%	25%	35%
CENTRAL GREECE – EVRITANIA	15%	25%	35%
CENTRAL GREECE (EXCEPT FOR EVRITANIA)	10%	20%	30%
ATTICA	10%	20%	30%
SOUTH AEGEAN	10%	20%	30%

\* According to **COMMISSION RECOMMENDATION of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises, (notified under document number C(2003) 1422)**

# Percentages set at Prefectural level



The **map** on the left shows the percentage for **large enterprises**. This percentage is 10% higher for medium size companies and 20% higher for small size companies.

# Forms & Percentages of State aid:

## TAX EXEMPTION

The beneficiary is entitled to a tax exemption after an audit and approval of the implementation of 50% of the budget for the investment plan and the beneficiary has made its entire own capital contribution. The beneficiary can utilize the full tax exemption over 15 years from the fiscal year of the entitlement, with the following restrictions:

- The annual tax exemption cannot exceed 20% of the total approved tax exemption, except where the beneficiary was unable to fully use tax exemptions during previous fiscal years because of a lack of sufficient taxable profits. In that case, the remaining tax exemption from previous years will be added to the annual tax exemption.
- The tax exemption cannot exceed 50% of the overall tax exemption before the project is completed.

The amount of the tax exemption that corresponds to equipment procured through leasing will be calculated on an annual basis as part of the value of the equipment included in the leasing of the equipment.

# Forms & Percentages of State aid:

## CASH GRANT

A beneficiary will be entitled to a cash grant equal to 50% of the total approved grant following the audit and approval of implementation of 50% of the investment plan budget and if the beneficiary has made its full capital contribution. The remaining 50% will be provided when the investment plan is completed and productive operations commence.

The cash grant will not be deducted from the investment costs in calculating the taxable profits of the beneficiary.

The cash grant will be paid directly to the bank account of the beneficiary through electronic means. The grant cannot be made to a third party, except to a bank that provided an equivalent amount via a short-term loan so the investment could be made.

# Forms & Percentages of State aid:

## LEASING SUBSIDY

The first payment of the leasing subsidy will be made after the state auditors certify that all of the leased equipment has been installed according to the lease agreement.

The leasing subsidy will be paid every six months following the payment of the lease installments by the beneficiary. The subsidy may not exceed 60% of the approved amount before the completion of the investment plan and the commencement of productive operations.

The leasing subsidy will not be deducted from the investment cost in calculating the taxable profits of the beneficiary.

## WAGE SUBSIDY

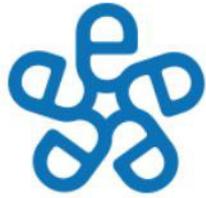
The payment of the subsidy will commence after the state auditors certify that the relevant new employment has been created.

The subsidy will be paid every six months following the payment of the relevant salary costs by the beneficiary in accordance with approved state aid rates, and up to 60% of the approved amount before the completion of the investment plan and the commencement of productive operations.

# Total budget of the Investment Law:

According to the impact analysis submitted to Parliament, the initial budget of the development law will provide:

- EUR 480 million in the form of cash grants and subsidies during the period 2016-2022
- More than EUR 3 billion in tax exemptions until 2031



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