

# Greece: Choosing the most efficient structure

By PRIVEL Partners



## Key elements that will lead to an optimal decision.

Choosing an optimal business structure involve careful consideration of various elements that align with the specific needs and strategic goals of an organization. An organizational structure is not always the outcome of a systematic planning, and it is affected both from controllable and un-controllable factors. By admitting the fact that we cannot control all the factors such as political and economic stability of a country or specific geopolitical factors that may affect a Group's operations, we choose to analyze what we can affect.

Companies may wish to design a group structure to facilitate expansion, M&A activities or to diversify their business activities into several subsidiaries to achieve a risk differentiation. As part of their overall business strategy, they may wish to establish subsidiaries in different regions to reach local markets achieving a greater geographical reach. Another factor that affects an efficient choice is deciding whether to centralize operations under a single entity or decentralize into multiple legal entities for operational efficiency. Moreover, creating specialized subsidiaries with focus on specific business functions while at the same time managing operational risks by segregating high-risk activities into separate entities can add some points on operational efficiency and liability management by protecting the Parent entity from certain risks.

## Are there any other factors that can affect a choice?

The answer is obviously positive. Nowadays, **technological infrastructure** plays a key role for decision makers. Companies wish to distinguish R&D activities through separate legal entities in order to take advantage both from certain tax and development incentives but also structuring those activities will further foster innovation and manage research and development activities in a better way.

Moreover, **succession planning and continuity** was always affecting a desired structure especially in family-owned businesses. Managing ownership and control transitions to ensure continuity often affects the desired structure and in combination with estate planning can lead to an optimal structure for family-owned businesses.

In addition, **financial considerations** can lead to specific structures to facilitate capital raising through equity or debt and can also lead to a structure that will manage costs effectively maximizing the profitability of an organization.

Finally, there are cultural and social factors that can affect a decision maker especially in times where corporate social responsibility (CSR) is on the top of the agenda for C-level executives.

Balancing the above factors in combination with cross-border compliance issues and tax regulations in different jurisdictions can lead to an optimal decision. As tax laws and other legal requirements influence the formation of holding companies, subsidiaries, and special purpose entities **WE**, at **Privel Partners**, are here to help you create a robust and adaptable corporate structure that suits your business goals. For more information, please address your request at [asagianni@privelpartners.com](mailto:asagianni@privelpartners.com)

## **Main legal entity types in Greece**

### **1. Public Limited Company (AE or SA) copied from the French type Société Anonyme (SA)**

**Ownership & Liability:** Owned by shareholders who can freely transfer their shares. Shareholders' liability is limited to their share capital.

**Formation & Taxation:** Requires a notarial deed, a minimum share capital of 25.000,00 Euro and registration with the General Commercial Registry (GEMI). It is the only type of legal entity that can be listed. Subject to corporate tax on profits.

### **2. Limited Liability Company ( EPE or Ltd)**

**Ownership & Liability:** Can be formed by one or more individuals or legal entities. Shareholders' liability is limited to their capital contributions.

**Formation & Taxation:** Requires a notarial deed unless the founding partners choose to use the "standard articles of association" provided for in article 9 of Law 4441/2016 and only if the exclusive content thereof as described in the relevant decision of the Minister of Economy and Development, is followed faithfully and without any deviation.

It also requires registration with the General Commercial Registry (GEMI). The company has no minimum capital requirements, and it is subject to corporate tax on profits.

### **3. Private Company (IKE or PC)**

**Ownership & Liability:** Can be formed by one or more individuals or legal entities. Shareholders' liability is limited to their capital contributions.

**Formation & Taxation:** Easy to establish, the company has no minimum capital requirements and requires a registration with the General Commercial Registry (GEMI). Subject to corporate tax on profits

### **4. Branch of a Foreign Company**

**Ownership & Liability:** Established by a foreign company to conduct business in Greece. Foreign branches need a legal representative in Greece. The parent company is liable for the branch's activities and liabilities for the representatives in Greece are the same with those of the members of a board of directors at an SA.

**Formation & Taxation:** Requires registration with GEMI and compliance with local rules. Subject to corporate tax on profits in Greece.

## 5. Sole Proprietorship

**Ownership & Liability:** Owned and managed by a single individual. The owner has unlimited liability, meaning that personal assets can be used to cover business debts.

**Formation & Taxation:** Simple to establish. Profits are taxed as personal income with a progressive tax rate scheme. It is used mainly by freelancers.

## 6. General Partnership (OE)

**Ownership & Liability:** Owned by two or more partners who manage the business jointly. The partners are jointly and unlimited liable for the business's debts. It should be noted that all partners are considered as "traders" therefore they have an obligation to be social security registered.

**Formation & Taxation:** Requires a partnership agreement. Profits are distributed among the partners and are taxed as personal income.

## 7. Limited Partnership (EE)

**Ownership & Liability:** Consists of at least one general partner with unlimited liability and one or more limited partners with liability restricted to their capital contribution. General partners have unlimited liability; limited partners have liability only up to their investment. Limited liability partners are unable to be administrators.

**Formation & Taxation:** Requires a partnership agreement. Profits are distributed among the partners and are taxed as personal income.

For more information regarding the main type of legal entities or other special types of legal entities, please contact us at [cfo@privelpartners.com](mailto:cfo@privelpartners.com)

