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Greece: Trends & Developments

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Trends and Developments

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Machas & Partners

Machas & Partners is rewriting the model for a full-service law firm in Greece, serving its clients locally according to international standards and in compliance with the sector's globally acknowledged best practices. The firm's practice is focused on serving both corporate and private clients in the broad spectrum of their legal affairs. Corporate clients are provided with specialised advisory and top-notch representation while private clients benefit from extensive experience in handling complex disputes and

from the firm's expertise in servicing the needs of HNW individuals. Machas & Partner's core purpose is to become an agent for change in the Greek legal community, providing its clients with the service they deserve, in terms of quality and timing, and creating true and measurable value for them through its legal advice and insight. The firm strives to grow by enhancing the prospects and the impact of the matters it handles on behalf of its clients.

Authors



Eleanna Karvouni is a senior associate at Machas & Partners focused on real estate legal practice, advising in a wide range of real estate transactions. With long track record of

successfully supporting banks and funds in the management of their portfolios and to key-investors in their projects, Eleanna is an experienced lawyer and is proven to be an ally and valued partner for her clients' ventures. She offers comprehensive high-end legal advice. Currently Eleanna's work focuses on the firm's large-scale real estate projects, such as the Ellinikon, which is the largest urban development project in the history of modern Greece.



Ioannis Charalampopoulos specialises in corporate and financial law and advises in a wide range of corporate and finance transactions. He particularly focuses on complex

cross-border transactions and bond loan agreements, as well as project finance transactions. He also has a particular interest in innovative startups and collective investment schemes, providing comprehensive legal advice in the structuring of venture capital funds and other alternative investments funds. He advises clients in connection with the acquisition of projects in Greece, regulatory and legalisation matters, issues related to financing, schemes for the upstream flow of revenue to the investors and structuring of side agreements.

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Greece: Emerging Trends and Opportunities in Europe's New Favourite

Located in a privileged position, at the intersection of three continents (Europe, Asia and Africa), Greece is a European country, member of the European Union and the Schengen area. Blessed with the Mediterranean climate and breathtaking landscapes, Greece also enjoys the heritage of a long history, and a rich culture, as well as the safety and stability of a European country.

Over the past few years, Greece has been in a path of strong economic growth, transforming into a model country in terms of resilience, performance and constructive reforms.

The Greek economy is expected to grow further this year, despite the general volatile global economic environment, exceeding the Eurozone and EU average, as it already did the previous year. Moreover, the country is expected to reach another economic milestone in September 2023: the return to investment grade.

The state has been working to that direction, implementing fiscal and bureaucratic reforms, and putting in place investment-friendly policies. Powered by a healthy banking system, the

Greek surge is also supported by the European Recovery and Resilience plan.

Investors have responded to the Greek economy's positive outlook, giving – literally – credit to this evolution. After a period of drought, investors are returning, giving an increasingly vocal vote of confidence in Greece every year.

The real estate market has been steadily improving in recent years, turning into a major pole of attraction worldwide. Tourism, energy, health, innovation and infrastructure are only some examples of the areas that also attract investors.

Below are a few indicative points of interest for parties that are looking to enhance their portfolios and would like to benefit from the positive prospects and high returns that Greece has to offer right now.

Real estate

Greek real estate is booming, evolving in to a magnet for foreign investments. In 2022 alone, Greece saw almost USD2 billion in foreign real estate investment.

Greek real estate offers the opportunity for investments of various sizes, including opportunities for individual investors and big-ticket investments. It represents a low risk while, at the same time, providing the benefit of high yields and big returns. Prices have been constantly rising since the end of the Greek debt crisis, but have not yet reached pre-crisis levels. They also remain significantly lower compared to other European countries.

The digitalisation of the cadastral registries' archives and services, recent changes and upcoming amendments in coastline and forestry legislation and the modernization of the urban planning regulatory framework are examples of policies that are adopted in order to create a secure and advantageous context for investments in this area. Moreover, reductions to the property tax, a VAT suspension for new properties sold by the developers and the suspension of capital gains tax for individuals are illustrations of the state's support in favour of further development for this sector.

A very recent decision issued by the Independent Authority for Public Revenue (Administrative Decision A.1089/2023) has resolved the controversies concerning the special real estate tax provisions of Law 3091/2002 (the "Law"). This decision settles the exemption eligibility of transparent trust structures with equity participation in real estate companies, allowing them to be exempted from the special real estate tax (of 15% on the property's tax value) by determining the requisite documentation for the applicability of the exemption. More specifically, trusts are now included in the qualifying legal entities, along with foundations, provided that the trust has been construed in accordance with, and is governed by, the laws of a jurisdiction that is not considered a non-cooperative tax jurisdic-

tion, where the establishment of the trustee shall be located as well. This decision constitutes a remarkable development, allowing estate and succession planning for sophisticated private clients maintaining investments in Greek real estate.

Tourism and hospitality

Greece boasts sunny days, endless coastlines and magical islands, as well as city-break destinations and a variety of landscapes and cultural attractions. A strong player in tourism for decades, Greece has a solid tourism infrastructure and the sector has kept the Greek economy going even in the hardest period of the crisis. Today, Greece is undeniably a top destination for both tourists and investors worldwide and looks to maintain its position by upgrading its tourism offering even further.

With the objective to strengthen the economic development of the country by providing incentives and aids to investors and by eliminating bureaucracy, the Greek State recently adopted Law 4887/2022, entitled "Development Law–Greece Strong Development" (the "Development Law").

Regarding investment in tourism, the second cycle of aid provided for under the Development Law is currently under way. The relevant scheme concerns investments in existing and new projects related to hotels, camping, glamping, traditional or preserved buildings, guesthouses and alternative forms of tourism.

The aid scheme includes tax exemptions, grants, subsidies for leasing agreements and subsidies for new employment posts. The minimum budget for investment projects depends on the type and size of the business and it can vary from EUR50,000 to EUR1 million. The type

and amount of the aid depends on the size of the business and the area in which the business plan is implemented and the maximum is of EUR20,000,000 for an individual company, or EUR30 million for affiliated companies. The provisions of the law allow various investment vehicles to be eligible for aid, with commercial companies, co-operatives, joint ventures, joint stock companies, public and municipal companies and subsidiaries of the preceding being eligible under certain conditions. Sole proprietorships can submit an application but, if approved, must take the form of a commercial company.

Eligible expenditure includes capex invested in tangible or intangible assets. As a very rough outline, the projects covered by the scheme concern the establishment, expansion or modernisation of:

- hotel units of at least four stars;
- hotel units of at least three stars that have either ceased operating or been operational for a minimum of five years, provided that, as a result of the project, they are upgraded to a category of at least four stars;
- tourist camping facilities that are, or will be, upgraded to at least three stars; or
- complex tourist accommodation and condo hotels, as defined respectively in Law No 4276/2014, and alternative forms of tourism, subject to certain conditions.

Energy

Greece is one of the most attractive countries in the world for investments in renewables. Supported by its geostrategic position and generous supply of renewable energy sources (RES), Greece is developing its infrastructure and legislation in order to become a key actor in the field. The State has shown a strong commitment to abandoning fossil fuels (in particular, lignite) and

transition to green energy. The privatisation of State companies, the liberalisation of the energy market and the development of major infrastructure projects are only some of the reasons that the Greek energy sector has seen considerable investments from major international stakeholders in recent years.

The EU-funded National Recovery and Resilience Plan provides financing through the Recovery and Resilience Facility, in synergy with Greek banks, with beneficial terms in favour of investments that accelerate the transition towards a low-carbon, circular economy and green energy. Currently under way is also the EU-funded National Strategic Reference Framework (the ΕΣΠΑ), offering aid for the green transition of SMEs located outside of Attica and the Southern Aegean.

Once activated by the necessary ministerial decision, the Green Energy pillar of the Development Law is also expected to provide incentives for investment in the circular economy and sustainable development projects, such as the adoption of technologies that contribute to environmental protection and the energy upgrading of business units, covering even consultancy services and training.

Innovation

The information and communications technology market is a growing sector in Greece. With a dynamic start-up ecosystem, fuelled by the skills and innovative spirit of the available human capital, Greece is expected to see a lot of investment flowing in, through the creation of technology hubs and data centres, digitisation activities and R&D. In recent years numerous technology giants have placed capital and created offices in Greece.

Funding from the ΕΣΠΑ and beneficial financing (RFF) are provided for investments in the digital transformation of the country. The Development Law also provides for incentives, equivalent to those mentioned in the other sectors of the economy mentioned above, under the Digital and Technological Business Transformation pillar. Once activated by the necessary ministerial decision, it is expected to support investment projects that promote digital and technological transformation, the use of “Industry 4.0” technologies and upgrades to the relevant skills of Greek manpower.

Further, there are different kinds of incentives for investments in the field, such as tax exemptions. Law 4712/2020 offers a 50% deduction from taxable income for capital contributions to start-ups that are listed in the National Start-Up Registry, to a maximum of EUR300,000 per tax year. Capital contributions can involve up to three different start-ups, to a maximum of EUR100,000 per company. This provision is directed toward angel investors: individuals who invest in dynamic innovative companies, often providing not only capital, but business consulting as well.

Investment migration and tax benefits

Capitalising on the above, or on the numerous opportunities that Greece is offering right now, comes with very significant complimentary benefits for foreign investors: an attractive non-dom tax regime for all HNW individuals who do not permanently reside in Greece and a series of investment migration programmes that cater specifically to non-EU citizens. These two schemes can also be combined to create a winning proposition for eligible investors seeking to optimise their wealth management strategies and/ or address their global mobility concerns

which have become more relevant under the current global geopolitical situation.

Greece’s non-dom tax regime provided for a favourable tax environment for HNW individuals everywhere across the globe. The basic requirement is to invest a minimum of EUR500,000 in Greece. Entering the non-dom regime, one becomes a tax resident in Greece and is liable for an annual lump-sum tax of EUR100,000, regardless of one’s income abroad. In 2023, the administration further simplified the process, establishing a more investor-friendly experience for non-dom applicants. The recent improvements include provisions such as streamlining documentation requirements and verification procedures, allowing up to three separate investments in different categories, allowing changes to investments within three years of the initial application, permitting changes after the completion of the investment and accepting different sources of funding for the amount of the investment exceeding the minimum of EUR500,000.

As for Greece’s residency-by-investment programs, they offer the opportunity to obtain residence permits and free movement in Europe by virtue of investments of different forms, including:

- a minimum of EUR250,000 invested in real estate under the Golden Visa scheme;
- a minimum of EUR400,000 invested in securities or bank deposits; and
- a minimum of EUR250,000 in an investment activity that positively impacts national development and the national economy.

The first two residence permits are permanent, provided that the investment is retained. They also offer to investors the flexibility to liquidate their investments and reinvest in different cat-

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egories while maintaining their residency status. The third scheme offers a residence permit to investors for the period required for the implementation or function of the investment.

Epilogue

The business opportunities, investor-friendly policies and the combination of investment migration programmes with a simplified non-dom tax regime, along with the gradual recognition of the international estate and succession planning structures from a tax planning perspective, position Greece as an advantageous destination for investors and HNW individuals in 2023. Greece provides investors with a legal framework to establish themselves in the country, as well as access the country's thriving markets and tax benefits. This strategic positioning can be reflected in the investors' wealth management strategies by capitalising on the diverse opportunities available for diversification and growth.

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