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Georgios Kampiotis,
PhD candidate, Department of Management Science and Technology,
University of Patras, Greece
Georgios L. Thanasas,
Assistant Professor, Department of Management Science and Technology,
University of Patras, Greece

INVESTIGATION OF BUSINESS STRUCTURES AND THEIR TAXATION IN GREECE

Businesses in Greece have the opportunity to adopt many legal structures, each with unique characteristics and conditions. Sole proprietorships are businesses owned and controlled by a single individual. However, it is important to note that the individual also assumes unlimited personal liability for all debts incurred by the business. This entity is easily formed and terminated, and the income is subject to taxation at the owner's individual tax rate.

Partnerships consist of general partnerships (General Partnership - LLC) and limited partnerships (Limited Partnership - LLC). In a general partnership, two or more partners undertake collective management duties and bear unlimited personal liability. Limited partnerships consist of general partners, who oversee the business and have unlimited liability, and limited partners, whose liability is limited to their investment and who usually do not participate in management activities. Both forms are subject to taxation according to the proportional distribution of profits between the individual partners.

Limited Liability Companies (LLCs) provide liability protection that extends only to the extent of each owner's investment. Ownership of these companies may be held by individuals or organisations and management is supervised by appointed directors. These companies are subject to corporate tax rates and their profits are distributed to shareholders in the form of dividends.

Joint Stock Companies, also known as Public Limited Companies (PLCs), are suitable for larger businesses and are able to be traded on the stock exchange.

Shareholders hold limited liability and choose a board of directors to oversee the company. These companies are subject to strict regulatory requirements, which include substantial initial capital, regular financial reporting and compliance with governance rules. Corporate entities are subject to taxation at corporate rates, while dividends are taxed at the individual shareholder level.

Greece has a wide variety of business structures that meet various business requirements, each with its own distinct legal, financial and managerial implications. Understanding the differences between these forms is essential for anyone wishing to set up a business in Greece. The main categories include sole proprietorships, partnerships, limited liability companies, general partnerships and limited liability companies, each of which offers different levels of control, liability and regulatory obligations(Ribstein, L. E, 1992).

The sole proprietorship is the most basic type of business structure in which a single individual owns and manages the business, assuming unlimited personal liability. This structure is easy to set up and efficiently managed, making it very suitable for small businesses and individual entrepreneurs(Burns, P, 2022). In Greece, partnerships come in various forms, including general partnerships (General Partnership - O.E.) and limited partnerships (Limited Partnership - E.E.). In a general partnership, all partners bear the same responsibility and obligation. In contrast, limited partnerships consist of general partners who have unlimited liability and limited partners whose liability is limited to their investment. This structure ensures a balance between risk and capital contribution(Freedman, J, 2000).

Private Equity Companies (PEs) and limited partnerships provide owners with protection from personal liability extending beyond their investment. These structures are particularly suitable for medium-sized organisations because of their more complex nature. These entities require formal registration and compliance with corporate regulations, providing flexibility in both management and operations(Griffith, S. J, 2015). Joint stock companies, also known as an incorporated entity (A.E.), are specifically structured to accommodate larger businesses and facilitate trading of shares on the public market. Shareholders are only responsible for the amount of shares they own and these companies are required to follow strict regulations, which include having substantial capital and providing regular financial information(Baums, T., & Scott, K. E, 2005).

TAXATION OF LEGAL ENTITIES IN GREECE

Business taxation in Greece depends on the exact business structure, with separate regulations and rates applying to sole proprietorships, partnerships, limited liability companies and joint stock companies. Understanding these differences is vital for complying with the regulations and achieving effective financial planning.

Individual ownership. In Greece, sole proprietorships are subject to taxation at the individual's personal income tax rate. Income earned by the business is considered individual income and is subject to progressive tax rates, which can range from 9% to 44%. Sole proprietorships are required to pay social security contributions, which form a significant part of their overall tax liability. In addition, they are required to collect and submit Value Added Tax (VAT) if their annual revenue exceeds a certain threshold(Satterthwaite, E. A, 2017).

Partnerships. Partnerships, such as general partnerships (General Partnership - LLC) and limited partnerships (Limited Partnership - LLC), are usually subject to taxation at the individual level. Profits are distributed among the partners according to the terms of the partnership agreement and are subject to personal income tax. Each partner individually reports his/her share of the profits in his/her own tax return, which is then subject to the progressive tax rates. Partnerships must also complete the registration process for Value Added Tax (VAT) and are responsible for paying social security contributions for each partner(Mineva, D., & Stefanov, R, 2018).

Establishment of limited liability companies. Corporate income tax applies to Limited Liability Companies (I.K.E.) in Greece. The current corporate tax rate is 22% from 2023. Dividends issued to shareholders as profits are subject to an additional 5% tax rate. I.K.E. companies are required to pay social security contributions on behalf of their employees and are also liable to pay VAT if their commercial activities include taxable services and goods(Beretta, G, 2018).

Limited liability companies. Limited Liability Companies (E.P.E.) share similarities with I.K.E. companies in terms of taxation. In addition, they are subject to the corporate tax rate of 22%, and dividends distributed are subject to a 5% withholding tax. Entities classified as an E.P.E. are liable for both employee social security contributions and VAT taxes(Jansen van Rensburg, J. P, 2016).

Public limited liability companies. Public Limited Companies (A.E.) are subject to stricter tax requirements. Both corporations and dividends are subject to a flat corporate income tax rate of 22%, while dividends are additionally taxed at a rate of 5%. These companies must comply with comprehensive financial reporting and auditing criteria. Employers are required to pay social security contributions on behalf of their employees and must also register for Value Added Tax (VAT). In addition, companies of limited liability companies are required to pay capital gains tax when they raise capital(Callison, J. W, 2000).

Overview of tax considerations. Every corporate entity in Greece is required to comply with VAT legislation, which imposes a standard rate of 24%. However, there are reduced rates that apply to certain goods and services. In addition, businesses are required to comply with annual reporting obligations and maintain accurate financial documentation. Failure to comply with tax rules can lead to fines and penalties, so it is important for businesses to keep abreast of current legislation and obtain competent tax guidance where necessary(Doran, M, 2009).

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