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The Greek economy is currently in distress. In order for such status to be reversed, numerous, fundamental or targeted, measures need to be taken by the Greek Government.

A Fiscal Stimulus Package—

PROPOSED MEASURES

In the field of taxation, such measures should favor entrepreneurship, competitiveness and development, combating at the same time tax evasion and bureaucracy.

The following few examples of recent tax developments in the international tax field, which were mainly adopted to address the global financial crisis, could serve as a benchmark in the current and future decision making process of Greek tax authorities:

■ **Global Tax Cooperation** Greece has to closely follow the international progress achieved in the realization of cooperation between tax authorities: this will assist the country in improving its internal tax audit performance and furthermore in regaining the lost trust of its foreign partners.

■ **Tax Certainty** Pursuant to an EU study, foreign venture capitalists (VC) are hesitant to proceed with investments in other EU member states mainly due to the ambiguity of whether the Manager of the VC fund creates a permanent establishment in the foreign country where the investment, as well as the Manager, are located; in order to offer even the least of certainty required for investments, Greek tax authorities can take the lead and confirm, as proposed by the study, that no permanent es-


tablishment is created in the above case.

■ **Debt waivers** The Greek market is in need of an exemption from corporate income tax of any income arising at the level of the debtor from a (distressed) debt waiver, at least when such waiver takes place within the framework of a wider debt or corporate restructuring (Luxemburg is a good example of a detailed and favorable tax system of debt restructurings).

■ **Interest Deductibility** Following the example of Germany, Greece needs to temporarily mitigate limitations on interest deduction, such as the thin capitalization provisions in order to attract foreign funds, which would finance corporate activities in Greece; it is worthwhile to mention that a very interesting discussion is currently ongoing at an international level in respect of corporate taxation and financing neutrality (see Hemmelgarn and

Nicodeme or Devereux and de Mooij).

■ **Tax Losses** The current system of tax losses has to become more business friendly, first by remaining immune from any merger or wider corporate reorganization (a related promise has been given by the Government by virtue of the 2011 budget bill) and second by extending the five years period within which Greek companies are entitled to carry forward losses

■ **VAT and Other Reductions:** As per the proposals of the European Economic Recovery Plan (COM(2008) 800) and following the UK example, temporary reductions in the level of the standard rate of VAT can be introduced as a means of supporting consumption; this proposal should not be conceived as unrealistic due to existing budgetary constraints, since there are strong indications that recent increases to the VAT rate in Greece have not resulted to the expected increases in State revenues; tax reductions should also be introduced for energy efficient investments. Any tax measure shall not aggravate the already existing crisis; it shall form the fiscal part of a wider stimulus package to foster the economy and give boost to development and growth, which is the only way forward, irrespective of the future developments to the Greek State debt crisis. 

**MEASURES SHOULD FAVOR
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