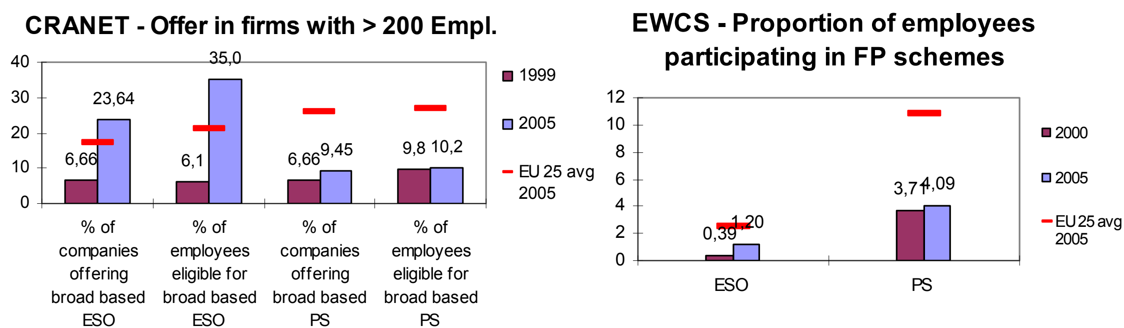
IX. Greece

The first tax incentives for employee financial participation plans were introduced as early as 1974. Legislation broadened tax incentives in 1980 and 1987. Currently in place are special regulatory laws and tax incentives covering cash-based profit-sharing, employee share ownership and certain types of stock option plans. Although employee financial participation plans are still not widespread, they have been on the increase since the beginning of the current decade, especially executive stock option plans. Thirteen percent of companies listed on the Athens Stock Exchange offered stock option plans in 2007, mainly to executives. 30,000 persons (1.8 per cent of employees) participated in these plans (Ioannou, 2008).



The EU High Level Group of Independent Experts (European Commission, 2003a, p. 32). found that the limited spread of employee financial participation plans, despite tax incentives, was attributable to the complexity and restrictions of the regulations. Tax incentives are indeed restricted to joint-stock companies (anonimes etairies). However, the number of such companies in Greece is quite high (16,767 companies in 2007), with the majority of them being SMEs. The complexity of the regulations arises from the fact that the provisions on tax incentives are dispersed through many different pieces of legislation. Another important factor inhibiting the spread of employee financial participation is the reluctant attitude of social partners at the company level, although social partners at the national level view the issue more positively.

1. General Attitude

The government generally supports PEPPER schemes by initiating and implementing tax incentives for specific types of plans. Employer associations were not initially interested in employee financial participation. Trade unions (that is, the General Confederation of

Greek Workers and public sector unions), originally strongly opposed, have accepted financial participation since the beginning of the 1990s. Attitudes of both social partners have become more favourable since the beginning of the present decade. Facilitation of PEPPER schemes has been on the national collective bargaining agenda. In the current round of collective bargaining (2008), both social partners made facilitation of employee financial partnership an issue to be included in the agreement. However, this agreement requires government ratification to become applicable at the company level.

2. Legal and Fiscal Framework

Special legislation, including tax incentives, exists for cash-based profit-sharing, employee share ownership and stock option plans.

a) Share Ownership

Both share ownership and stock option plans enjoy tax incentives under certain conditions.

Share Ownership Plans – Since 1987, joint-stock companies have been allowed to acquire their own shares in order to distribute them to employees. If these shares are purchased on the public market, up to 10 per cent of equity capital can be distributed; the distribution must be made within 12 months. If the shares for distribution are to be issued in the course of a capital increase, up to 20 per cent of the annual profit can be distributed; the shares must be blocked for three years unless the general meeting provides otherwise. If these pre-conditions are satisfied, the employee is not subject to either personal income tax or social security contributions on the benefit, but is liable to the tax on movable assets (10 per cent) on dividend or interest payments. The employer company can deduct the distributed amount from the tax base of the corporate income tax. According to the Circular of the Ministry of Finance of 2000, gift tax applies to the employee's benefit rather than personal income tax. When the shares are sold, only the transfer tax is applicable; companies often offer shares to employees at a reduced price in order to overcome opposition to privatisation.

Stock Option Plans – Stock Option Plans are divided into qualified plans under the Law 2971/1999 and non-qualified plans under the Presidential Decree 30/1988. In qualified plans, the shares to satisfy the claims of option owners at exercise are issued in a qualified capital increase whereby the number of shares should not exceed one tenth of shares already outstanding. In such plans, employees are not subject to taxation at grant or exercise or liable for social security contributions; the employer company, however, cannot deduct the cost of the shares. In non-qualified plans, shares to satisfy the claims of option owners at exercise are purchased on the public market. Under these plans, employees are generally subject to personal income tax and social security contributions, but the local tax office can levy a gift tax instead of the personal income tax if 'the benefit derived exceeded the proper measure'. The employer company can deduct the value of distributed shares as personnel costs. Because there has been a substantial increase in the number of executive

stock option plans since the year 2000 and the benefit of the executives usually exceeded 50 per cent, the government is considering much higher tax rates (40 per cent) in such cases.

b) Profit-Sharing

Profit-sharing plans are predominantly cash-based and linked to tax incentives. The company is allowed to distribute 15 per cent of annual net profits to employees. Each employee can receive up to 25 per cent of annual gross salary as his profit share. The company must submit a list of beneficiaries, with amounts payable to each individual employee, to the workers' council within one month of approval by the general meeting. However, it must be noted that only a small number of companies have workers' councils; when they exist, they must be informed, but their approval is not required. In practice, no case is known where this pre-condition became a problem. If these pre-conditions are met, the employee is exempt from income tax, but subject to social security contributions on the profit share amount. Profit-sharing distributions are exempt from the corporate income tax, but social security contributions are not.

c) Participation in Decision-Making

There is no direct connection between participation in decision-making and financial participation of employees. In particular, financial participation plans cannot extend existing rights with regard to participation in decision-making. The employees in the 'socialised sector' (for example, public utilities and transport), where two levels of employee representation are compulsory for companies under state control (representative assembly of social control setting broad policy objectives: one third employees, one third board of directors, one third elected by employees) might have influenced the introduction and design of financial participation plans but did not choose to do so.