



*Hellenic Federation of Enterprises*

## **Game changers to encourage investments**

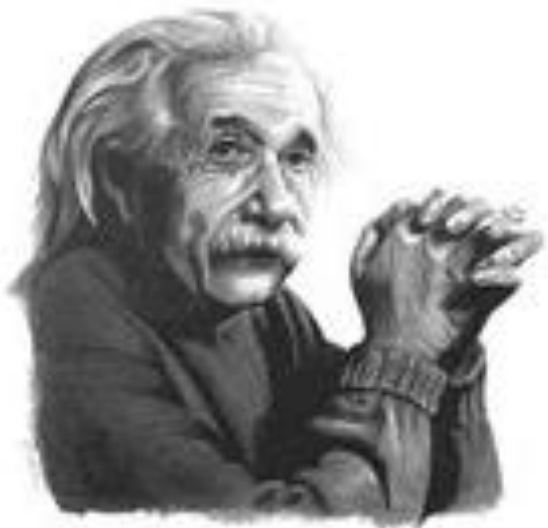
***Dr George Xirogiannis***

***Director***

***Industrial Policy***

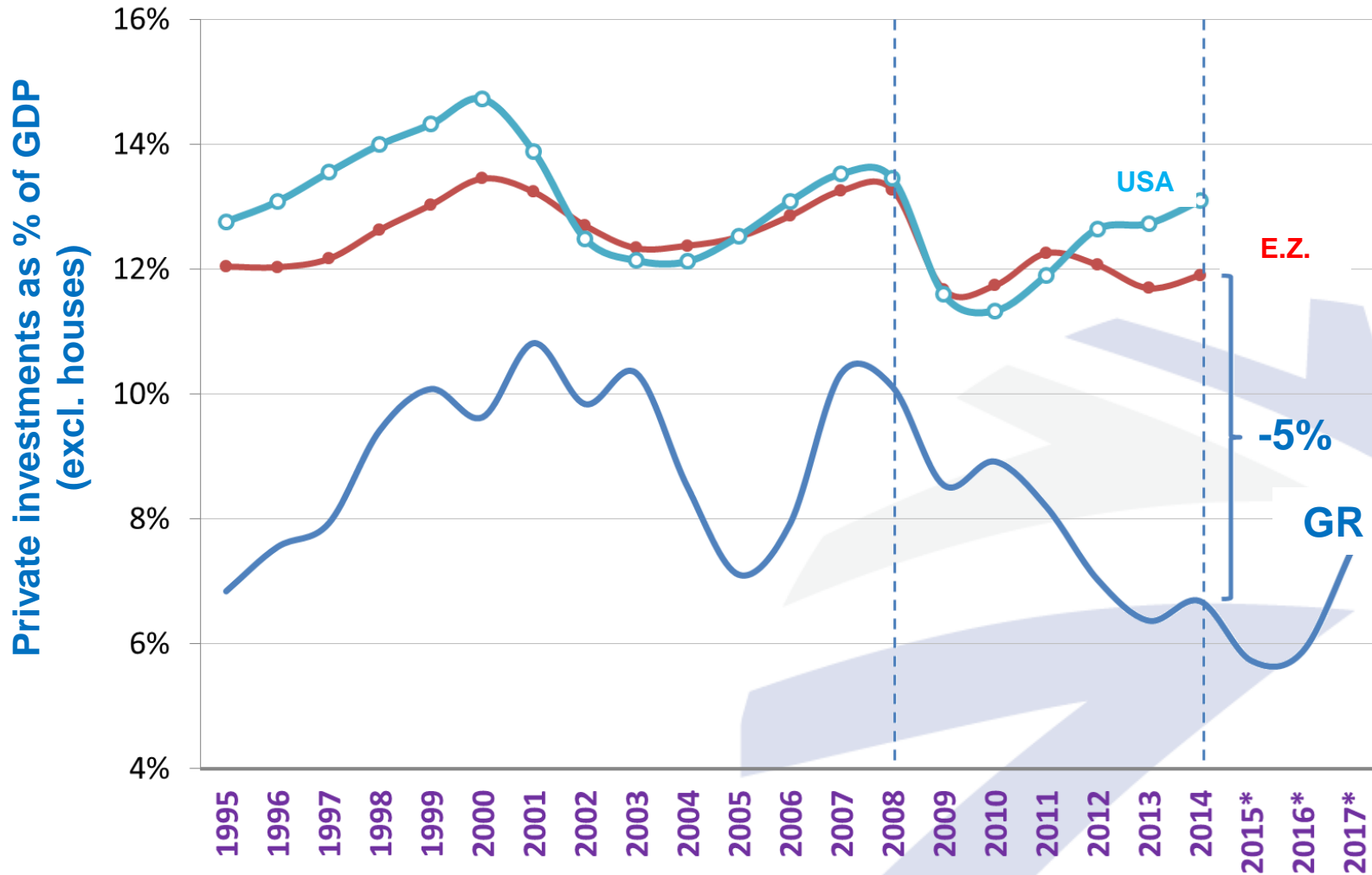
***26/2/16***



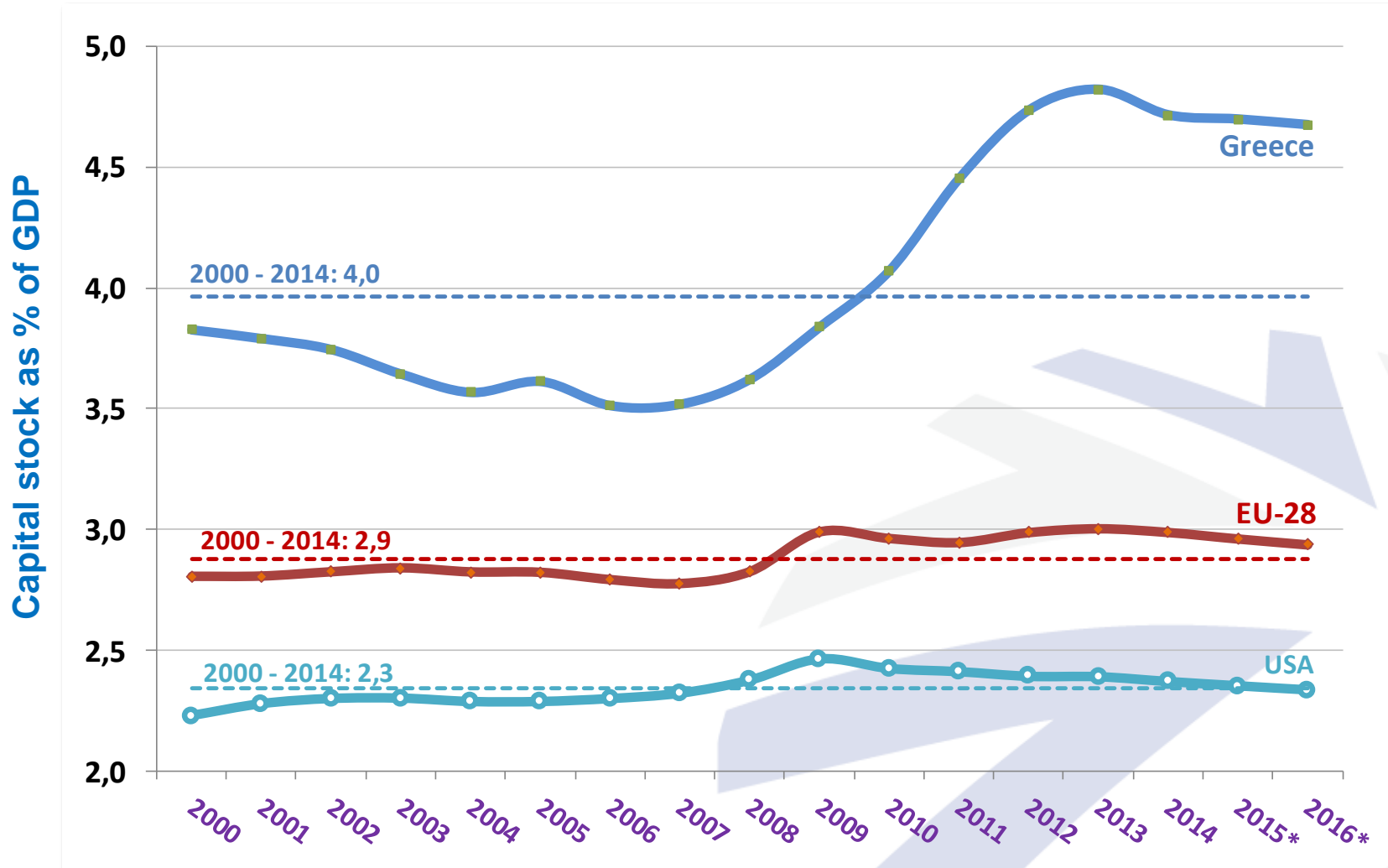


**Insanity  
doing the same thing over  
and over again and  
expecting different results**

**Far behind EU investments**

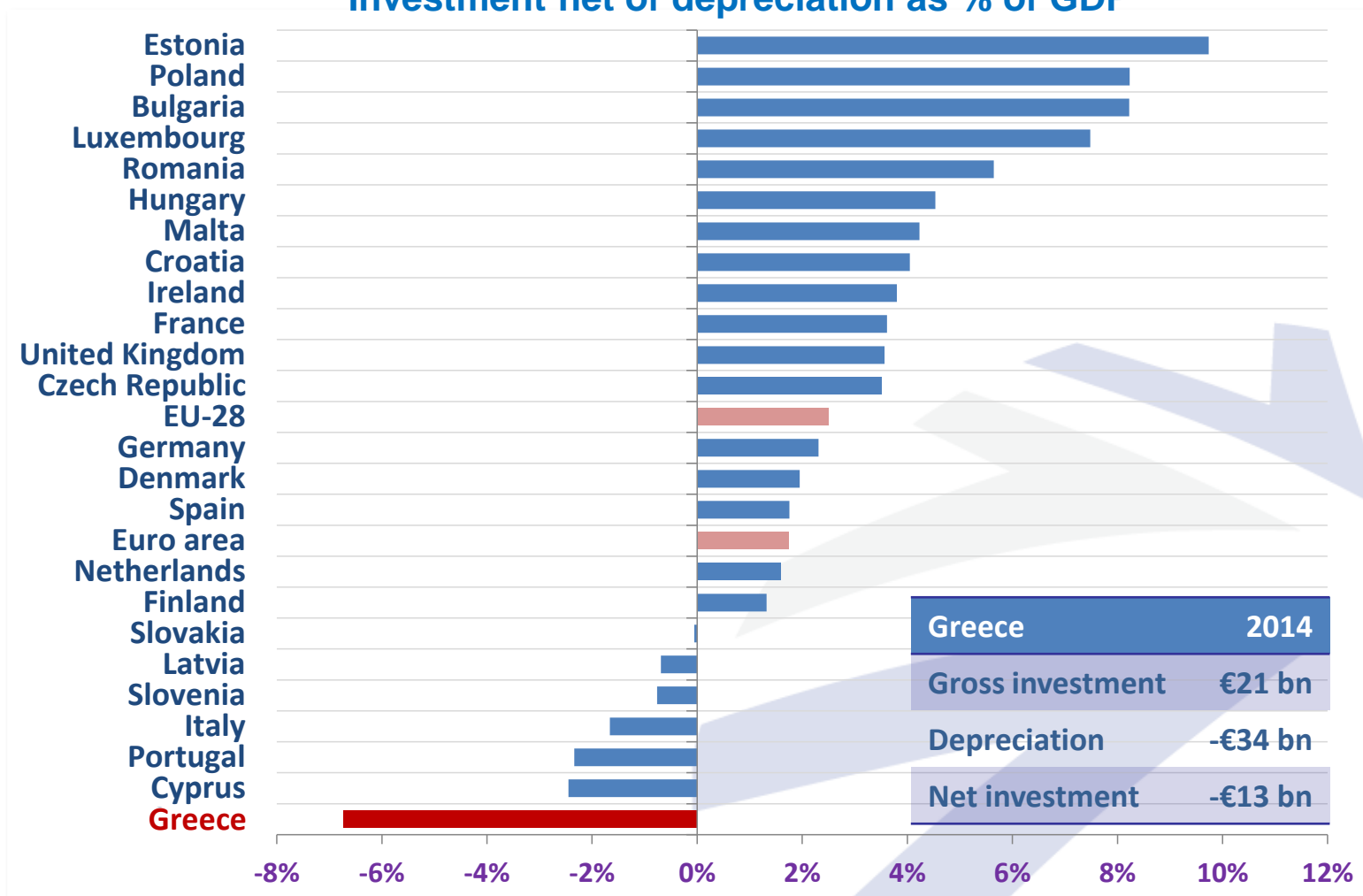


## Low-value investments



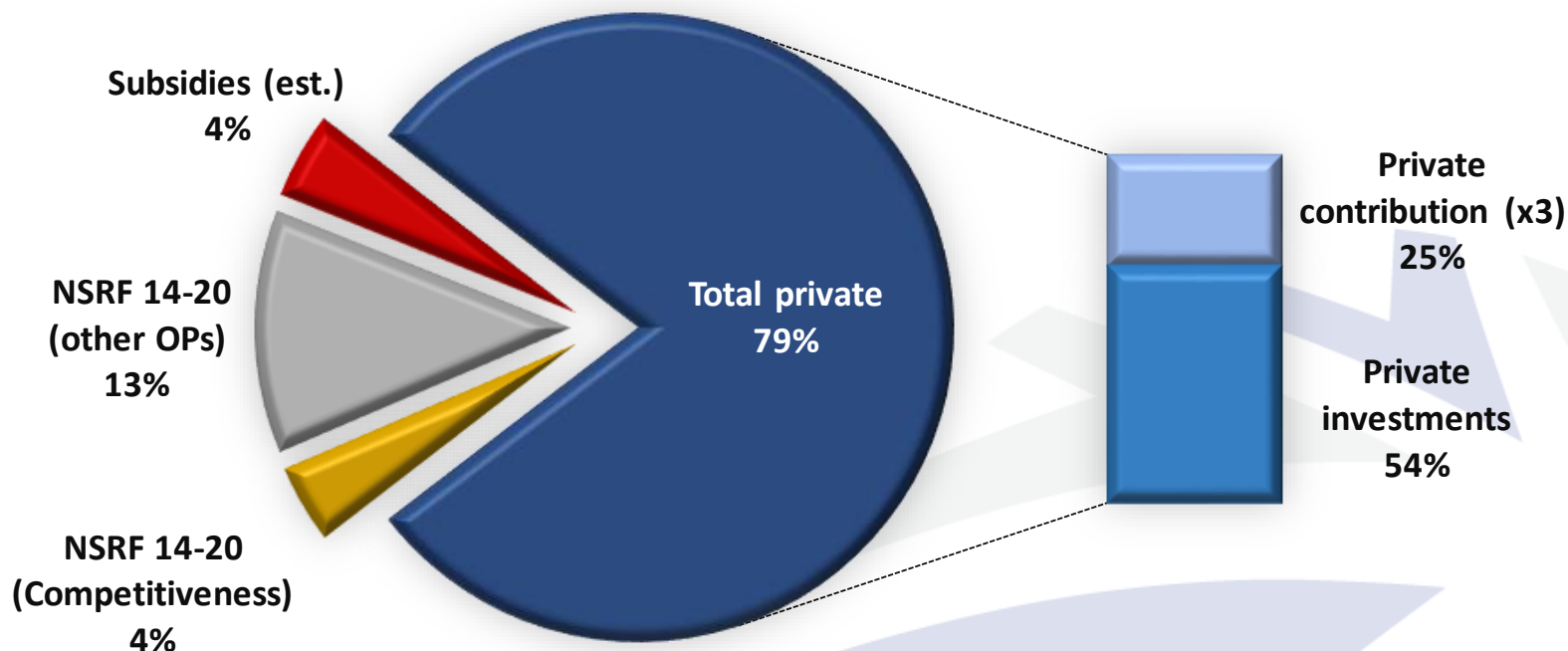
## Investment does not cover capital replacement needs

### Investment net of depreciation as % of GDP



**7Y investment needs at €90bn**

**FINANCING THE INVESTMENT GAP**

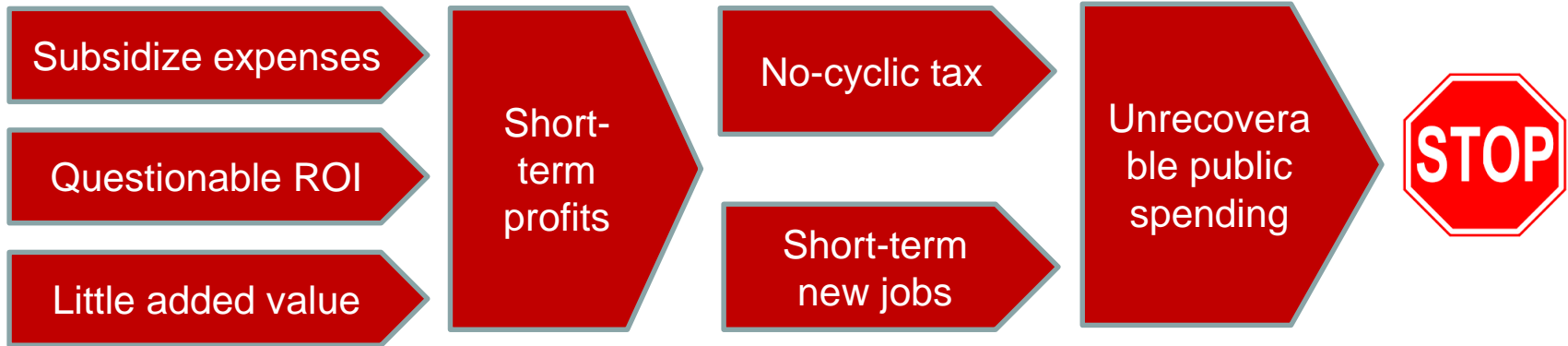


**Limited public funding,  
79% private funds**



**Mid & large private investments seems  
the only way to expedite growth**

The past



The future



**1<sup>st</sup> recommendation:** Link capex to financial efficiency and shifts focus from expenses to results

## Benchmarking

### Subsidies to support growth 1982-2010

Incentives laws	Investment budget	Subsidy	New jobs	Subsidy / new job	Subsidy / Inv. Budget
L.1262/82	2.281.654.836 €	785.493.063 €	92.799	8.464 €	34,4%
L.1892/90	3.732.854.770 €	1.454.156.201 €	39.676	36.651 €	39,0%
L.2601/98	2.556.984.522 €	847.614.123 €	19.239	44.057 €	33,1%
L.3299/04	3.077.551.695 €	1.308.177.956 €	8.492	154.048 €	42,5%
<b>Total</b>	<b>11.649.045.823</b>	<b>4.395.441.343</b>	<b>160.206</b>	<b>27.436 €</b>	<b>37,7%</b>

Grants have commonly failed to link subsidies to financial returns and business excellence.

Employment through subsidies has proved to be an expensive exercise and with limited life span.

Source: Grant Thornton, Petrakos, *et al*

## Horizontal incentives

- Transferable tax credits, build from accelerated depreciations (200%)
- Credits materialize upon profits **only** !
- Re-invested profits: 20% tax reduction provided the use of new assets for >50% of EoL period.



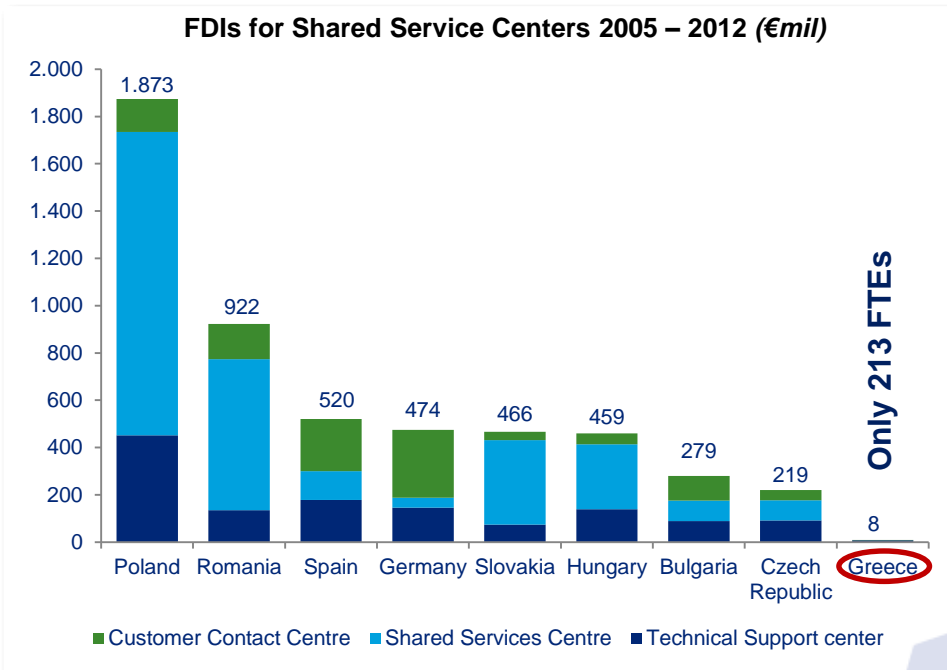
**2<sup>nd</sup> recommendation:** Offer competitive tax rates for anchor investments. Greece can only become attractive through tax stability, competitive rates and reduced bureaucracy.

## Horizontal incentives effective for 10y

Investment CAPEX	Tax rate reduction	Effective tax rate
0 - €50m.	0%	29%
€50m. - €100m.	20%	23,2%
> €100m.	30%	20,3%

Annual FTEs	Tax rate reduction	Effective tax rate
0 - 250 FTEs	0%	29%
250 - 1000 FTEs	20%	23,2%
> 1000 FTEs	30%	20,3%

**3<sup>rd</sup> recommendation:** Incentives to establish shared service centers, excellence centers and business hubs by offering steady tax planning and rewarding new job creation



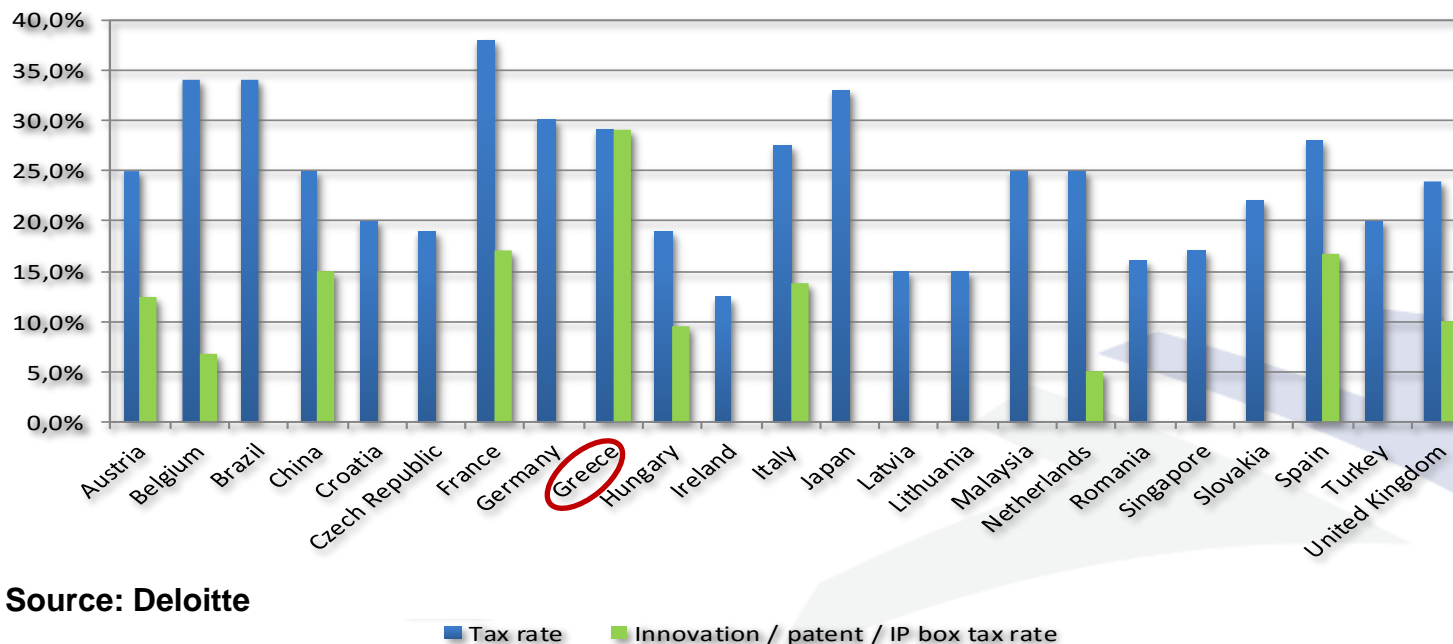
## Typical proposals

- Maintain fixed margin for 15y
- Tax reduction proportional to wage bill

Source: Deloitte

**4<sup>th</sup> recommendation:** Innovation box incentives, aligned with OECD & EU practices

## Innovation box benchmarks



Source: Deloitte

## Horizontal incentives

- Extend scope to include IP
- Transferable tax credits with 10% tax rate reduction vs 0%
- Super-deductions in R&D expenses: Effective reduction 35% vs 8,7%

**5<sup>th</sup> recommendation:** Align carryover to EU. An active tax policy turns losses into growth.

## Carryover benchmark

	Carryover	Time limit	Backwards	Group losses
<b>Austria</b>	YES	NO	NO	YES
<b>Belgium</b>	YES	NO	NO	NO
<b>Bulgaria</b>	YES	5y	NO	NO
<b>France</b>	YES	NO	YES	NAI
<b>Germany</b>	YES	NO	NO	YES
<b>UK</b>	YES	Conditionally unlimited	NO	NO with alternatives
<b>Ireland</b>	YES	Conditionally	NO	NO
<b>Spain</b>	YES	NO	NO	YES
<b>Italy</b>	YES	NO (80% of profits)	NO	YES
<b>Croatia</b>	YES	5y	NO	NO
<b>Cyprus</b>	YES	5y	NO	NO with alternatives
<b>Netherlands</b>	YES	9y	1y	YES
<b>Hungary</b>	YES	5y (50% of profits)	Conditionally	NO
<b>Poland</b>	YES	5y (50% of profits)	NO	YES
<b>Portugal</b>	YES	12y (70% of profits)	NO	YES
<b>Czech Rep.</b>	YES	5y	NO	NO

## Horizontal incentives

- 12y, capped to 70% of profits.
- Eliminated clause for loss of carryover if shareholders change by >33%

**6<sup>th</sup> recommendation:** Improve the investment environment by lifting long standing counterincentives which distract investments

### Tax certificate benchmarking

Indicator	Performance
Additional audited statements	~4.700
Tax audits ratio	93,5%
Additional tax base	+€3,4b, +73%, in 2011
Additional tax	€675m - €880m annually
Additional stamp tax	€15,3m, +27%

Source: KPMG

### Remove counterincentives

- **Unaudited financial statements.** Setup supplementary mechanisms to increase tax streams by ~ €800m.
- **Tax justice administration.** Setup up regional tax committees to finalize long standing tax audits. The expected benefits may reach €150m.

**Team of experts** (in alphabetic order)

Deloitte, Grant Thornton, KPMG, PwC,

Stavropoulos & Partners Law Firm, Zepos & Yannopoulos Law Firm



*Hellenic Federation of Enterprises*

**For further info:**

*Dr George Xirogiannis, Director, Industrial Policy*  
[gxirogiannis@sev.org.gr](mailto:gxirogiannis@sev.org.gr)

*Kostas Sfakakis, Advisor to the Board, Tax Policy*  
[ksfakakis@sev.org.gr](mailto:ksfakakis@sev.org.gr)

