

Tax - Breaking News

April 2021



Consistent with our commitment to keep you updated on the most significant tax developments, we outline below the main topics of the new Decision regarding the terms and conditions qualifying an individual as “angel investor”.

The new Decision **A. 39937/9.4.2021** issued by the Ministry of Finance provides terms and conditions qualifying an individual as “angel investor” in startups, the form, the time and the characteristics of the capital contribution, the process of taxable income deduction of the “angel investor”, as well as any other relevant topic for the application of the relevant provisions.

Definitions

- **Elevate Greece:** Register kept by the General Secretariat for Research and Innovation (G.G.E.K.) of the Ministry of Development and Investment in which companies are registered through the procedure defined by no. 85490/10.08.2020 joint decision of the Deputy Ministers of Finance and Development and Investment “Recommendation to the General Secretariat for Research and Technology of the Ministry of Development and Investment, National Register of Youth, Business Conditions for registration and criteria for inclusion of companies in the above Register” (B’ 3668), as amended and in force. The list of companies registered in the Register of G.G.E.K. is notified and updated with decisions of partial registration and deletion of the Secretary General of Research and Innovation and is accessible at any time, through the platform www.elevategreece.gov.gr.
- **Startup:** Each Societe Anonyme (SA), Limited Liability Company (LLC) and Private Company (IKE) based in Greece and registered in the National Register of Start-ups “Elevate Greece” at the time of the capital injection.
- **Angel investor:** The individual, Greek tax resident or foreign tax resident, holder of Greek Tax ID, who contributes funds to start-ups aiming on their the overall growth, in the manner provided by the relevant provisions.
- **Capital contribution:** The contribution of money of angel investor, which is made exclusively through a bank deposit.
- **Deduction right from taxable income:** An amount equal to 50% of the amount of the angel's investor capital contribution to startups, is deducted proportionally per category of income declared of the tax year within which the contribution was made.

Limitation of invested funds – Contribution method

- **The “angel investor” may be entitled to deduct from his taxable income up to the total amount of EUR 300 000** per tax year for capital contributions made to startups, which can be made to up to three (3), maximum, separate startups and up to the amount of EUR 100 000 per startup.
- Capital contribution to a startup is made through an increase of its share or corporate capital with the issuance of new shares or partnership units, respectively, as per existing provisions regulating the capital increase process of SA, Ltd. and IKE.

- The payment of the amount intended for the capital contribution is **made through a wire transfer from the “Angel Investor’s” bank account held in Greece or abroad, to the startup’s Greek corporate account** and is proved exclusively by the relevant document of the bank.
- **The capital contribution is declared by the startup in the electronic platform "Elevate Greece"** by submitting the data, as these are mentioned in the Annex, proving it was made.
- **The declaration in the above platform is submitted until the end of the next month from the date of registration in the General Electronic Commercial Registry (G.E.M.I.) of the certification of the payment of the capital increase** and contains the name and the tax identification number (TIN) of the startup company, surname, name, patronymic and TIN of the “angel investor”, the amount of the capital contribution and the date of its payment. Specifically, for capital contributions for which the certification of the payment of the capital increase has been registered in the G.E.M.I., until the publication of the decision, the declaration is submitted until the end of the month following its publication.

Taxable income deduction procedure

- **The deduction from the taxable income of “Angel Investor” is made by indicating the amount of the capital contribution in the income tax return of the tax year in which it was paid**, following the relevant guidance issued for the type and content of the personal income tax return on condition that the capital contribution has been made by that year’s income tax return filing deadline.

Imposing a fine

- The Independent Authority for Public Revenue (A.A.D.E.) carries out audits in order to verify the “angel investors” and startup’s compliance of their obligations, and particularly in order to determine whether the capital contribution has been made solely for the purpose of gaining tax advantage and avoiding the tax liability of the angel investor and not for the purpose of the overall growth of the business. If it is proved, after the audit, that capital contribution has been made for the purpose of gaining tax advantage, a fine is imposed on the individual “Angel Investor” equal to the amount of the benefit he aimed to obtain from the capital contribution to the startup.

Annex

- The Annex of the relevant guidance explicitly stipulates the supporting documentation which prove that the capital contribution or return of capital was made.

Into Force

- The provisions of the decision apply to amounts paid as of 29 July 2020 onwards.

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This Newsletter aims to provide the reader with general information on the above-mentioned matters. No action should be taken without first obtaining professional advice specifically relating to the factual circumstances of each case.