

# GMS Flash Alert

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## Greece – Social Security System Undergoes Major Reform

Greece's Law 4387/2016<sup>1</sup> has reformed the country's social security system. It has streamlined the system and its very disparate programs and introduced a number of new concepts.<sup>2</sup> Furthermore, the new law expands the application of insurance coverage to other areas of compensation and imposes revised contribution rates. It also attempts to defer some contributions to the future. Because of the extent of the changes, there remain a number of uncertainties that we expect will be clarified through the issuance of Ministerial Decisions.

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### WHY THIS MATTERS

International assignees, their assignment program managers, and their international tax service providers need to take note of these important changes, which will impact the administration of social security in Greece. More importantly, the new rates and thresholds may raise international assignment costs as a greater number of employees are now part of the social security "net" and employees and employers may be subject to higher contribution rates.

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### Unified Social Security Fund (E.F.K.A.)

A new fund is established, the "Unified Social Security Fund" (E.F.K.A.). When it begins operation on 1 January 2017, it will absorb the existing main social security funds (i.e., I.K.A. – E.T.A.M., E.T.A.P. – M.M.E., E.T.A.A., O.A.E.E., etc.).

### Unified Supplementary Insurance and One-Off Benefits Fund (E.T.E.A.P.)

The existing "Unified Supplementary Insurance Fund" (E.T.E.A.) is renamed "Unified Supplementary Insurance and One-Off Benefits Fund" (E.T.E.A.P.).

## New Common Registry

A Common Registry is to be established for all persons and entities that are liable to pay both social security contributions and taxes. The Registry will provide for common policies for registration, filing, payment and the issue of certificates of payment.

## Social Security Contributions: Base and Rates

### Remuneration Included in the Base

Employee remuneration of any type, excluding extraordinary benefits of a social nature (wedding, birth of children, death, and severe disability benefits) and up to a stated ceiling (see below), is subject to social security contributions.

As of the publication of the law, the maximum monthly remuneration (ceiling) which is subject to insurance contributions of any type is limited to ten (10) times the basic employment salary of a non-married employee of over 25 years of age.

Therefore the current ceiling is now increased to EUR 5,860.80 from EUR 5,543.55 per month.

However, due to uncertainty in the law, it appears that the basis of calculation for the health element of social security contributions might not be limited to the above ceiling.

### Individuals/Employees Covered

In accordance of the law, the following categories of people and earnings are covered, for the first time, under the provisions governing “earned income from employment”:

- managers, general managers, managing directors, or cooperating board members, administrators of companies or cooperatives (for the fees from such relationships provided that they have concluded employment agreements),
- members of Boards of Directors, for the fees received from the company in such capacity;
- salaried lawyers, irrespective of the year they were insured,
- insured persons who, until the entry of the law in force, were insured with E.T.A.A. and are employed by virtue of an employment agreement (for instance, engineers, doctors), irrespective of the year they were insured,
- self-employed persons paid on the basis of invoices issued for their services to one or two clients (it is not clear from the law how this provision will be applied in practice).

### Contribution Rates

#### Main Pension Contributions

All the above employees and professionals are subject to the main pension contributions of 6.67 percent of their total remuneration as defined above, plus 13.33 percent paid by the employer.

## Supplementary Pension Contributions

- As of 1 June 2016 and until 31 May 2019, the supplementary pension monthly contributions rate is set at 3.5 percent for the employee and 3.5 percent for the employer calculated on amounts as above described.
- The above rates are reduced to 3.25 percent and 3.25 percent respectively as of 1 June 2019 and until 31 May 2022, and thereafter at the rates in existence at 31 December 2015, i.e. 3 percent each.
- The above supplementary pension rates can be reduced during the six-year period from 1 June 2016 to 31 May 2022, by a decision of the Ministry of Employment, Insurance and Social Solidarity depending on the level of collectability achieved.

## Health Care Contributions

Health contributions for employees and other categories insured with E.O.P.Y.Y. are set at 7.10 percent of the remuneration of any nature, with 4.55 percent being borne by the employer and 2.55 percent being borne by the employee. The E.O.P.Y.Y. is the National Organization for Healthcare Provision, which resulted from the unification of most of the health-care funds in Greece, including the Private Employees' Fund (I.K.A.), the Farmers' Fund (O.G.A.), the Public Employees' Fund (O.P.A.D.), and the self-employed/Entrepreneurs' Fund (O.A.E.E.). The E.O.P.Y.Y. furnishes health services to participating members, pensioners, and their registered dependents.

## One-off Benefit

As of 1 January 2017, the one-off benefit contributions payable by insured persons who were insured as of 1 January 1993 and after to funds to be absorbed by E.F.K.A. will be set at 4 percent of the employees' remuneration subject to insurance and of the net taxable income of the self-employed individuals. No employer's contributions are envisaged.

The contributions of persons insured before 1 January 1993, continue to be regulated by the provisions of the original funds absorbed by E.T.E.A.P., as long as they provide for such a benefit.

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## RELATED RESOURCE

For a more in-depth analysis of the reform of Greece's social security system, see "[Social Security Newsflash](#)," a publication of the KPMG International member firm in Greece. This article is excerpted from "Social Security Newsflash," with permission.

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## FOOTNOTES:

1 For related coverage, see GMS *Flash Alert* 2016-084, 28 July 2016.

2 Law 4387/2016 on "Unified Social Security System – insurance and pension system reform – Income tax and gambling games regulations and other provisions" (Government Gazette A' 85/12.5.2016).

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## Contact us

For additional information or assistance, please contact your local GMS professional or one of the following professionals with the KPMG International member firm in Greece:



**Georgia Stamatelou**  
**Partner, Head of Tax**  
Tel. +30 210 60 62 227  
[gstamatelou@kpmg.gr](mailto:gstamatelou@kpmg.gr)

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