Mobility: tax alert

June 2016

Greece

New social security reform

Executive summary
The government of Greece is to create a single, Unified Social Security Institution (E.F.K.A.) from 1 January 2017. E.F.K.A will operate as a single administrative and financial organization, very similar to the major European Social Security Funds, and those insured by it will be subject to new and uniform social security rules and contributions and receive unified benefits.

The reform also increases the social security contributions rates and makes reductions in monthly pension payments. Important aspects of the new law are expected to be clarified at a later date by the Minister of Labour, Social Security and Social Solidarity.

Key features
To date there have been a number of social security institutions providing coverage for different categories of individual. E.F.K.A introduces a new unified system providing a variety of insurances. The main social security branches under the new Unified Social Security System are:

- National Pension
- Health care
- Auxiliary social security and Lump Sum Benefits.

Pension contributions
The overall main pension contribution rate of the employee and employer, subject to any special law provision, is set at 20% of employees' remuneration of any kind, with the exception of special social benefits such as marriage, child birth, death and severe disability benefits. The share of contributions is 6.67% for employees and 13.33% for employers. However, the maximum amount subject to social security contributions is set at ten times the minimum basic wage for an unmarried employee over 25 years old, which is currently €5,860.80.

Employers' obligations
The contributions must be declared in a statement by the employer under the existing legislation of the Social Insurance Institute – the Unified Social Security Fund of Employees (IKA-ETAM).

Transitional provisions
Until the publication of the new Law the main pension contribution rates will be annually adjusted gradually from 1 January 2017 onwards, so that as of 1 January 2020 these should be aligned with the respective rates set by the new legislation.

Health care contributions
As of 1 January 2017 the overall health care contribution is set at 7.10% and is shared by the employee at 2.55% and by the employer at 4.55 %.

Transitional provisions
In cases where the health care contribution rate is higher or lower than the one provided above, it is equally adjusted yearly until 31 December 2019, so that as of 1 January 2020 it should be aligned with the respective rates set out by the new law.

The new Unified Auxiliary Social Security and Lump Sum Benefits Fund
With the new reform the current Unified Auxiliary Social Security Fund (E.T.E.A.) is renamed to Unified Auxiliary Social Security and Lump Sum Benefits Fund (E.T.E.A.E.P.) comprising the auxiliary and lump sum social security branches. More specific, the two branches cover the:

- Supplementary insurance sector
- Lump sum benefits sector

Auxiliary social security contributions
Generally, the auxiliary contributions will be changing over time. From 1 June 2016 until 31 May 2019, the monthly contribution to the new E.T.E.A. E.P. for all employees, insured before or after 1 January 1993, is set at 3.5% for the employee and 3.5% for the employer, calculated on the insurable earnings of the employee. From 1 June 2019 to 31 May 2022 the contributions are set at 3.25% for the insured person and 3.25% for the employer calculated

Building a better working world

on the insurable earnings of the employee. However, after six years the monthly contribution returns to the rate applicable on 31 December 2015.

Insured persons before/after 1993	Period 1 June 2016-31 May 2019	Period 1 June 2019 – 31 May 2022	Period after 31 May 2022
Employer contributions	3.5 %	3.25%	3%
Employee contributions	3.5 %	3.25%	3%

Lump sum benefits sector contributions
As of 1 January 2017, the following categories are mandatorily subject to the lump sum benefits sector of the new E.T.E.A.E.P:
- Individuals subject to the social security of sectors, branches and welfare institutions that are incorporated into the unified E.T.E.A.E.P.
- Persons who are covered for the first time after the new reforms, and who are employed or become subject to the social security system under the general or special provisions of the E.T.E.A.E.P and its newly incorporated branches.

For those insured as of 1 January 1993 and onwards, the contribution rate is set to 4%. The rate is calculated on the insurable earnings for employees.

Directorships
The following categories of individuals are also subject to social security contributions:
- Directors, general directors, appointed managing or joint directors, administrators of companies or partnerships, on the condition that they providing their services under a dependent employment contract. The relevant contribution rates are calculated on the total remuneration. Social security contributions are calculated on their remuneration and it is not clarified yet by the government whether the nominal cap of €5.860.80 for the calculation of social security contributions applies.
- Individuals appointed as members of the Board of Directors of an AE company ("Anonymos Etairia") and receive remuneration. The relevant contribution rates are calculated on their lump sum remuneration.

A central registry for contributions
The new reform also provides the legal platform for the establishment of a central registry of persons and entities who are obliged to pay social security contributions and income tax. The registry will include and harmonize the registration process, but also validate and certify the payment of income tax and social security contributions.

Next steps
Employers should review how this social security reform might affect current and future social security liabilities.
In particular, employers should:
- Review the terms of planned assignments to understand the impact of this change on assignment costs.
- Review current and future payroll withholding processes to ensure the correct social security payments continue to be made following the new reform.
- Consider any communication to employees.

Review the impact the introduction of the reform will have on existing insurance coverage and assignment policies.

International Social Security Services
Mike Kenyon
Tel: +44 (0)20 7951 2583
Email: mkenyon@uk.ey.com

Gary Chandler
Tel: +44 (0)20 7951 1280
Email: gchandler@uk.ey.com

Greece
Stefanos Mitsios
Tel: +00 30 210 2886 363
Email: stefanos.mitsios@gr.ey.com

Dimitri Menexis
Tel: +00 30 210 2886 370
Email: dimitri.menexis@gr.ey.com

Maria Rigaki
Tel: +00 30 210 2886 528
Email: maria.rigaki@gr.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2016 EYGM Limited.
All Rights Reserved.
EYG no. DN0976

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com