ZEYA ACCOUNTING

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New Greek Accounting Standards

This newsletter outlines some of the key regulations introduced by Law 4308/2014 "Greek Accounting Standards and Relevant Regulations", published on 24 November 2014

Introduction

The new framework; repeal of existing provisions

With effect for fiscal years starting as of 1 January 2015, Law 4308/2014, published in the Greek Government Gazette on 24 November 2014, sets new accounting rules and principles and introduces new regulations for the maintenance of fiscal records and documents.

The new law incorporates in local legislation accounting standards included in Directive 34/2013/EU and materialises a further simplification that started in 2013 with the Greek Code of Tax Reporting of Transactions.

The main objectives of the new legislation are to simplify and modernise Greek accounting rules as well as enhance the transparency, reliability and comparability of the financial information of Greek undertakings. It also envisages encompassing simple and modernised rules relevant to fiscal records and documents, alleviating the administrative burden of the past by substituting the "formalistic" principles that applied in the past with substantial conditions as to the contents of documentation. In doing so, it introduces principles inspired by the IFRS while it also repeals a number of fragmented accounting and tax provisions with a view to constitute the main –and only, to a large extent- point of reference for all the above. In specific, the new law abolishes existing accounting and bookkeeping legislation as indicatively listed below:

- The Greek Code of Tax Depiction of Transactions (par. E' of Law 4093/2012)
- The Greek Chart of Accounts (Presidential Decree 1123/1980) and the Chart of Accounts applicable to Insurance Enterprises and Banks (Presidential Decrees 148/1984 and 384/1992, respectively)
- Provisions of Law 2065/1992 (chapters related to obligatory revaluation of property)
- Provisions of Corporate Laws 2190/1920, 3190/1955 and 4072/2012 (chapters related to financial statements, consolidation prerequisites, valuation rules)
- Law 1809/1988 governing the use and functions of special cash or tax machines for the issuance of fiscal documents (with the exception of retail receipts).

The new law also allows the optional application of either the IFRS or of the new applicable Greek accounting standards, from each of which direct transition to tax results is now permitted, subject to the application of the relevant provisions of the Income Tax Law (Law 4172/2013).

Shortly after publication of the new law, the first Interpretative Circular (POL.1003/2014) has also been issued by the Ministry of Finance clarifying various vague points thereof, yet not all, especially those relevant to the correlation between new accounting rules with income tax rules.

Contents

Bookkeeping obligations - subject undertakings

Bookkeeping obligations; the size of the entity matters

The new law establishes bookkeeping and financial statements obligations depending on the size of the undertaking as defined on the basis of specific quantitative criteria. These refer to undertaking's total amount of balance sheet, net turnover and average number of employees, as outlined in the below indicative table:

SIZE / CRITERIA	MICRO UNDETAKINGS	SMALL UNDERTAKINGS	MEDIUM-SIZED UNDERTAKINGS	LARGE UNDERTAKINGS
BALANCE SHEET TOTAL	< € 350,000	≤ € 4,000,000	≤ € 20,000,000	> € 20,000,000
NET TURNOVER	< € 700,000	≤ € 8,000,000	≤ € 40,000,000	> € 40,000,000
NUMBER OF EMPLOYEES	≤ 10.	≤ 50.	≤ 250.	> 250.

For the categorisation of an undertaking based on its size, two of the above three quantitative criteria must be exceeded for two consecutive fiscal years.

- The volume of bookkeeping and financial statements obligations is escalated from micro-undertakings to large undertakings, while for small and micro-undertakings special exemptions and simplifications are applicable.
- The Interpretative Circular illustrates, among others, bookkeeping obligations of specific types of undertakings not explicitly referred in the law, including foreign ones.
- The new law lists the undertakings obliged to maintain IFRS. The optional adoption of IFRS is also possible for all other undertakings.

Accounting records & financial statements

Accounting records

The new law provides for the maintenance of double entry or single entry (revenue-expenses) accounting records, depending on the size of the undertaking. Exceptionally, specific types of undertakings (indicatively sole traders, partnerships, joint ventures and unions), are allowed to maintain single entry accounting books, merely to the extent that their net turnover does not exceed Euro 1,500,000 for two consecutive fiscal years.

A new chart of accounts is introduced for bookkeeping purposes. Alternatively, each undertaking subject to the new law may continue to apply the chart of accounts used as at 31st December 2014.

The accounting system used by the undertaking must monitor both the accounting and the tax basis of expenses, revenue, assets, liabilities and equity elements, in order to be in compliance with tax legislation. The Interpretative Circular indicates specific methodologies and examples for the fulfillment of such requirement.

Stock Inventory book

The Stock Inventory book is abolished under the new law. Undertakings are still obliged to maintain records for quantity measurement and valuation of owned and third party stock at year-end. Indirect measurement techniques in connection with stock monitoring are indicatively provided in the Interpretative Circular.

Illustrative financial statements - Notes to the accounts

The new law contains "illustrative" financial statements (individual and consolidated models). New requirements are set in relation to the drafting of Notes to the accounts (abolishing the respective provisions of Greek Corporate Law). Notes should henceforth provide detailed information (narrative or quantitative) regarding the financial statements' accounts/figures, depending again on the size of the undertaking.

Consolidated accounts

The obligation to draft consolidated financial statements depends on the categorisation of Groups into small, medium-sized and large, based on specific thresholds provided by the new law. Small and medium Groups may, subject to specific conditions, be exempt from the obligation to compile consolidated financial statements.

Fiscal documents (supporting documentation)

Fiscal documents; what's new?

The new law provides for the issuance of invoices, retail receipts and clearance statements representing supporting documentation further simplified in terms of contents and formal requirements. As per the Explanatory Memorandum of the new Law, relevant provisions are harmonised with regulations of the 2006/112/EU VAT Directive on invoicing. Notable changes involve among other:

- Issuance of invoices instead of retail receipts is possible for retail transactions
- Layout formalities of invoices are more flexible
- The concepts of "amending", "simplified" and "cumulative" invoices are introduced
- Electronic invoicing is possible under specific conditions
- As per the Interpretative Circular, credit notes can now be issued for VAT unduly charged.

Time of issuance

New rules are introduced in connection with the time of issuance of invoices. Invoices should be issued until the 15th day of the next month following the month the supply of goods or services has taken place, **bearing as a date of issuance that of their actual issuance.** For year- end transactions this means that the invoices can be issued next year but the revenue will be booked in the previous year the transactions have taken place (booked from now on an accrual basis).

Delivery documentation

Under the former regime, delivery documents were required to be issued only for sales of goods in the event they were not accompanied upon their delivery **by fiscal documents of value.**

Under the new rules, each undertaking must itself determine the means of effective monitoring the movement of its goods for any reason (not only due to sale), whereas strict formalities of the past in terms of layout and content of the delivery documents have been abolished. Again, no delivery documentation is required to be issued for the sale of goods when upon their delivery they are accompanied by fiscal documents of value.

Retail receipts - Electronic cash registers of Law 1809/1988

Issuance of retail receipts must continue to be performed through special certified electronic cash registers of Law 1809/1988, with some exemptions for specific categories of undertakings under conditions as clarified through the newly published Ministerial Decision POL. 1002/2014.

Measurement & recognition rules - IFRS principles

Measurement & recognition rules

New measurement and recognition rules are introduced for the undertakings' accounts, many of which are in line with IFRS principles. Certain highlights of these rules are noted below:

- Depreciation is calculated based on the estimated useful economic life of assets instead of tax depreciation rates. Management is responsible to determine appropriate depreciation methods in this context
- Assets could be also subject to impairment, under specific conditions
- Leases are categorised into financial and operating. In principle, a financial lease is treated as a funding means (loan) while an operating lease is recognised as an expense for the lessee and as an asset for the lessor
- Provisions for employees' severance indemnity are recognised and measured either based on the nominal amounts according to employment legislation or based on accepted actuarial studies
- Establishment expenses, R&D expenses and income tax (current and deferred) constitute elements of the P/L statement of the undertaking.

Other IFRS-inspired principles

The new law sets accounting principles inspired by IFRS rules. Key points in this connection have as follows:

Deferred tax

Undertakings may recognise deferred taxes in their financial statements. If deferred taxation is applied, then all possible deferred tax liabilities must be recognised, whereas a deferred tax asset must be recognised only when this is probable and properly substantiated. At a financial statements level, deferred tax assets and liabilities are mutually offset, depicted in the respective net amount.

Fair Value

Undertakings are allowed to measure assets and liabilities at fair value provided such measurement may be substantiated as reliable. Otherwise, the asset or liability should be measured at cost.

Materiality

The principle of materiality should govern recognition, measurement, presentation, disclosure and consolidation in the drafting of financial statements. According to the principle of materiality, information that is considered immaterial may, for instance, be disclosed in aggregated form in the financial statements.

Changes in accounting policies and estimates - correction of errors

Changes in accounting policies and corrections of errors are recognised retrospectively, whereas changes in accounting estimates are recognised in current and future years.

IFRS interpretative guidance

For those applying the new Accounting Standards, interpretative guidance may be sought from the IFRS, as long as same is in line with the provisions of the new law.

How we may help you with the challenges of transition to the new Accounting Standards

With a long tradition in ongoing accounting and tax compliance services as well as diagnostic reviews and due diligence, ZEYA stands next to the Greek and foreign financial manager, assisting both ends to capture the intricacies of the Greek tax and accounting system. Our accountants and tax advisors have already established a plan for assisting your business with the adaptation to the new rules, by virtue of:

- Identifying the main areas of change under the new law in order to render them understandable in practical terms to your business
- Analyze the effect of the changes by picking up those critical to your business in specific, through discussions with financial management and a short diagnostic review for this purpose
- Prepare relevant reports for Greek and foreign management with recommendations as to the areas of mandatory vs. optional adaptation/amendments and their impact to the business; propose amendments to be adopted, where these are optional, assessing their potential positive impact to your business
- Assist financial management with the implementation of the changes in local books/transition in new accounts where necessary
- Discuss with local and foreign finance management throughout all steps of our work as above, sharing our knowledge from the market as well as IFRS rules, in order to facilitate relevant decision-making by your business.

Zeya is skilled to assist you in this demanding exercise. For any further information, you may contact us at a.paschali@zeya.com and g.voutsa@zeya.com

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