Greece COVID-19

Financial Measures Toward Mitigation of COVID-19 Coronavirus Effects in Greece

The coronavirus pandemic is causing tremendous hardship on a global scale. Similarly to international and European Union developments, Greece's first priority is to care for those afflicted and to limit further spread of the virus. At the same time, despite the great uncertainty of the Greek economy and the consequent severe disruptions, the government – in the light of what is foreseen at European Union level – is committed to use its full range of tools to support households, businesses, and the economy overall in this challenging time. The European Commission underlines that the coordinated economic response of Member States and EU institutions is crucial to mitigate the negative repercussions on the EU economy.

The European Commission has adopted a Temporary Framework so that Member States can make full use of the flexibility provided by the State aid rules to support the economy in the context of the outbreak of COVID-19. This framework allows Member States to ensure that sufficient liquidity remains available for businesses of all kinds and to maintain the continuation of economic activity during and after the outbreak of COVID-19.

Under a series of acts of legislative character,[1] in accordance with the requirements of European Union law,[2] a package of measures has been introduced across the public and private sectors in order to curb harmful coronavirus crisis implications in society, limit the losses of jobs and incomes and promote the stability of the financial system. To adopt the exact wording of the text, the principal objectives of the government, except for the principal aim to stem COVID-19 coronavirus spread and to protect public health, consist of 'securing the support of society and of entrepreneurship, assuring the smooth functioning of the market and public administration, as well as protecting the national and union borders'.[3] In support of these goals, the Greek government has introduced several measures that are, schematically, based on four pillars:

i) Measures to prevent the spread of coronavirus (such as public information initiatives, measures favouring flexibility in working hours, work from home initiatives, regulations concerning the proper operation of the market and the professions, border protection, limitations on circulation etc);
ii) initiatives to strengthen the national public health system;[4]
iii) initiatives to support society, entrepreneurship and public finances through stimulating liquidity and safeguarding employment;
iv) arrangements addressing the urgent needs of Public Administration.

There is total support of the health system for the extraordinary expenses required, in terms of payroll costs, recruitment of new staff, equipment, medicines, health care, cleaning and storage costs, transportation and sample analysis, and anything else required. It has already been supported by €15 million for the supply of necessary sanitary equipment. It is further supported by €75.5 million, which will be allocated for the recruitment of 2.000 healthcare professionals in Hospitals, Health Centres and the National Centre of Immediate Assistance (EKAB). It is estimated that additional funding will exceed €200 million. See no B1.α/οικ. 19627 Joint Decision of Health and Finance Ministers, Gov. Gazette no B 934/19.03.2020.

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1 An Act of legislative character, or alternatively, a legislative act, according to the Greek Constitution is the legislation adopted by the President of the Republic, following a proposal by the Council of Ministers, for the legislative resolution of an emergency of extreme urgency and unforeseen need. Legislative acts are adopted in the context of the autonomous regulatory competence of the executive. See Article 44 of the Hellenic Constitution.

2 European Commission C(2020) 1863 final, *Communication From The Commission -Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak*, Brussels 19.03.2020: <https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_temporary-framework.pdf>.

3 Preamble of the 20th March 2020 ALC, Gov. Gazette nº A68/20.03.2020.

4 See nº B1.α/οικ. 19627 Joint Decision of Health and Finance Ministers, Gov. Gazette nº B 934/19.03.2020.

The intention of the present report is to elaborate on the most important measures implemented to strengthen the Greek economy at this critical time (3rd of the aforementioned pillars).

The introduction of measures of purely economic nature was carried out in a second stage. Initial aim was to contain COVID-19 coronavirus spread.[5] The complete list of measures is provided at the subsequent Acts of Legislative Character, published on 11th and 20th of March. It should be underlined at this point that European guidelines in this field are important, considering that the State aid measures included in the Temporary Framework[6] complement other possibilities of the Member States to mitigate the socio-economic impact of the outbreak of COVID-19. Many Member States have already announced support measures for the real economy in order to reduce the economic impact of the COVID-19 outbreak. Concerning the application of the 2020 Temporary Framework, it should be underlined that Member States have low flexibility in handling these rules and that there is very little room for negotiation. They have to comply with the 'rigid' requirements of the Temporary Framework and the respective national scheme. Otherwise, they risk that the particular measure is not in line with the scheme and the Framework, which results in rendering the measure illegal. On the contrary, measures which do not appertain to the scope of EU State aid control may be applied without the involvement of the Commission. Such measures might be: wage subsidies, suspension of payments of corporate and value added taxes or social welfare contributions, financial support directly to consumers for cancelled services or tickets not reimbursed by the concerned operators etc.

The most important, *inter alia*, financial measures, taken by the Greek State, include:

1. Measures for Businesses

The Greek government has provided suspension of tax payments[7] and social security contributions. The measures are strictly for businesses – and employees of businesses – belonging to the sectors affected by the outbreak and spread of COVID-19 coronavirus. The measures are horizontal, as they apply to all businesses with specific Activity Code Number[8] (CAD).[9] However, in the case any company wishes to pay the above amounts to the Tax Administration at the scheduled date, then a 25% discount is provided.[10] The precondition for the above-mentioned measures is to support jobs. Specifically, the extension of deadline for payment of current insurance contributions is foreseen for the months of February and March 2020, which may be paid until 30/9/2020 and 31/10/2020 respectively, and a three month extension of the deadline for active regulated payments of employer/firms that were in demand 31/3/2020, as well as all subsequent monthly instalments of each adjustment. In addition, the possibility of extending the payment of the Easter Bonus to employees until summer is provided.

At business financial level, the deferment of instalment payments to Banks is authorized for businesses on the condition that they are consistent and reliable.[11] Furthermore, a repayment financial framework,[12] in the form of a repayable advance, with an extended repayment period and a grace period will be granted for all businesses severely affected by the emergence and spread of coronavirus,[13] amounting to €1 billion.[14] In a similar vein and in order to

5 25th February 2020 ALC, Gov. Gazette nº A42/25.02.2020.

6 The previous Temporary Framework, applied during the financial crisis in 2008/2009, proved to be an efficient tool to support the liquidity needs of businesses suffering from crisis-specific symptoms. This is the reason why the Commission has used the old Framework as a blueprint in the new present crisis.

7 Articles 1, 2 and 3 of nº A.1054/21.03.2020 Decision of Finance Deputy Minister, Gov. Gazette nº B 950/21.03.2020.

8 Nº A.1054/21.03.2020 Decision of Finance Deputy Minister, Gov. Gazette nº B 950/21.03.2020, - List of activities.

9 Articles 1, 2 and 3 of 11th March 2020 ALC, Gov. Gazette nº A55/11.3.2020.

10 Nepa.gr: <https://mcusercontent.com/e43c77195c6df6e99174b0cf0/files/20815a1f-472f-48ac-a43b-5cbda1afa2e7/%CE%9C%CE%95%CE%A4%CE%A1%CE%91_%CE%A3%CE%A4%CE%97%CE%A1%CE%99%CE%9E%CE%97%CE%A3_%CE%95%CE%A1%CE%93%CE%9F%CE%94%CE%9F%CE%A4%CE%A9%CE%9D_%CE%9A%CE%91%CE%99_%CE%95%CE%A1%CE%93%CE%91%CE%96%CE%9F%CE%9C%CE%95%CE%9D%CE%A9%CE%9D_%CE%95%CE%9D%CE%97%CE%9C%CE%95%CE%A1%CE%A9%CE%A4%CE%99%CE%9A%CE%9F_NEPA.pdf>.

11 ibid.

12 Furthermore, €1.8 billion will be allocated from a Special Investment Fund for actions such as strengthening the liquidity, the employment and the revenue. The precondition for these measures is to support jobs.

13 It should be noted that the 2020 Temporary Framework, adopted by the European Commission, aims to support companies, which were not in difficulty before the crisis, but entered in difficulty thereafter because of the COVID-19 outbreak.

14 Article 6 of 20th of March ALC, Gov. Gazette nº A68/20.3.2020.

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ensure liquidity, the Greek State enables the affected companies to benefit from interest rate subsidies on loans and bank loan guarantees.[15]

A brief reference should be made, at this point, to temporary State aid measures as provided by the 'Temporary Framework for EU State aid in Response to COVID-19 Outbreak', based on Article 107(3)(b) of the Treaty of the Functioning of the European Union (TFEU), adopted by European Commission on 19th March 2020. To remedy the serious disruption facing the entire EU economy the Framework provides for five types of aid: i) aid in form of direct grants, repayable advances or tax advantages, ii) aid in the form of guarantees on loans, iii) aid in the form of subsidized interest rates for loans, iv) aid in the form of guarantees and loans channelled through credit institutions or other financial institutions, v) short-term export credit insurance.[16]

2. Support for Employees and Unemployed Citizens

All employees with contract of employment temporarily suspended due to suspension of business operation, after state mandate,[17] will receive compensation[18] of €800 from the state budget in the beginning of April.[19] This measure applies to 500.000 employees and the cost is estimated at €400 million.

The State fully covers the insurance, pension and health rights of employees and their social security contributions on the basis of their total nominal wages, for 45 days.[20]

At the same time, for the afflicted businesses' employees, the payment of tax liabilities for March is suspended. Alternatively, a 25% discount is provided on their established debts to the Tax Administration or on their instalments amount in the case of arrear settlement, on the condition they proceed on their payment within the time limit.[21]

Regarding debts owed to banking institutions, the suspension of loan debt payments to banks for reliable borrowers is provided.[22]

The Greek government has also ensured the payment of the Easter Bonus to all employees of the private sector and has guaranteed safeguarding of employment rights, even in cases where the suspension of their employment contract is implemented.[23] Technically, there is an express prohibition of dismissal of employees in businesses, whose activity is suspended by order of a public authority.[24]

Finally, concerning unemployed persons, a two months further extension is provided for the eligibility period of regular unemployment allowance,[25] compensation for the long-term unemployed and the unemployment benefit for self-employed and freelancers, to all those whose relative entitlement ends on 31st March. Additionally, a compensation of €800 is prescribed for those who voluntarily retire or are fired between 1/3/2020 and 20/3/2020, provided they do not receive unemployment benefit.[26]

3. Measures Concerning Freelancers, Self-Employed and Sole Proprietors

For self-employed and individual businesses operating in sectors with strong decline in economic activity due to the emergence and spread of COVID-19 coronavirus,[27] all tax liabilities, payable in March, are deferred.[28] Furthermore, the

15 Nepa.gr (n 10).

16 European Commission C(2020) 1863 final, *Communication From The Commission -Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak*, Brussels 19.03.2020: <https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_temporary-framework.pdf>.

17 Article 1 (a) of nº 12997/231/24.03.2020 Ministerial Decision of Labor and Social Affairs Minister concerning the employees support measures.

18 This compensation is exempt from seizure, tax and offset.

19 Article 2 of nº 12997/231/24.03.2020 Ministerial Decision of Labor and Social Affairs Minister; Prime Minister announcement, available at: <https://primeminister.gr/2020/03/19/23609>.

20 Nepa.gr (n 10).

21 E. Laskary, Euro2day, available at: <https://www.euro2day.gr/news/economy/article/2014175/staikoyras-dieyrynetai-thn-allh-evdomada-to-plaisi.html>.

22 Nepa.gr (n 10).

23 Prime Minister announcement (n 19).

24 Each dismissal in breach of this provision is considered invalid. Article 4 of nº A.1054/21.03.2020 Decision of Finance Deputy Minister, Gov. Gazette nº B 950/21.03.2020.

25 Article 7 of 20th of March ALC, Gov. Gazette nº A68/20.3.2020.

26 Article 1 (b) of nº 12997/231/24.03.2020 Ministerial Decision; Prime Minister announcement, available at: <https://primeminister.gr/2020/03/19/23609>.

27 ToBHMA Team, 25.03.2020, <https://www.tovima.gr/2020/03/25/finance/koronoios-poia-einai-ta-metra-gia-ergazomenous-anergous-epixeiriseis-eleytherous-epaggelmaties/>.

28 ibid, Articles 5 and 4.

suspension of instalment payment of active arrangements is provided – regardless of the provisions governing them – whose obligation is due to expire between March 2020 and May 31, 2020. These debts and adjustments are halted and will commence on 1st of June 2020.[29]

The suspension of payment of insurance contributions for freelancers and self-employed is also envisaged, for the months of February and March, without interest and surcharges.[30] Otherwise, for those who proceed to pay current social security contributions for February and March 2020 on the scheduled date, a 25% discount is provided.[31]

Similar to what was mentioned above for employees, regarding affected self-employed, freelancers and sole proprietors a financial aid[32] will be given in early April, for the period between March 15 and April 30.[33]

Finally, in the specific cases of disciplines such as economists and accountants, engineers, lawyers, doctors, educators and researchers, the funding of special training programs and support for adaptation to the new digital requirements is provided in order to promote and extend the distance vocational activity.[34]

4. VAT Reduction

Additionally, the reduction of VAT percentage from 24% to 6% is foreseen on products necessary to protect against coronavirus or to prevent its transmission.[35]

5. Intervention in Real Estate Market

Specifically, for companies which are obliged to cease or suspend their activity because of the spread of coronavirus, the payment of 60% of the rent of the commercial property is provided, for the period of March and April. The same arrangement is implemented to employees of the enterprises, which compulsorily cease their activity due to the spread of the coronavirus, and whose employment contract is suspended, under the condition that this is their first and main residence.[36] At the same time, however, for owners of real estate in the aforementioned cases, the suspension, for four months, of their tax liabilities and of their established debts payment is stipulated.

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29 Nepa.gr (n 10).

30 Article 8§2. of March ALC, Gov. Gazette nº A68/20.3.2020. The repayment of the above-mentioned contributions will be made in 4 monthly instalments starting on 1st of September 2020.

31 E. Laskary (n 21).

32 ibid Article 8§1.

33 ibid; Prime Minister announcement (n 19).

34 Nepa.gr (n 10).

35 Article 1§1 of 11th of March ALC, Gov. Gazette nº A55/11.03.2020.

36 Article 2§§ 1 and 2 of 20th of March ALC, Gov. Gazette nº A68/20.3.2020 concerning the rent reduction of professional and principal residence leases.

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