Technology

Greece's New Measures enhancing Innovation and R&D

The newly enacted **Law 5162/2024**, primarily effective from January 1, 2025 (tax year 2025), introduces a comprehensive set of measures aimed at enhancing Greece's innovation ecosystem, fostering investment, and strengthening the country's research and development (R&D) framework. This legislation includes initiatives such as the "Startup Visa" for investors, expanded tax incentives for angel investors and small and medium-sized enterprises (SMEs), modernized taxation for Venture Capital Mutual Funds (VCMFs), and enhanced incentives for patent commercialization. These provisions reflect a strategic effort to position Greece as a competitive destination for technological innovation and entrepreneurial activity within the global landscape.

The "Startup Visa" (residence permit)

A key measure introduced by the new law is the residence permit for investment in a startup business. Under the "Startup Visa" scheme, effective January 1st, 2025, investors contributing a minimum of **€250,000** to a registered startup listed in Elevate Greece will be eligible for this special permit. The contribution may take the form of subscribing to shares in a share capital increase or bonds issued during a bond loan offering. Eligibility criteria require that the acquired shares must not exceed 33% of the company's capital or voting rights (equivalent to a post-money valuation of at least approx. €757,000). Furthermore, the investment must result in the creation of at least two new job positions within the first year of the investment, with these positions maintained for a minimum of five years. Investments can also be made through legal entities with a registered seat in

Greece or abroad. In such cases, the residence permit is granted to the individuals owning these legal entities.
For comparison with existing investor residence permit schemes, most types of investments require a minimum contribution of **€500,000**, except for investments in mutual funds that invest in Greek securities or Alternative Investment Organizations focusing on investments in Greece, where the minimum threshold is **€350,000**. For real estate acquisitions, the required minimum investment ranges between **€400,000** and **€800,000**.

In all above cases, the residence permit may extend to the holder's family members. The eligible family members include i. the spouse or registered partner in a civil partnership, ii. unmarried children of the couple or partners under 21 years of age, iii. unmarried children of either partner, provided custody has been legally granted, and they are under 21 and iv. direct ascendants of the spouses or partners. For children who turn 21, an independent three-year residency permit is granted, subject to specific provisions and the submission of the prior family reunification permit.

Angel Investors

Furthermore, in an effort to attract investor's funds into the startup ecosystem, Greece has expanded tax incentives for angel investors—natural persons, tax registered in Greece (whether tax residents of Greece or abroad) who contribute capital to startups or Venture Capital Mutual Funds (VCMFs) established and managed in Greece. The maximum aggregate deductible amount from the taxable income of the angel investor **is raised from €300,000 to €900,000 per tax year**, allocated to a maximum of three (3) different startups or VCMFs. For startups the maximum allocated amount is €300,000. The deduction rate remains at 50% of the above capital contribution.

Venture Capital Mutual Funds (VCMFs): a modernized tax regime

From January 1, 2025, VCMFs can choose from alternative taxation methods (instead of previously applicable investor level taxation).

1. **Fund-Level Taxation:** A.K.E.S. pays tax on the annual increase in the value of its holdings, which fully satisfies the tax obligations for both the fund and its investors.

2. **Investor-Level Taxation:** Investors are taxed directly on their share of the fund's income.
3. **Exemptions:** Gains from the sale or return of shares are tax-exempt, while losses are not deductible.

This choice must be declared at the fund's establishment, and existing funds or those created before December 31, 2024, follow the investor-level taxation model, which applied exclusively under the previous regime.

Research and Development (R&D) initiatives

Another important development is the enhancement of the tax reductions and the expansion of investment incentives for research and development (R&D) activities.
Under the new regime, expenses related to scientific and technological research, incurred for the provision of work or services to businesses registered in the Elevate Greece registry, or University Research and Innovation Centers, or other specifically defined Research Institutes, as well as the depreciation of equipment and instruments used for scientific and technological research purposes, are deductible from the gross income of these entities in the year they are incurred, **increased by 150%, compared to the standard 100% applicable to other businesses**.

This preferential rate is even more advantageous for **Small and Medium-Sized Enterprises (SMEs)**, as defined by the EU Commission Recommendation 2003/361/EC, provided their R&D expenses exceed **20%** of the company's total annual expenses. Additionally, if R&D expenses in a fiscal year surpass the average of the previous two years, SMEs are eligible for a further **15% deduction**, fostering greater innovation and investment in research.

If multiple deduction options are applicable under the above provisions, then the most favorable deduction is applied. This ensures businesses benefit from the maximum possible tax relief.

Patent Commercialization

The new law significantly enhances incentives for patent commercialization in Greece to drive innovation and attract investment. The new tax regime for businesses exploiting "internationally recognized patents" developed in-house introduces extended incentives.

Profits are fully exempt from income tax for up to **three (3) consecutive years**, starting from the year they are first realized, as in the previous regime. However, the new provision adds a **10% tax exemption** on profits for the following **seven (7) years**, provided a clear link exists between the patent's development and the company's R&D expenses. This change extends the benefits significantly beyond the prior framework, which offered only a 3-year exemption, fostering long-term innovation and patent commercialization.

An "internationally recognized patent" refers to one that meets at least one of the following criteria: (a) a **European Patent** granted by the European Patent Office and registered in Greece (**which, while not explicitly stated, should also encompass the Unitary Patent, as applicable**), or (b) a **Patent** registered with the Hellenic Industrial Property Organization (O.B.I.), excluding Utility Model Certificates, and also registered in another country that either (i) adheres to the European Patent Convention or collaborates under it, or (ii) is a member of the OECD, a candidate country for membership, or under enhanced engagement status. For income tax exemption eligibility, the patent must remain valid until at least the last day of the fiscal year for which the exemption is claimed.

Conclusion

The new legislative framework introduces an array of measures aimed at fostering innovation, attracting investment, and bolstering research and development in Greece. While these provisions, represent a significant step forward, it remains to be seen whether and to what extent they will effectively drive innovation and establish Greece as a competitive hub for technological advancement and entrepreneurial growth.
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