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ENERGY, UTILITIES & INFRASTRUCTURE PRACTICE

## An Overview of the Coronavirus Support Initiative & Impact on the Energy and Infrastructure Sector in Greece

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## A. Covid-19 Response Investment and Support Initiative – General

The ongoing crisis of the Covid-19 pandemic has triggered an immediate response from the Greek state, which proceeded to the adoption of a wide array of measures from the early stages of the outbreak. The initiatives, besides of course targeting to limit the spread of the disease among the country's population, directly aim to support the national economy, which has recently entered into a recovery trajectory following many years of recession, on a business as well as on an employee level.

The emergency provisions mainly cover issues of tax; social security and administrative nature as well tend to the facilitation of businesses through financial incentives or other interventions.

With regards to taxation, the Government's initiative introduces several emergency tax reliefs, mainly focusing on the suspension of various deadlines, the granting of a refundable cash advance/payment and the reduction of the VAT rate for specific products.

The state has further undertaken to aid the settlement of social security obligations while in the administrative field, the initiative concentrates on measures related to public procurement procedures.

While the urgent tax provisions cover all sectors of the economy, social security

measures mainly focus on businesses significantly affected by the circumstances. Interventions in the administrative field mostly benefit undertakings that participate in public tenders.

All types of private companies and enterprises may benefit from the initiatives, including freelancers and sole proprietorships.

In brief, the types of support relating to taxation include:

- suspension of several tax reporting and payment deadlines;
- reduction of 25% in assessed tax liabilities for April 2020;
- reduced VAT rate for products essential for protection against the pandemic;
- a refundable cash advance/prepayment financed by the state's budget for the financially affected businesses; such financial aid shall be tax-exempt; it may not be seized nor set-off against any liabilities.

Social security arrangements comprise of:

- payment by the state of social security contributions of private sector employees, during the suspension of employment thereof;

- postponement of deadlines for payment of social security contributions by employees and employers.

Administrative measures may consist of:

- deferrals of planned public tenders;
- extensions of the applications' submission and other public procurement deadlines; and
- extensions of contractual time-limits.

Other provisions aiming to facilitate the financial and overall sustainability of businesses include:

- the provision of a 40% discount to lessees of commercial leases for the rents of March and April;
- the option of businesses to operate with intermittent employment of the available staff for safety/health reasons;
- the option of intra-group transfer of staff;
- the option of businesses that are severely affected by the health crisis to suspend the existing employment agreements;
- suspension of deadlines for the submission and payment of bank cheques and other financial instruments for 75 days;
- provision of discount to freelancers and sole proprietorships for the timely payment of social insurance contributions;
- possibility of holding Board of Directors meetings through teleconferences;
- facilitation of work from home arrangements for various types of businesses; and

- incentives to financial institutions to proceed to renegotiation of loans to businesses.

A list of Activity Code Numbers (hereinafter "ACN") published by the Ministry of Finance on 26 March 2020 sets the exact activities to which the social security, as well as tax emergency regulations, shall apply. Companies that have suspended employment agreements, shall be required not to proceed to any dismissals and retain their personnel over the suspension period.

Undertakings qualifying for tax reliefs further include:

- enterprises which have suspended their operation by virtue of explicit governmental decisions;
- enterprises (not originally affected) holding securities, whose payment may be suspended; and
- small and medium enterprises from all economic sectors employing at least one and up to a maximum of 500 employees as regards the refundable prepayment.

In general, no specific actions are required in order for businesses to become eligible for the implementation of the above initiatives. However, specifically for the refundable cash advance/prepayment, a relevant application should be filed through a dedicated online platform within the specified period.

Therefore, the emergency measures are implemented automatically. Likewise, access to the platform established for the refundable cash prepayment is rather effortless.

Nevertheless, the precise timeframe for the actual remittance has not been determined.

The tax provisions initially cover obligations for the period of March and April 2020 and can be extended depending on how the situation evolves. Respectively, social security measures are applicable for the period of February and March 2020 while specifically, the payment of contributions by the state shall cover the 45-day period of their employment suspension. On the other hand, the measures relating to the public tender proceedings shall apply for a period of six months from the date of enforcement (20 March 2020).

In detail, the below tax support measures are designed to relieve businesses in view of the financial impact of the ongoing crisis:

*Extension of deadlines:*

- 1) extension of the deadlines for the payment of VAT obligations, assessed tax liabilities and instalments of assessed liabilities towards the Greek state until 31 August 2020;
- 2) extension for the publication of the annual financial reports of companies listed at the Athens Stock Exchange, for the prior fiscal year; as well as for reporting of tax documents for cross-checking purposes of information (MYF) until 30 June 2020;
- 3) two months' extension of the deadlines for the submission of capital duty and stamp duty returns whose deadline expires within March and April 2020;
- 4) extension until 29 May 2020 of the deadline for the submission of inheritance and

gambling profits tax returns, as well as for donations tax returns;

- 5) extension of currently pending tax proceedings until 31 July 2020; and
- 6) extension of specific deadlines included in the Tax Procedure's Code (regarding the procedures for challenging any assessment act issued by the tax authorities).

*Reductions and other measures:*

- 1) 25% reduction of specifically assessed tax liabilities due between 30 March 2020 and 30 April 2020;
- 2) VAT rate reduction from 24% to 6% (until the end of the year) for products necessary for protection against Covid-19; and
- 3) acceleration of refunds of income tax and VAT, for amounts below EUR 30,000 per type of tax and per taxpayer, as on 20 March 2020.

The measures for the support of businesses adopted to date do not interfere with the insurance coverage the businesses may retain. Therefore, insurance policies with business interruption, credit insurance and third-party liability coverage may function in supplement to the support mechanisms adopted, provided that such policies cover the insured risks in the case of a pandemic, subject each time to the specific terms and conditions.

Government's websites with relevant information are:

- <https://covid19.gov.gr/>

The website offers comprehensive information for all issues on the state's response and actions amidst the Covid-19

situation. However, for the time being content is only available in Greek;

- <https://www.aade.gr/>

The website of the Independent Authority of Public Revenues of the Ministry of Finance, where all the Decisions about tax measures are uploaded; and

- <https://www.aade.gr/mybusinesssupport>

The online platform where the eligible businesses can apply for the refundable cash prepayment.

# B. Impact on the Energy and Infrastructure Sectors

Initiatives directly applicable to the Energy sector were introduced in late March among the several packages of emergency measures adopted by the Greek state.

Measures focusing on RES projects, target to ensure the viability of the investments in the field, include extensions of:

- the duration of installation licences and final grid connection offers expiring within the year;
- deadlines for the acceptance of final grid connection offers and the submission of the relevant letter of guarantee to the competent operator;
- deadlines for the electrification of RES stations which have secured a reference tariff for the produced electricity either through their participation in RES tenders or by operation of law.

Apart from the above, special provisions allow energy companies to procure the necessary supplies in derogation of the applicable Covid-19 restrictive or lockdown measures in order to ensure the undisrupted supply of materials and spare parts.

Furthermore, in order to ensure protection against the spread of the virus, energy companies are required to facilitate and perform transactions with their clients through various long distance means of communication.

2020 was set to be the year marking important developments in the privatisation of infrastructure including significant energy state-controlled companies. These include the Trading and Infrastructure divisions of the Public Gas Supply Company (DEPA Trading SA and DEPA Infrastructure SA), the Public Power Corporation (PPC SA), the Hellenic Petroleum SA (HELPE), the South Kavala Natural Gas Storage, the Athens International Airport, the further privatisation of the Independent Power Transmission Operator (IPTO SA) and others. The unraveling emergency situation, however, has halted the relevant developments. Although no specific announcements have been made to date, besides the extension of the conclusion of the first phase of the DEPA Trading SA process, delays are expected in the majority of the tenders. The Covid-19 measures provide the Hellenic Republic Asset Development Fund, as with other public authorities, the right to postpone, extend or even suspend the tender processes.

Besides, the recent developments indicate that the implementation of the restructuring of the domestic electricity market in conformity with the Target Model will also be delayed. The commencement of operation of the new electricity markets by the Energy Exchange, the go-live date of which according to the applicable framework was set for 30 June 2020 will inevitably be pushed back since the

provided date for the necessary simulation tests are already missed.

Overall, the Greek state's early reactions indicate an effort to support the economy in this unprecedented global crisis. The timely implementation of the wide spectrum of measures, however, includes an array of provisions (such as the imposition of a curfew, restriction of movement within the country, closing of borders and limitation of air travel, shutdown of numerous businesses, schools), the combined results of which in the market remains to be revealed in the upcoming period.



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