Greece | Tax Alert | 2 December 2014

New Greek General Accounting Principles (Greek GAAP) Law 4308/2014
Everything you need to know

Save the date: 15 December 2014

Update Forum: Unpacking the Greek General Accounting Principles (Greek GAAP), Accounting Records and Sales Invoices (Law 4308/2014)

Invitations to attend this free **Update Forum** will follow. A more detailed Tax alert regarding this update will follow in the coming weeks.

Contact Persons:

Maria Trakadi
Tax Managing Partner
E-mail: mtrakadi@deloitte.gr
Tel.:210 6781260

Thomas Leventis
Tax Partner
E-mail: tleventis@deloitte.gr
Tel.: 210 6781262

Stelios Kyriakides
Tax Partner
E-mail: stkyriakides@deloitte.gr
Tel.: 210 6781358

Nick Sourdis
Tax Partner
E-mail: nsourdis@deloitte.gr
Tel.: 210 6781291

Law 4308/2014 incorporates **EU Directive 2013/34, "Annual Financial Statements, Consolidated Financial Statements and Relevant Documents for Specific Legal Entities,"** into Greek legislation.

The new law also abolishes **the Code for the Tax Recording of Transactions**, effective **1 January 2015**, and introduces **new provisions governing accounting systems**, accounting records that must be maintained and tax documents (supporting documentation) that must be issued.

The more important provisions are the following:

Classification of entities

- The term "person liable for recording transactions" in the Code for the Tax Recording of Transactions is replaced by the concept of "entity."
- Entities that fall within the scope of Law 4308/2014 are divided into four categories (very small, small, medium and large) based on the following criteria:
  - Total assets
  - Annual turnover; and
  - Number of employees
- Entities that prepare financial statements according to IFRS will need to comply only with the provisions of the law regarding Accounting records and Sales records (supporting documentation).

Accounting and sales records

- The concept of "accounting records" is introduced for the first time into Greek law. This term includes:
  - Databases of primary informative data;
  - Records of transactions and accounting events; and
  - Accounting books, i.e. where data on transactions and events are recorded.

- Entities are required to monitor the accounting and taxable basis of income, expenses, assets, liabilities and net equity.
- The new law introduces the requirement to maintain a new Chart of Accounts, although some simplification measures also apply. Account codes are not mandatory in accordance with international practice. Nevertheless, the same codes and account descriptions used so far may continue to be applied.
- The law regulates the responsibility of the entity regarding the documentation and monitoring of the inventory disposed of or sold. There is no tax obligation to keep an inventory book.
- The time period for updating and storing accounting records is set out.
- Provisions regarding the sales records (invoices, receipts, e-invoices) also are included in the law, with simplification procedures in place, given that the old regime is abolished.

Preparation of financial statements and measurement

- The law sets out the financial statements that each entity must prepare, as well as new accounting definitions and examples regarding the drafting of the financial statements.
- The basic method for the recognition and the measurement is the acquisition cost; alternatively, the entities may use fair value.
- IFRS may be used as guidance, as long as they are in line with the provisions of the law.
- Expenses incurred on establishment are not considered assets that can be amortized,

although any book values in an entity's accounts in accordance with the former Greek GAAP rules may continue to exist even after 31 December.2014, until fully amortized.

- A lessee must recognize equipment leased under a finance lease as an asset, with a corresponding recognition of the liability, whereas the lessor must recognize the same asset as a receivable (claim).
- The end-year inventory cost is determined using one of the following methods: FIFO, weighted average or any other generally accepted principle, duly documented. The LIFO method may not be used.
- Specific assets and liabilities may be measured at amortized cost using the effective interest rate method or the straight-line method, instead of the acquisition cost if the former has a significant impact on the financial statements.
- Entities may recognize deferred tax assets and liabilities.

Consolidated Financial Statements

- Groups also are categorized for purposes of drafting the consolidated financial statements.
- Specific rules for the preparation of consolidated financial statements apply.

First Adoption

- The new Greek GAAP rules apply for accounting periods commencing after 31 December 2014.
- The provisions regarding the accounting and sales records will apply as from 1 January 2015.
- Specific recognition and measurement rules are provided for the first adoption of the new GAAP.
- In some cases, an entity may need to restate the data of the previous accounting period for comparison purposes.

Abolished provisions

- As mentioned above, the Code for the Tax Recording of Transactions is abolished as from 1 January 2015, along with the Greek GAAP presidential degrees 1123/1980, 148/1984 and 384/1992 and Law 2190/1920 (company law) provisions regarding the drafting of financial statements. Finally, Law 2065/1992 regarding the mandatory valuation of real property every four years also is abolished.

Deloitte Business Solutions Hadjipavlou Sofianos & Cambanis S.A.
3a Fragkoklissias & Granikou str.
GR - 151 25 Maroussi
Athens, Greece