New Social Security Law

Law 4387/2016, which applies as from 12 May 2016, provides for the establishment of a single social security institution (EFKA) and introduces significant changes to the Greek social security system.

The most important features of the new law are as follows:

**Freelancers and self-employed persons**

- As from 1 January 2017, the social security contributions of freelancers and the self-employed
will be calculated on their monthly income as determined according to their taxable income (derived from professional activities) of the previous tax year. The minimum monthly income subject to social security contributions will be EUR 586.08 and the maximum EUR 5,860.80.

- Indicatively, as from 1 January 2017, newly insured persons who previously were covered by the insurance organization for the self-employed (OAEE) will be subject to a social security contribution rate of 26.95% (which covers the main pension and medical care), and newly insured persons covered by the organization for independent professionals (ETAA, which covers professionals such as engineers, doctors and lawyers) will be subject to a rate of 37.95% (which covers main pension, supplementary pension, medical care and welfare). The monthly contribution of EUR 10 for unemployment remains unchanged.

- Persons insured under ETAA who have annual income up to EUR 58,000 will be granted a discount on their social security contributions for the period 1 January 2017 to 31 December 2020.

**Salaried employees**

- The social security contributions of all salaried employees (including those previously covered by ETAA) will be calculated on all types of remuneration.

- As from 1 June 2016, the social contribution rate for the supplementary pension increases from 6% to 7% (3.5% each for the employee and the employer).

- In this respect, as from 1 June 2016, for the majority of salaried employees, the social security contributions rate amounts to 41.06% (16% employee + 25.06% employer) which covers main pension, supplementary pension, medical care and unemployment (OAED, OEK, OEE), whilst for the salaried employees covered with welfare too, the said rate amounts to 45.06% (20% employee + 25.06% employer)

- The monthly upper earnings cap for the calculation of the social security contribution is set at EUR 5,860.80.
Members of boards of directors

According to the New Law, fees paid to members of a board of directors are subject to social security contributions.

Social security fund selection

Newly insured individuals no longer may select one social security fund if they are subject to the mandatory insurance of two or more funds.

Payroll issues

- The employer must report the social security contributions of all of its salaried employees in the analytical periodical statement as it applies to insured individuals that were covered by the IKA (the main social security organization for salaried employees).

- As from 1 July 2016, the employer must deposit the monthly salaries, the corresponding social security contributions and pay-as-you-earn taxes of its employees in a bank account. Each amount then will be paid by the relevant bank to the employee’s account, the social security funds and the Greek state, respectively.

- A common register for those liable for the payment of social security contributions and income tax will be set up once a relevant ministerial decision is issued. The new register should harmonize and standardize the process for registration, reporting, payment, and the imposition of income tax and social security contributions.

- The rules applying to employees with respect to the calculation and payment of social security contributions also will apply to freelancers and the self-employed who provide services to no more than two clients and who are remunerated based on the issuance of an invoice for the provision of services.
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